2021

EXTERNAL GUIDELINES

FORMER NOTEBOOK DECOM N. 3 - THE DETERMINATION OF THE DUMPING MARGIN IN A TRADE REMEDIES INVESTIGATION

CALCUTATING THE DUMPING MARGIN IN ANTIDUMPING INVESTIGATIONS IN BRAZIL

STEP BY STEP FLOWCHART

NORMAL VALUE, EXPORT PRICE, DEDUCTIONS AND ADDITIONS, SPECIFIC OPERATIONS, DUMPING MARGIN

Undersecretariat of Trade Remedies and Public Interest (SDCOM)
Foreign Trade Secretariat (SECEX)
Ministry of Economy - Brazil

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1 Translation carried out by the Solution Group, contracted by SECEX through the administrative process SEI-ME 19972.101207/2021-74,

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LIST OF ABBREVIATIONS

ADA	Anti-Dumping Agreement of the World Trade Organization
CIF	Cost, Insurance and Freight
CKD	Completely Knock-Down
CODIP	Product Identification Code
CODPROD	Product Code
COFINS	Social Security Contribution
DIV	Indirect Selling Costs
DRE	Income Statement
FOB	Free on Board
ICMS	Tax on the Circulation of Goods and on Services of Interstate and Intermunicipal Transportation and Communication
IPI	Tax on Manufactured Products
MDIC	Ministry of Development, Industry, and Foreign Trade
WTO	World Trade Organization
DSB	Dispute Settlement Body of the WTO
PIS	Social Integration Program
POI	Period of Investigation
RDV	Daily sales revenue
SAC	Constant Amortization System
SDCOM	Undersecretary of Trade Remedies and Public Interest
SECEX	Foreign Trade Office
T-T	Transaction-to-Transaction
USITC	United States International Trade Commission
VDV	Daily sales volume
VL	Net realizable value
VMC	customers' account average value
VME	Average volume of inventory
W-W	Weighted Average-Weighted Average
W-T	Weighted Average-Transaction

SUMMARY

PRESENTATION (Out. 2021)

The Undersecretariat of Trade Remedies and Public Interest (SDCOM) of the Secretary of Foreign Trade (SECEX) of the Special Secretary of Foreign Trade and International Affairs (SECINT) of the do Ministry of Economy is the competent public authority to conduct trade defense investigations in Brazil, pursuant to article 96 of Decree No. 9,745, of April 8, 2019, amended by Decree No. 10,072, of October 18, 2019. Among the trade defense measures are anti-dumping measures, countervailing measures and safeguards.

This Guide for Calculating the Dumping Margin in Anti-Dumping Investigations in Brazil ("Calculating the Dumping Margin in Antidumping Investigations in Brazil Guidelines") aims to increase the transparency, predictability and legal certainty of those administered, in line with the other Guides published by SDCOM between 2019 and 2021, available at https://www.gov.br/produtividade-e-comercio-exterior/pt-br/assuntos/comercio-exterior/defesa-comercial-e-interesse-publico/guias .

This Guidelines for Calculating the Dumping Margin in Antidumping Investigations in Brazil was prepared based on SDCOM Brochures No. 3 - The determination of dumping in trade defense proceeding, originally published in September 2015. Initially, the objective of SDCOM Brochures No. 3 was to disseminate studies on trade defense issues. In its first edition, in 2015, SDCOM Brochures No. 3 was divided into 5 chapters.

In 2020/2021, aware of the need to improve the way the dumping margin calculation is schematized and in order to simplify the understanding of the main steps of the calculation, an external consultant was hired through an International Technical Cooperation Project with the United Nations Development Programme (UNDP), to improve the techniques for calculating dumping margins and to standardize and eliminate manual interventions. The process of hiring the consultant was governed by SECINT Notice 01/2020 and occurred within the scope of Project BRA/18/023, signed on December 20, 2018 between this Ministry, the United Nations Development Program (UNDP) and the Brazilian Cooperation Agency of the Ministry of Foreign Affairs (ABC/MRE), in accordance with Decree No. 5.151, of July 22, 2004. As the first product of the consultant, the flowcharts presented below were developed from the work of the consultant contracted via the International Technical Cooperation Project with the United Nations Development Program.

For ease of understanding, therefore, this new **Guide** is separated into two Parts. In Part I of this new Dumping Margin Calculation Guide for 2021, flowcharts were included that systematize the step-by-step calculation of the dumping margin in antidumping investigations in Brazil: Normal Value (1), Export Price (2) and Dumping Margin (3). Part II, in turn, covers, with no changes in content, the details contained in the first edition, with theoretical information and practical examples of how to make the following calculations operational: Normal Value (1), Export Price (2), Deductions and Increases (3), Treatment of Specific Operations (4), and Dumping Margin (5).

The parameters set forth in this Guide are merely indicative and do not bind SDCOM in the conduction or analysis of the administrative processes under its competence, taking into account possible specificities in concrete cases. The methodology presented herein is not mandatory or binding, nor does it seek to exhaust all concepts, methodologies, analyses, and investigation phases. Specificities of each case may lead to concrete analyses not necessarily linked to the general guidelines presented.

Amanda Athayde Linhares Martins Rivera

Undersecretary of Trade Remedies and Public Interest

PRESENTATION (Set. 2015)

This year DECOM completes twenty years. Since its creation in 1995, the accumulated experience allowed the development and improvement of procedures and methodologies for the conduction of investigations in the scope of its competencies.

Certainty, among them, anti-dumping investigations are those that DECOM acquired the highest expertise. In its two decades of existence, more than 300 investigations of this type were initiated, which shows the relevance of the instrument to the Brazilian productive sector.

In this respect, the determination of dumping is at the core of the Department's activities. Even though it may seem simple math, this ends much more than a mere subtraction of the export price from the normal value, incorporating economics, financing, accounting concepts of international trade, and so many other areas of knowledge.

It is nothing new for anyone that international agreements have several blind spots whose domestic authorities' interpretations are imperative to make them applicable and operational. Thus, it is so appropriate to collect some of this accumulated experience in a single publication and share it with those who somehow or other are related to DECOM.

However, this brochure DECOM No. 3 does not intend to comply with the gaps of Anti-Dumping Agreement of the World Trade Organization (ADA), neither it aims to complement the Brazilian Regulation. Above all, it is a relevant instrument for debate. So, let's go to work! Please, read, discuss, agree, disagree, make questions.

"There are no easy methods to solve difficult problems."
René Descartes

Marco César Saraiva da Fonseca
Director for the Trade Defense Department (DECOM)

THE DETERMINATION OF DUMPING IN THE TRADE DEFENSE PROCEEDING[2] (Set. 2015)

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INTRODUCTION

Article 1 of the Anti-Dumping Agreement of the World Trade Organization (ADA) establishes that anti-dumping measures may be applied after the conduction of investigations initiated and performed under the provisions of such agreement, where the domestic authorities shall determine: (i) the existence of the practice of dumping; (ii) injury to the domestic industry; and (iii) causal link among them.

This Brochure purposes the analysis of the first step stressed in the paragraph above — the determination of dumping, aiming to show, according to the multilateral (especially ADA's Article 2) and Brazilian laws, the criteria, and its practical application by the Brazilian authority — Trade Defense Department (DECOM) — in the conduction of anti-dumping investigations.

In this regard, the Brazilian law governs them, namely, Decree No. 8,058 of July 26, 2013, hereinafter also called as Brazilian Regulation, establishes:

> "Art 7 For this Decree, the practice of dumping is the introduction of a product in the Brazilian domestic market, including under modalities of **drawback**, at a lower export price to its normal value."

Thus, the determination of dumping involves:

I) Assessment of the normal value;
II) Assessment of the export price;
III) Comparison between the export price and normal value;
IV) Determination of the margin of dumping

Item (I) will be analyzed in Chapter 1: Normal Value, which was divided into two main parts, considering that the **status** of a country (if it belongs to a market economy or not) influences this assessment deeply. In the first part, we analyze three methodologies applicable to producers/exporters of market economy countries: (a) selling prices of the foreign like product in the domestic market of the exporting country; (b) export price of the foreign like product to an appropriate third country; and (c) constructed value, being that the methodologies (b) and (c) are will be used only if determined conditions precluding the use of the methodology (a) occur. In the second part of this Chapter, we analyze four methodologies provided for the Brazilian law to assess the normal value of producers/exporters of non-market economy countries: (a) selling prices of the like product in a substitutive country; (b) constructed value of the like product in a substitutive country; (c) export price of the like product of a substitutive country to other countries, except for Brazil; and (d) any other reasonable method.

Item (II) will be analyzed in Chapter 2: Export Price, where we will explain two possible methodologies for that: (a) assessment of the received or receivable export price; which is applied when the producer is the own exporter or, if they are different entities, there is no relationship or association between them; and (b) reconstruction of the export price, in cases where there no is an export price or such price does not seem reliable. It is emphasized that the export price may be considered unreliable, and its assessment, therefore, shall be made using the methodology (b — reconstruction) when: (i) the exporter and foreign producer of the subject product are related or associated parties, or when (ii) there is an association, relationship or compensatory agreement between the exporter or foreign producer and the importer or a third party. Each one of these two possibilities (i) and (ii) was analyzed in a specific section of the Chapter. The peculiarities of the assessment of the export price given the **status** of the exporting country (both market economy and non-market economy) also were dealt with in that Chapter.

Item (III) will be analyzed in Chapters 3: Deductions and Increases and 4: Treatment to Specific Trade Transactions. In Chapter 3, the increases and deductions usually made for the assessment of the normal value and export price will be put in detail to ensure a fair comparison between them. These increases and deductions are divided into the following categories: discounts and allowances granted after the sale, opportunity costs (financial cost and expense of inventory maintenance), interest income, taxes incurring on the transaction, adjustments related to the trade level, (direct and indirect) selling costs, expenses with packaging, and tax recovery.

In Chapter 4, some specific transactions will be detailed, whose suitable treatment may raise doubts regarding the assessment of the normal value and export price and the comparison between them. These transactions are categorized as follows: samples/donations, resales, returns, and lower quality products.

Finally, item (IV) will be analyzed in Chapter 5: Margin of Dumping, where we will present three methods of comparison between the normal value and export price provided for in the multilateral and Brazilian laws. Also, we will appoint the different possibilities to apply the first of these methodologies: the use of annual averages or multiple averages, their methodologies of calculation, and their ways of use. Furthermore, we will analyze the subjects of selection of producers/exporters, the unique margin of dumping for economic groups, the margin of dumping **de minimis**, and adjustment of the **ad valorem** rate. Also, we will present the way Brazil applies Article 2.4.1 of ADA, which deals with the adjustments to the exchange rates in cases where there is a relevant fluctuation of the involved currencies.

We also present Exhibit I: Cost of Production, which has the purpose to clarify terms inherent to the subject. Furthermore, we explain how the company's expenses could be allocated and, eventually, how the adjustment in the input cost purchased from a related company would be made in different conditions from those performed by independent parties.

With the purpose to illustrate the application of the technical basis of the analysis in the determination of dumping, we will use a hypothetical investigation of dumping in exports of wooden tables to Brazil. There are two investigated origins: from a market economy country whose single producer/exporter is the Fictitious Company, and from a non-market economy country, in which the company Fantasia Co., Ltd. figures as the producer/exporter.

To demonstrate DECOM's possible approach in the assessment of the normal value of these companies, we will present Exhibit II, which corresponds to the hypothetical answer of the Fictitious Company to the questionnaire of the producer/exporter referring to their sales in the domestic market during the period of investigation, hereinafter as from April 2014 to March 2015. Subsequently, as we will present in this Brochure, due to the fact of Fantasia Co., Ltd. is in a non-market economy country, the data referring to its sales in the domestic market, in the concrete case, could not be used to assess its normal value. This is the reason that a similar database for this company is not presented.

Now to show a possibility of assessment of the export price of Fictitious Company, we present Exhibits III (Sales of Fictitious Company to Brazil), IV (Export of Exportables to Brazil), and V (Resales of Importable to the First Independent Purchaser in Brazil). The other companies mentioned herein (Exportables and Importable) refer to the foreign exporter and Brazilian importer, respectively, related to the Fictitious Company, to explain how occurs the measurement of the export price based on its reconstruction, given the relationship or association between the exporter and foreign producer, and/or the Brazilian importer or a third party. A similar situation was performed to Fantasia Co., Ltd., which we presented in Exhibits VI (Exports of Fantasia Co., Ltd. to Brazil), and VII (EXPORTS OF Export Tables to Brazil). Export Tables is a foreign exporter related to Fantasia Co., Ltd.

It is emphasized that this Brochure aims to present the authors' opinion on DECOM's current practices and is usually undertaken for the determination of dumping. However, the decisions on the approached topics are always taken considering the peculiarities of the concrete cases, which means that such decisions may be different from the approaches presented in this Brochure. In addition, nothing is precluding that the practice of the Department evolves, due to reasons such as, for instance, the need of suitability to new interpretations of the multilateral law put in evidence in the scope of the World Trade Organization.

PART I. STEP-BY-STEP FLOWCHART OF DUMPING MARGIN CALCULATION IN ANTI-DUMPING INVESTIGATIONS

Part I of this Dumping Margin Calculation Guide presents the new flowcharts: Normal Value (1), Export Price (2), and Dumping Margin (3).

In this Part I of the 2021 Guide to Dumping Margin Calculation, flowcharts have been included that schematize the step-by-step calculation of the dumping margin in antidumping investigations in Brazil. To facilitate understanding, the following flows are presented separately: Normal Value (1), Export Price (2), and Dumping Margin (3), followed by a very brief description. The objective is to simplify the understanding of the main steps of the calculation, which will be detailed in Part II.

FLOWCHART 1: CALCULATION OF THE NORMAL VALUE

Choice of methodology for calculating the Normal Value

Is the country a market economy?

— No →

Selling price of the like product in a substitutive country

(Chapter 1.2.1)

Constructed value of the like product in a substitutive country

(Chapter 1.2.2)

Export price of a substitutive country to other countries

(Chapter 1.2.3)

Another reasonable price

(Chapter 1.2.4)

Yes

Is it possible to use the sales made on the producer/exporter's domestic market?

— No →

Which methodology is best suited?

Yes

Normal value assessed according to the selling price in the domestic market

(Chapter 1.1.1)

Normal value assessed according to the export price for an appropriate third country

(Chapter 1.1.2)

Constructed normal value

(Chapter 1.1.3)

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graph TD
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Normal value assessed according to the selling price in the domestic market (Chapter 1.1.1)

Test of sales below the cost (Chapter 1.1.1.1)

First step: comparison of the net price with the monthly per unit cost of production (Chapter 1.1.1.1.1)

Second step: verification if the sales made below the monthly per unit cost were made at prices that allow to recover the costs within the reasonable period of time (Chapter 1.1.1.1.2)

Examination of sales made by the producer/exporter to associated or related parties (Chapter 1.1.1.2)

Disregard from the calculation of normal value the operations listed in article 14, paragraph 7 of Decree No. 8.058/2013 (Chapter 1.1.1.3)

Identification of which commercial operations are characterized as normal commercial operations and may be used for purposes of calculating the Normal Value (Chapter 1.1.1.4)

Analyze whether sales of the like product destined for consumption in the domestic market of the exporting country will be considered as sufficient for the determination of the Normal Value (5% or more of sales of the product under investigation exported to Brazil) (Chapter 1.1.1.5)

Yes

No

Normal value will be determined based on the selling price in the domestic market of the producer/exporter (Chapter 1.1.1.6)

Normal value can be determined based on the constructed value or, alternatively, on the export price to a third country (Chapters 1.1.2 and 1.1.3)

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Constructed normal
value

(Chapter 1.1.3)
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Calculation of production costs for one unit of each CODIP, in each month of the dumping investigation period

(Chapter 1.1.3.1)

Calculation of the average production costs for one unit of each CODIP for the dumping investigation period

(Chapter 1.1.3.2)

Calculation of profit margin on operations

(Chapter 1.1.3.3)

Is there production and sale of the foreign like product for profit margin calculation?

No

Yes

Determine the profit margin based on one of the three hypotheses of article 14, § 15, of Decree No. 8058, of 2013

(Chapter 1.1.3.5)

Determine the profit margin based on actual production and sales data for the like product of the producer/exporter under investigation in the course of normal business operations

(Chapter 1.1.3.3)

Calculation of the constructed normal value

(Chapter 1.1.3.4)

FLOWCHART 2: CALCULATION OF THE EXPORT PRICE

Choice of methodology for calculating the Export Price

Is there a relationship between the producer or exporter and the importer?

- No → Is the producer the exporter of the product under investigation?
  - Yes → Received or receivable export price - the export price will be the received or receivable export price, by the by the product exported to Brazil

    (Chapter 2.1.1 for market economies)

    (Chapter 2.2.1 for non-market economies)
  - No → Are the producer and exporter related?
    - No → Received or receivable export price - the export price will be the received or receivable export price, by the by the product exported to Brazil

      (Chapter 2.1.1 for market economies)

      (Chapter 2.2.1 for non-market economies)
    - Yes → Reconstruction of the export price - the export price will be reconstructed from the price actually received, or the price to be received, by the exporter, per product exported to Brazil

      (Chapter 2.1.2.1 for market economies)

      (Chapter 2.2.2.1 for non-market economies)
- Yes → Reconstruction of the export price - The export price can be constructed from: (I) the resale price; or (2) on a reasonable basis, if the goods are not resold to an independent purchaser or in the same condition as imported

  (Chapter 2.1.2.2 for market economies)

  (Chapter 2.2.2.2 for non-market economies)

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┌─────────────────────────┐          ┌──────────────────────────────────────┐
│                         │          │ Determine the price for each sales     │
│  Received or receivable │          │ operation from the gross sale value,   │
│     export price        │─────────▶│ deducting the amounts related to       │
│                         │          │ discounts and rebates, taxes levied on │
│  (Chapters 2.1.1 e      │          │ the operation, direct sales expenses,  │
│   2.2.1)                │          │ including international freight and     │
│                         │          │ insurance, and opportunity costs       │
└─────────────────────────┘          │                                        │
                                     │ (Chapter 2.1.1 for market economies)   │
                                     │                                        │
                                     │ (Chapter 2.2.1 for non-market          │
                                     │  economies)                            │
                                     └──────────────────────────────────────┘
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┌─────────────────────────┐
│  Reconstruction of the  │
│     export price        │
│                         │
│  (Chapters 2.1.2 e      │
│   2.2.2)                │
└─────────────────────────┘
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There is a relationship between the foreign producer and exporter	There is a relationship between the foreign producer or exporter and the importer or a third party
The export price is reconstructed from the gross sales value charged by the related exporter, seeking to remove the influence of this intermediary on the export price, in order to ensure a fair comparison of this price with the calculated normal value (Chapter 2.1.2.1 for market economies) (Chapter 2.2.2.1 for non-market economies)	The export price is reconstructed by removing the influence of this intermediary (related importer) on the export price, in order to ensure a fair comparison between this price and the normal value (Chapter 2.1.2.2 for market economies) (Chapter 2.2.2.2 for non-market economies)

FLOWCHART 3: CALCULATION OF THE DUMPING MARGIN

Choice of methodology for calculating the Dumping Margin

W-W

The dumping margin is calculated by comparing the weighted average normal value with the weighted average export price

(Chapter 5.1.1)

T-T

Normal values and export prices, compared transaction by transaction

(Chapter 5.1.2)

W-T

The dumping margin is calculated by comparing the weighted average normal value with the price of each export transaction

(Chapter 5.13)

Annual average

A weighted average normal value and a weighted average export price are calculated over the entire investigation period

(Chapter 5.1.1.1)

Multiple averages

A weighted average normal value and a weighted average export price will be calculated for each time period fixed by the investigating authority.

(Chapter 5.1.1.2)

The weighted average export price is subtracted from the weighted average normal value.
From this calculation, the absolute margin is obtained. To calculate the relative dumping margin, the absolute margin is divided by the weighted average export price.

(Chapter 5.1.1.1.3)

In each month in which there were exports, the monthly dumping margin is multiplied by the quantity exported in that same month. The quotient between the sum of these values and the quantity traded during the entire POI represents the dumping margin of the POI obtained by multiple averages.

(Chapter 5.1.1.2.4)

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                                           ┌──────────────────────────┐
                                           │   Discounts and          │
                                     ┌────▶ │ allowances granted after │
                                     │      │       sales             │
                                     │      │                         │
                                     │      │     (Chapter 3.1)        │
                                     │      └──────────────────────────┘        ┌──────────────────────┐
                                     │                                          │   Financial cost     │
                                     │      ┌──────────────────────────┐  ┌───▶ │                      │
┌──────────────────┐                 │      │   Opportunity costs      │  │     │  (Chapter 3.2.1)     │
│  Deductions and  │                 ├────▶ │                          │──┤     └──────────────────────┘
│    increases     │                 │      │     (Chapter 3.2)        │  │     ┌──────────────────────┐
│                  │                 │      └──────────────────────────┘  │     │  Inventory holding   │
└──────────────────┘                 │                                    └───▶ │      expense         │
         │                           │      ┌──────────────────────────┐        │                      │
         │                           │      │    Interest income       │        │   (Chapter 3.2.2)    │
         ▼                           ├────▶ │                          │        └──────────────────────┘
┌──────────────────┐                 │      │     (Chapter 3.3)        │
│ From the face    │                 │      └──────────────────────────┘
│ value of the     │                 │
│ transaction      │                 │      ┌──────────────────────────┐
│ (sale on the     │                 │      │ Taxes incurring on the   │
│ domestic market  │     ┌───┐       ├────▶ │     transaction          │
│ of the exporting │────▶│   │       │      │                          │
│ country, export  │     └───┘       │      │     (Chapter 3.4)        │
│ to third         │                 │      └──────────────────────────┘
│ countries or     │                 │
│ export to Brazil)│                 │      ┌──────────────────────────┐
│ net of discounts │                 │      │ Adjustments related to   │
│ and rebates      │                 ├────▶ │    the trade level       │
│ granted at the   │                 │      │                          │
│ time of sale,    │                 │      │     (Chapter 3.5)        │
│ add/deduct the   │                 │      └──────────────────────────┘
│ following items: │                 │
│                  │                 │      ┌──────────────────────────┐
│   (Chapter 3)    │                 │      │ Direct selling expenses  │
└──────────────────┘                 ├────▶ │                          │
                                     │      │     (Chapter 3.6)        │
                                     │      └──────────────────────────┘
                                     │
                                     │      ┌──────────────────────────┐
                                     │      │   Expenses with          │
                                     ├────▶ │    packaging             │
                                     │      │                          │
                                     │      │     (Chapter 3.7)        │
                                     │      └──────────────────────────┘
                                     │
                                     │      ┌──────────────────────────┐
                                     │      │   Duty drawback          │
                                     └────▶ │                          │
                                            │     (Chapter 3.8)        │
                                            └──────────────────────────┘
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PART II. NORMAL VALUE, EXPORT PRICE, DISCOUNTS AND REBATES, SPECIFIC TRANSACTION TREATMENT AND DUMPING MARGIN

Part II of this Dumping Margin Calculation Guide presents, with no changes in content to the details contained in the first edition, in Brochure Decom n.3, 2015, the theoretical information and practical examples of how to operationalize the following calculations: Normal Value (1), Export Price (2), Deductions and Additions (3), Treatment to Specific Operations (4) and Dumping Margin (5).

CHAPTER 1: NORMAL VALUE

1.1 Market Economies

As explained in the Introduction, the first step for the determination of dumping is the assessment of the normal value. The Brazilian Regulation (Decree No. 8,058 of 2013) defines it as the "price of the like product, in the ordinary course of trades, destined to the consumption in the domestic market of the exporting country."[3]

If there are no sales of the like product in the ordinary course of trades in the domestic market of the exporting country or when, given special conditions of market[4] or low volume of sales of the like product in the domestic market of the exporting country,[5] the appropriate comparison of the price of the like product destined to the consumption in the domestic market with the export price to Brazil is not possible, the normal value may be assessed, according to the Brazilian Regulation, through other two other options:

I)   **Export price of the like product to an appropriate third country, since this price is representative[6]; or**

II)   **Constructed value, which shall be in the cost of production in the stated country of origin, added of reasonable amount as general, administrative, trade, financial costs, and profit.[7]**

The Brazilian Regulation establishes the preference for the first methodology of assessment of the normal value (the price of the like product, in the ordinary course of trades, destined to the consumption in the domestic market of the exporting country). In cases of assessment according to methodologies mentioning items I and II, the normal value may be assessed without any established hierarchy. However, since there is no hierarchy, the alternative methodology of assessment of the normal value based on the export price to a third country is

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3 Art. 8 of Decree No. 8,058 of 2013.

4 The term "special conditions of market" includes situations where the formation of domestic prices, especially those related to basic inputs, do not occur in conditions of market, that is, they are determined or significatively influenced by the action of the government - Paragraph 16 of art. 14 of Decree No. 8,058 of 2013.

5 It is emphasized that the Brazilian Regulation also establishes that the use of these alternatives may give rise if there are not enough sales of determined specific models: Art. 13 of Decree No. 8,058 of 2013.

6 Item I of art. 14 of Decree No. 8,058 of 2013.

7 Item II of art. 14 of Decree No. 8,058 of 2013.

less used in Brazil. Because there is the possibility that the investigated origin also is practicing dumping in its exports to third countries, and, therefore, the price referring to such exports may not be suitable to the right comparison with the export price to Brazil.

In this section of this Chapter, we will present three methodologies of assessment of the normal value. With the purpose to show how the Undersecretariat of Trade Remedies and Public Interest (SDCOM) would assess the normal value of a producer/exporter based on each one of these methods (without prejudice to other methodologies equally valid), we will use a hypothetical example of a fictitious company (Fictitious Company, mentioned in the Introduction of this Brochure), located in a market economy country. It is remembered that this hypothetical example deals with a dumping investigation in exports to Brazil of wooden tables, and the period of investigation was defined as "April 2014 to March 2015."

1.1.1 Normal value assessed according to the selling price in the domestic market

As previously emphasized, the Brazilian Regulation establishes the preference for the selling price in the domestic market of the exporting country as the methodology to assess the normal value. Usually, this price is assessed according to the answer in the questionnaire that the Department sent to the producers/exporters. It is emphasized that companies fill the annex related to their sales in the domestic market under the data established in their invoices issued and in their accounting system. Companies shall provide data related to such sales, even though they are considering that there are reasons to justify the non-use of this information.

Figure 3.1, in Chapter 3 of this Brochure, is a hypothetical example of an invoice of wooden table in the domestic market by the fictitious producer/exporter Fictitious Company and illustrates the origin of determining information that producers/exporters shall report in their sales database of the foreign like product in the domestic market of the exporting country, which is presented in the Exhibit II.

As previously mentioned, to determine the methodology to be adopted for assessment of the normal value, it is necessary to establish (i) which sales transactions of the producer/exporter destined to the domestic market are suitable, that is, which are the ordinary course of trades, and (ii) if these ordinary courses of trades were made in sufficient quantity.

See below the required tests and considerations for the determinations established in items (i) and (ii).

1.1.1.1 Test of sales below the cost

The Brazilian Regulation establishes that sales of a like product in the domestic market of the exporting country will not be considered as the ordinary course of trades and will be disregarded in the assessment of the normal value when they are made in prices below the per unit cost of production of the foreign like product/subject product of investigation.[8] The "test of sales below the cost" is made to determine which sales occurred below the cost of production.

This test consists of the comparison between the net price (for the test of sales below the cost) of each one of the reported transactions with the per unit cost of production of a like product (considering the several types of products).

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8 Paragraph 1 of Art. 14 of Decree No. 8,058 of 2013.

Note 1.1: This segmentation in "types of products" is, in general, performed through the classification of the like product in CODIPs (Product Identification Codes).

CODIP is represented by an alphanumeric combination reflecting the characteristics of the product and recording, in a descending order, the importance of each characteristic, beginning with the most relevant. The company lists the trade codes used in the ordinary course of trades of its sales transactions of the like product (called as CODPRODs) with the catalogued characteristics in the questionnaire of the producer/exporter.

Supposes that Fictitious Company manufactures wooden and metal tables, and it has for this purpose CODPRODs usually used to appoint these products, as shown in the table below:

Table 1.1: CODPROD Aspects

Product	CODPROD
Table	100
Metal	100-01
Cast Iron	100-01-01
Aluminium	100-01-02
Wooden	100-02
Unvarnished	100-02-01
Squared	100-02-01-01
rectangular	100-02-01-02
Varnished	100-02-02
Squared	100-02-02-01
rectangular	100-02-02-02

Now, supposes that CODIPs for this investigation (with narrowed scope to wooden tables) were determined based on the presence or absence of varnish in the composition of the product, as shown below:

Table 1.2: CODPROD Aspects

Aspect 1: Varnished or Unvarnished Wooden Table	CODIP
Unvarnished	A
Varnished	B

Considering that the investigation is restricted to the wooden tables, Fictitious Company will not need to report its data on the production and sales of metal tables, and, therefore, there will not be a correspondence between CODPRODs used to appoint the metal tables with CODIPs to be used in this investigation.

In addition, in view of CODIPs will only take into consideration the aspect of the product ("absence or presence of varnish", the company shall gather CODPRODs referring to all "varnished" and "unvarnished" tables, regardless of other additional characteristics (such as format: rectangular/squared), for the purposes of correlation with CODIPs.

In the case of Fictitious Company, the correspondence between their CODPRODs and CODIPs under investigation would be as follows:

Table 1.3: CODPROD-CODIP Correspondence

Product	CODPRODs	CODIP
Wooden Table Not Varnished	100-02-01-01 and 100-02-01-02	A
Varnished Wooden Table	100-02-02-01 and 100-02-02-02	B

The net price (for the test of sales below the cost) for each transaction destined to the domestic market corresponding to the gross price informed by the producer/exporter net of taxes incurring on sales, discounts, and allowances, selling costs (direct and indirect), financial cost, financial income with interest (which is an accretion), and expense of inventory maintenance. In cases where the cost of production is reported as net of the cost of packaging, the expense of packaging (classified as a selling cost in the annex of sales in the domestic market) also shall be discounted. For more details on the conception of each one of these items and procedures that the Department performs for the necessary deductions/increases for the assessment of the net price (for the test of sales below the cost), see chapter 3.

In the example of Fictitious Company, assessed according to the database provided by the company, described in Exhibit II herein, referring to its sales of the foreign like product in the domestic market according to the explanations and examples in Chapter 3, the net price (for the test of sales below the cost) was calculated for each transaction. Such calculation occurred through the deduction of discounts and allowances, financial cost, selling costs (direct and indirect, including expenses with packaging), and expense of inventory maintenance, and increase of the interest income, as shown in the table below:

Table 1.4: Assessment of the Net price (for the test of sales below the cost)

Identification Code - CODIP	Invoice Number	Date of Sale	Gross unit price (US$/kg)	Deductions (US$/kg)	Increases (US$/kg)	Net price (for the test of sales below the cost) (US$/kg)
DCODIP	DFAT	DVENDT	DPRBRUTO	Discounts and Allowances, Financial Cost, Taxes, Direct Costs with Sales (including Expenses with Packaging), Indirect Costs of Sales and Expense of Inventory Maintenance	Interest Income	= Gross price - Deductions + Increases
B	TPH-003	04/30/2014	3.98	(0.97)	0.04	3.05
A	TPH-003	04/30/2014	3.97	(0.68)	0.04	3.33
A	NYC-256	06/02/2014	2.82	(1.13)	-	1.69
A	DLW-423	08/01/2014	3.49	(0.80)	-	2.69
A	FLD-669	09/17/2014	3.30	(0.83)	-	2.47
B	WSC-1592	11/20/2014	3.43	(0.59)	-	2.84
B	MSC-1704	01/07/2015	-	(0.66)	-	(0.66)
A	ATL-111	02/02/2015	3.87	(1.28)	-	2.60
B	SHC-09	03/08/2015	3.75	(0.87)	-	2.88
B	DVC-315	03/10/2015	4.17	(1.39)	0.09	2.88

Now, the cost of production consists of the costs of manufacturing (fixed, variable, and labor) accrued with general, administrative, financial, and other costs. Due to not being included there, trade costs, in the assessment of the net price (for the test of sales below the cost), all trade costs (both direct and indirect), shall be deducted from the gross price, as mentioned in the paragraph above.

The information of the cost of production is obtained from the answers of the questionnaire of the producer/exporter, and they refer to the costs effectively incurred by the company in the production of the like product and subject product. See: "Exhibit I: Costs" for more details on the requested information. In the example of the Fictitious company, the cost of production was calculated as follows:

Table 1.5: Assessment of the Cost of Production - total and per unit

Product Identification Code (CODIP)	Month	A - Variable Costs	B - Labor	C - Fixed Costs	D - Manufacturing Cost + B + C)	E - General and administrative costs	F - Financial costs (revenues)	G - Other expenses (revenues)	H - Total Cost (D + E + F + G)	Manufactured Quantity (kg)	Per Unit Cost of Production (US$/kg)
		[US$]	[US$]	[US$]	[US$]	[US$]	[US$]	[US$]	[US$] (A)	(B)	(A/B)
A	1	374.00	60.00	65.00	499.00	124.75	99.80	62.38	785.93	300.00	2.62
A	6	546.00	90.00	97.50	733.50	183.38	146.70	91.69	1,155.26	450.00	2.57
B	1	307.40	70.00	45.50	422.90	105.73	84.58	52.86	666.07	210.00	3.17
B	8	403.80	120.00	78.00	601.80	150.45	120.36	75.23	947.84	360.00	2.63

It worth emphasizes that the test of sales below the cost is divided in two phases, which we will explain below.

1.1.1.1.1 First step: comparison of the net price (for the test of sales below the cost with the monthly per unit cost of production

In the first step of the test of sales below the cost, the obtained net price is put in comparison with the average per unit cost of production regarding the month of the date of each sale9, considering each CODIP. For this, the producer/exporter shall report the unit cost of production of the products manufactured in each month of the period of investigation, discriminated by CODIP. Therefore, the Department seeks to correlate the monthly cost of production of the product (CODIP) to each sales transaction, which refers to such sales.

In cases where the month refers to the date of sales, there has not been the production of such CODIP, usually, it is considered the cost of production of the same CODIP referring to the immediately preceding month. If there is no production of that CODIP in the immediately preceding month, it is considered the average cost of production of the period of investigation of the same CODIP. If for any reason there did not occur production of such CODIP during the period of investigation and, therefore, there is no average cost of production for that CODIP, it is considered the closely cost of production of CODIP (or group of CODIPs)10, and in the same way, obeying the hierarchy of the (i) same month of the date of sales; (ii) immediately preceding month; and, finally, (iii) average cost of the investigated period.

In the example of the producer/exporter of wooden tables, Fictitious Company, there was the production of types of products in the following months:

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9 Usually, the date of sales is the date of the invoice. However, in long-term agreements, the date of sales could be, for instance, the date of the contract. The company shall inform, in its answer to the questionnaire, which date it is considering, considering the date of sales could not occur after the shipping date.

10 To find the closely CODIP, it is considered the CODIP having the higher number of relevant characteristics in common with the CODIP for which is seeking the information of cost of production. For instance, supposes that, in a hypothetical investigation, it is intended to establish the cost of production for CODIP A1B1C1D3 and it has two alternatives for that: CODIP A1B2C1D2 and A1B2C1D3. In this case, taking into consideration that the aspect "B" is most relevant than the aspect "D", it may be told that CODIP A1B2C1D2 is closely to CODIP A1B2C1D3 (for which it is intended to establish the cost of production) than CODIP A1B1C1D3.

Table 1.6: Monthly cost of production per CODIP

Product Identification Code (CODIP)	Month	Cost of Production (US$/kg)
A	1	2.62
A	6	2.57
B	1	3.17
B	8	2.63

Whereas the period of investigation and two types of products, it is noted that, except for January (month 1), none other month has the production of both CODIPs.

If there is no cost of production of each CODIP in each month of the investigated period, for the months where sales of said product, firstly, it seeks the cost of production of the month immediately before. For some months, however, there was also no production of that specific CODIP in the immediately preceding month. For example, according to the table above, it may be verified that for May 2014 (month 5), there was no production of CODIP A. In the same way, in the immediately preceding month (month 4 — April 2014), also there was no production of CODIP A. A similar situation occurred to CODIP B. Thus, it was necessary to calculate the average cost of the period of investigation for each CODIP, as explained in the table below:

Table 1.7: Average cost of the period

Product Identification Code (CODIP)	Month	Total Cost (US$)	Manufactured Quantity (kg)
A	1	785.93	300.00
A	6	1,155.26	450.00
		(I)	**(II)**
Σ		1,941.19	750.00
Average cost of the period (US$/kg) =			**2.59**
B	1	666.07	210.00
B	8	947.84	360.00
		(I)	**(II)**
Σ		1,613.90	570.00
Average cost of the period (US$/kg) =			**2.83**

Based on this information, it is assessed the cost of production for each CODIP for each one of such months to the period of investigation, taking into consideration the criteria exposed above: (i) cost of the same month of the date of sales; (ii) cost of the immediately preceding month; and, finally, (iii) average cost of the period of investigation. The table below shows this assessment in the case of the Fictitious Company:

Table 1.8: Monthly cost of production per CODIP

Month	Produced volume (kg) CODIP A	Cost of production (US$/kg) Considered Cost	Value (US$/kg)
4	-	Average cost of the period	2.59
5	-	Average cost of the period	2.59
6	450.00	Cost of the month	2.57
7	-	Cost of the previous month	2.57
8	-	Average cost of the period	2.59
9	-	Average cost of the period	2.59
10	-	Average cost of the period	2.59
11	-	Average cost of the period	2.59
12	-	Average cost of the period	2.59
1	300.00	Cost of the month	2.62
2	-	Cost of the previous month	2.62
3	-	Average cost of the period	2.59

Month	Produced volume (kg) CODIP B	Cost of production (US$/kg) Considered Cost	Value (US$/kg)
4	-	Average cost of the period	2.83
5	-	Average cost of the period	2.83
6	-	Average cost of the period	2.83
7	-	Average cost of the period	2.83
8	360.00	Cost of the month	2.63
9	-	Cost of the previous month	2.63
10	-	Average cost of the period	2.83
11	-	Average cost of the period	2.83
12	-	Average cost of the period	2.83
1	210.00	Cost of the month	3.17
2	-	Cost of the previous month	3.17
3	-	Average cost of the period	2.83

With this information, it is made the correlation between the monthly costs of production, assessed as the table above, and each sales transaction in the domestic market reported by the producer/exporter. In the case of Fictitious Company, this correlation occurred as follows:

Table 1.9: Monthly cost of production

Identification Code - CODIP	Invoice Number	Date of Sales	Quantity sold (kg)	Monthly unit cost of production (US$/kg)	Considered Cost
DCODIP	DFAT	DVENDT	DQTDVEND	DCUSTTOT	
B	TPH-003	04/30/2014	300.0	2.83	Average cost of the period
A	TPH-003	04/30/2014	450.0	2.59	Average cost of the period
A	NYC-256	06/02/2014	900.0	2.57	Cost of the month
A	DLW-423	08/01/2014	1,350.0	2.59	Average cost of the period
A	FLD-669	09/17/2014	330.0	2.59	Average cost of the period
B	WSC-1592	11/20/2014	660.0	2.83	Average cost of the period
B	MSC-1704	01/07/2015	210.0	3.17	Cost of the month
A	ATL-111	02/02/2015	2,100.0	2.62	Cost of the previous month
B	SHC-09	03/08/2015	990.0	2.83	Average cost of the period
B	DVC-315	03/10/2015	390.0	2.83	Average cost of the period

Subsequently, the price of each transaction is compared with the cost of production of the month where it was made, to assess the volume of sales of the foreign like product in the domestic market with lower prices to the monthly per unit cost of production.

If this volume of sales below the cost, considering all CODIPs sold in the domestic market, is equal to or higher than 20% of the total volume of sales of the foreign like product in the domestic market, is characterized as "relevant quantity"[11], which could give cause to, if other requirements of this test are met, the disregard of these sales in the assessment of the normal value.

Note 1.2: In the Brazilian Regulation, it is considered as "relevant quantity"[12] the situations that:

(I) The weighted average price of sales of the like product in the period of investigation is lower than to the per unit weighted average cost of production of the like product in such period; or

(II) The volume of sales of the like product at the price below of the per unit cost corresponds to twenty per cent or more of the total volume of sales of the like product.

While in the first alternative is compared the weighted average price of the sales with the average cost of production of the period of investigation, in

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11 Item II of paragraph 2 of art. 14 of Decree No. 8,058 of 2013.
12 Paragraph 3 of art. 14 of Decree No. 8,058 of 2013.

If the volume sold below the cost is lower than 20% of the total sold in the domestic market in the period, it is not taken into consideration these sales as the non-ordinary course of trades and, consequently, these shall be used to assess the normal value.

Besides evaluating if the sales below the cost occurred in a "relevant quantity", it should also be verified if these sales below the cost occurred during a reasonable period of time[13], that is, usually, it is considered twelve months corresponding to the period of investigation.[14]

In the example of Fictitious Company, firstly, it was made the comparison between the net price (for the test of sales below the cost) of each transaction and its respective monthly cost of production, respecting the rules and criteria previously mentioned. Consequently, it was calculated the volume of sales made below the cost, as shown below.

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[13] Item I of paragraph 2 of art. 14 of Decree No. 8,058 of 2013.

[14] the footnote number 4 of ADA of WTO states that: "**the extended period of time should normally be one year but shall in no case be less than six months**".

Table 1.10: Test of sales below the cost - first step

Identification Code - CODIP	Invoice Number	Date of Sales	Quantity sold (kg)	Net price (for the test of sales below the cost) (US$/kg)	Monthly per unit cost of production (US$/kg)	Considered Cost	Below the cost? (First step)
				(A)	(B)		(A) < (B)?
				= Gross price + (Deductions) + Increases			
DCODIP	DFAT	DVENDT	DQTDVEND		DCUSTTOT		
B	TPH-003	04/30/2014	300.0	3.05	2.83	Average cost of the period	no
A	TPH-003	04/30/2014	450.0	3.33	2.59	Average cost of the period	no
A	NYC-256	02/06/2014	900.0	1.69	2.57	Cost of the month	yes
A	DLW-423	08/01/2014	1,350.0	2.69	2.59	Average cost of the period	no
A	FLD-669	09/17/2014	330.0	2.47	2.59	Average cost of the period	yes
B	WSC-1592	11/20/2014	660.0	2.84	2.83	Average cost of the period	no
B	MSC-1704	01/07/2015	210.0	(0.66)	3.17	Cost of the month	yes
A	ATL-111	02/02/2015	2,100.0	2.60	2.62	Cost of the previous month	yes
B	SHC-09	08/03/2015	990.0	2.88	2.83	Average cost of the period	no
B	DVC-315	03/10/2015	390.0	2.88	2.83	Average cost of the period	no

(A) < (B)?	Sum of DQTDVEND
no (I)	4,140.0
yes (II)	3,540.0
General Total (I) + (II)	7,680.0
Percentage (II) / (I) + (II)	**46.1%**

As can be seen, 3,540kg, corresponding to 46.1% of the total volume of sales performed by the company during the period of investigation, were sold below the monthly per unit cost of production. Thus, the volume of sales below the cost exceeded 20% of the total volume of sales of the like product in the domestic market (7,680kg), which is characterized as a "relevant quantity".

In addition, it was verified that there were sales in these conditions throughout the investigated period, characterizing the sales below the cost as having been performed during a reasonable period of time.

1.1.1.1.2 Second step: verify if the sales made below monthly per unit cost were made at prices allowing the recovery of all costs within a reasonable period of time

If, after the first step of the test of sales below the cost, it concludes that the sales below the cost of the monthly average production occurred in relevant quantities, it proceeds the second step of said test. This is the comparison of the net price (for the test of sales below the cost) of sales that were made below the monthly average cost of production with the weighted average per unit cost of production obtained in the period of investigation, referring to such CODIP.15 This step enables to eliminate the eventual seasonality effects in the production or consumption of the product.

If the net price of a sales transaction exceeds the weighted average per unit cost of production of the investigated period (12 months), it is considered that this price allows the recovery of all costs in the reasonable period of time16 and, therefore, such sales shall be characterized as the ordinary course of trades. Thus, these sales are aggregated to those whose prices were exceeded the monthly per unit cost, obtained after the first step of the "test of sales below the cost", for the purposes of the determination of the normal value.

In the example of Fictitious Company, as demonstrated previously, 46.1% of sales (3,540kg) were classified as below the monthly per unit cost of production. Thus, we performed the second step of the test of sales below the cost, through the comparison of the net price (for the test of sales below the cost) of each one of the sales transactions in the domestic market with the average cost of production of the period of investigation. Hence, it could be to segment the volume of sales made below the cost of production in the moment of sale (monthly cost) among those whose price was lower than the average cost of the period and those whose price would allow the recovery of costs, as follows:

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15 In the case to not have production of determined type of product during the period and, therefore, it does not have weighted average cost of production to the period, it is considered the cost of production closely to CODIP (or group of CODIPs).

16 Here it is also considered as a "reasonable period of time" 12 months of the period of investigation, complying with the criteria under item I, paragraph 2 of art. 14, of Decree No. 8,058 of 2013, also regarding the second step of the test of sales below the cost.

Table 1.11: Test of sales below the cost - second step

Identification Code - CODIP	Invoice Number	Date of Sales	Quantity sold (kg)	Net price (for the test of sales below the cost) (US$/kg)	Monthly per unit cost of production (US$/kg)	Considered Cost	Below the cost? (first step)	Is the second step of the test of sales below the cost necessary?	Average cost of production of the period of investigation (US$/kg)	Below the cost? (second step)
				(A)		(B)	(A) < (B)?	(C)	(D)	(A) < (D)?
				= Gross price + (Deductions) + Increases						
DCODIP	DFAT	DVENDT	DQTDVEND		DCUSTTOT					
B	TPH-003	04/30/2014	300.0	3.05	2.83	Average cost of the period	no	N.A.	2.83	N.A.
A	TPH-003	04/30/2014	450.0	3.33	2.59	Average cost of the period	no	N.A.	2.59	N.A.
A	NYC-256	06/02/2014	900.0	1.69	2.57	Cost of the month	yes	yes	2.59	yes
A	DLW-423	08/01/2014	1,350.0	2.69	2.59	Average cost of the period	no	N.A.	2.59	N.A.
A	FLD-669	09/17/2014	330.0	2.47	2.59	Average cost of the period	yes	yes	2.59	yes
B	WSC-1592	11/20/2014	660.0	2.84	2.83	Average cost of the period	no	N.A.	2.83	N.A.
B	MSC-1704	01/07/2015	210.0	(0.66)	3.17	Cost of the month	yes	yes	2.83	yes
A	ATL-111	02/02/2015	2,100.0	2.60	2.62	Cost of the previous month	yes	yes	2.59	no
B	SHC-09	03/08/2015	990.0	2.88	2.83	Average cost of the period	no	N.A.	2.83	N.A.
B	DVC-315	03/10/2015	390.0	2.88	2.83	Average cost of the period	no	N.A.	2.83	N.A.

(A) < (D)? - if (C) ≠ N.A.	Sum of DQTDVEND
no **(I)**	1,440.0
yes **(II)**	2,100.0
General Total of the sales below the cost (first step) (A) < (B) = yes **(I)** + **(II)**	3,540.0

Percentage (II) / (I + II)	**59.3%**

Therefore, it was verified that the total of the monthly sales below the cost (3,540kg), 2,100kg (59.3%) exceeded, in the moment of the sale, the weighted average per unit cost obtained in the period of investigation, considering as a reasonable period. These sales (2,100 kg), therefore, could be used to determine the normal value, due to dealing with the ordinary course of trades.

The remaining sales (1,440kg) will be disregarded and, consequently, they will not be used in the assessment of the normal value, since they were made (i) in a relevant quantity below the cost in the moment of the sale, and (ii) in prices not allowing to cover all costs into a reasonable period.

1.1.1.2 Sales to related parties

After the accomplishment of the test of sales below the cost, in its two phases, it is carried out the second procedure in the evaluation to determine if the transactions to be considered in the assessment of the normal value deals with "ordinary course of trades": the exam of the sales made by the producer/exporter to the associated or related parties or that had executed a compensatory agreement among themselves.

This is because the Brazilian Regulation provides that:

> "It will not be considered ordinary course of trades and it will be disregarded, in the assessment of the normal value, transactions between associated or related parties or that had executed a compensatory agreement among themselves, unless it is proved that the prices and costs related to the transactions among the associated or related parties are comparable to the performed transactions among the no associated or nonrelated parties."[17]

Note 1.3: It is considered that two or more parties are associated or related if:[18]

I) one of them has a responsible position or managing position in a company of the other;

II) they are legally acknowledged as associated in business;

III) they are employer and employee;

IV) any person, directly or indirectly, has, controls, or owns five per cent or more of shares or bonds issued with voting rights of both;

V) one of them, directly or indirectly, controls the other, including through shareholders' agreement;

VI) they are both, directly or indirectly, controlled by a third party;

VII) they are jointly, directly or indirectly, controlling a third party;

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17 Paragraph 5 of art. 14 of Decree No. 8,058, of 2013.
18 Paragraph 10 of art. 14 of Decree No. 8,058, of 2013.

VIII) they were members of the same family; or

IX) If there is a relationship of economic, financial, or technologic dependence with customers, suppliers, or supporters.

However, the Brazilian Regulation does not present any definition on the term "compensatory agreement."

It is established that the weighted average price related to the transactions between associated or related parties is not comparable to transactions performed between independent parties when that is **three** per cent **higher or lesser** to the weighted average price of the sales to independent parties. If this situation occurs, the sales to related or associated parties may not be considered ordinary course of trades.

To perform this comparison, it is considered the totality of the sales to the domestic market informed by the producer/exporter, made during the period of investigation, and not only those that comply with the criteria of the test of sales below the cost. In addition, it is taking in consideration the net price of all taxes, discounts, and allowances, selling costs (direct and indirect), financial cost and expense of inventory maintenance, which is the same price considered in the test of sales below the cost.

It is emphasized that the comparison of prices occurs from the CODIP segmentation-customer category.19 At the end, however, as mentioned in the penultimate paragraph, it is considering the difference of the weighted average prices. Thus, if there are sales to related parties for more than one CODIP-customer category, the differences of prices obtained through binomial are weighted by the total quantities sold to each one of these types of relationship with customers, considering all binomial of sales to the related parties. If this weighted percentage difference is higher than ±3%, all sales to related parties will be disregarded for the purposes of assessment of the normal value (even though determined binomial CODIP-customer category has presented difference of prices lower than such percentage). The same occurs in otherwise: if this weighted percentage difference is lesser than ±3%, the sales to related parties will be considered, in its totality, in the assessment of the normal value (even though determined binomial CODIP-customer category has presented difference of prices higher than such percentage). To illustrate this last situation, see Note 1.4 below.

In the example of the Fictitious Company, it was made the test as explained below. It is emphasized that it is used the total volume of sales of wooden tables of the company in the domestic market (7,680kg), and not the volume of sales performed above the cost of production (obtained after the test of sales below the cost, which is 6,240kg).

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19 If there are no sales with the same CODIP both to related parties and nonrelated parties, the selling price to the related parties is compared with the price of the product classified in CODIP (or group of CODIPs) closely to the product sold to the nonrelated party.

Table 1.12: selling price to related and nonrelated parties

CODIP	Customer Category	Net total value (US$) Related	Net total value (US$) Nonrelated	Quantity sold (kg) Related	Quantity sold (kg) Nonrelated	Price (US$/kg) Related	Price (US$/kg) Nonrelated
A	Final consumer	-	3,636.79	-	1,350.0	-	2.69
A	Trading company	-	9,293.43	-	3,780.0	-	2.46
B	Final consumer	-	2,851.20	-	990.0	-	2.88
B	Trading company	1,873.81	1,900.49	660.0	900.0	2.84	2.11
	Subtotal	1,873.81	17,681.91	660.0	7,020.0	2.84	2.52
	Total		19,555.72		7,680.00		

Considering that there were only sales to the related parties of CODIP B for the customer category **trading company**, it was made the comparison of the weighted average price of the sales of such CODIP to this customer category. It is noted that, however, if there were sales to related parties to the other binomial CODIP-customer category, the acquisition of the weighted percentage difference would have been necessary:

Table 1.13: Comparison of price to related and nonrelated parties

		Related party?	
CODIP	**Customer Category**	Yes	No
B	Trading company	2.84	2.11

Percentage	**34.4%**

Since the weighted average price of the sales to the related parties was 34.4% higher than that of the sales to independent parties (exceeding, therefore, the criteria of 3%), the sales to the related parties were considered non-ordinary course of trades, and, therefore, they shall be excluded of the volume used to the assessment of the normal value.

Note 1.4: Suppose an example where a company made the following sales in the domestic market:

Table 1.14: selling price to related and nonrelated parties (additional example)

CODIP	Customer Category	Net total value (US$) Related	Net total value (US$) Nonrelated	Quantity sold (kg) Related	Quantity sold (kg) Nonrelated	Price (US$/kg) Related	Price (US$/kg) Nonrelated
A	Final consumer	750.00	148.50	250.00	50.0	3.00	2.97
A	Trading company	-	300.00	-	100.0	-	3.00
B	Final consumer	-	156.00	-	50.0	-	3.12
B	Trading company	127.50	363.00	50.0	150.0	2.55	2,42
	Subtotal	877.50	967.50	300.0	350.0	2.84	2.76
	Total		1,845.00		650.00		

In view of there was sales to related parties of the binomial A- Final consumer and B-**trading company**, firstly, it was made the comparison of the weighted average price of the sales of these binomials.

Table 1.15: Comparison of price to related and nonrelated parties

CODIP	Customer Category	Related party - Yes Price (US$/kg)	Related party - Yes Quantity (kg) (I)	Related party - No Price (US$/kg)	Related party - No Quantity (kg) (II)
A	Final consumer	3.00	250.00	2.97	50.00
B	**Trading company**	2.55	50.00	2.42	150.00
		Σ (II)	300.0	Σ (II)	200.00

Percentage difference (IV)	
A-Final consumer	1.0%
B-Trading Company	5.4%

Based on the table above, it is observed that sales referring to binomial

B-**trading company** to related parties would be disregarded in the assessment of the normal value of this company, bearing in mind the difference of their prices with those in sales to independent parties had exceeded the criteria of 3%. However, as mentioned above, the percentage difference of the weighted average price of the sales to related and nonrelated parties shall be obtained for the purposes of eventual disregarding of the sales to the related parties. In such example,
the weighting occurred as follows:

Table 1.16: Weighted percentage difference		
A-Final consumer	**(IV) * (I + II)**	3.03
B-Trading Company	**(IV) * (I + II)**	10.74
	Σ (V)	13.77
	Σ (II + III)	500.00
Percentage difference	**(V) / (II + III)**	**2.8%**

Therefore, it is concluded that even the percentage difference of prices to sales of the binomial B-trading company had surpassed the percentage of 3%, bearing in mind that it was assessed the weighted percentage difference of 2.8%, the sales to the related parties were considered ordinary course of trades, and they shall be, therefore, considered

1.1.1.3 Other transaction

Besides the possibilities in items 1.1.1.1 and 1.1.1.2, the Brazilian Regulation establishes a list of other transactions that shall be disregarded from the calculation of the normal value, because they are not classified as the ordinary course of trades.[20] These include:

I) **Samples;[21]**

II) **Sales to employees;**

III) **Donations;**

IV) **Sales supported by contracts involving industrialization to other companies — tolling;**

V) **Sales supported by contracts involving exchange of products —**
swap;

VI) **Captive consumption; or**

VII) **Other transactions established by the Foreign Trade Office.**

Analyzing the example of the producer/exporter of wooden tables, Fictitious Company, it could be verified the existence of a sale made at the price equal to zero, which is not characterized, therefore, as an ordinary course of trades.

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20 Paragraph 7 of art. 14 of Decree No. 8,058 of 2013.
21 See Chapter 4, for more details on samples and donations.

Table 1.17: Other transactions

Identification Code - CODIP	Invoice Number	Date of Sales	Sold quantity (kg)	Gross per unit price (US$/kg)	Other transactions (Paragraph 7 of art. 14 of Decree No. 8,058, of 2013)
DCODIP	DFAT	DVENDT	DQTDVEND	DPRBRUTO	
B	TPH-003	04/30/2014	300.0	3.98	No
A	TPH-003	04/30/2014	450.0	3.97	No
A	NYC-256	06/02/2014	900.0	2.82	No
A	DLW-423	08/01/2014	1,350.0	3.49	No
A	FLD-669	09/17/2014	330.0	3.30	No
B	WSC-1592	11/20/2014	660.0	3.43	No
B	MSC-1704	01/07/2015	210.0	-	Yes
A	ATL-111	02/02/2015	2,100.0	3.87	No
B	SHC-09	03/08/2015	990.0	3.75	No
B	DVC-315	03/10/2015	390.0	4.17	No

Thus, such transaction, referring to invoice MSC-1704, shall not be used in the assessment of the normal value.

1.1.1.4 Conclusion: ordinary course of trades

After all tests and considerations explained above, we concluded that such sales are characterized as the ordinary course of trades and, therefore, they shall be used for the purposes of assessment of the normal value.

In Fictitious Company example, all transactions informed by the company in its annexes of sales in the domestic market, only the sales transactions TPH-003 (CODIP A), TPH-003 (CODIP B), DLW-423 (CODIP A), ATL-111 (CODIP A), SHC-09 (CODIP B) e DVC-315 (CODIP B), which totaling 5,580kg, were considered as the ordinary course of trades and they could be used in the assessment of the normal value of such company, as follows:

Table 1.18: Ordinary Course of Trades

Identification Code - CODIP	Invoice Number	Date of Sales	Test: Ordinary course of trades					Quantity sold (kg)
			Below the cost (first step)?	Below the cost (second step)?	Related parties non comparable with sale to the nonrelated party?	Other transactions (Paragraph 7 of art. 14 of Decree No. 8,058, of 2013)	It can be used for the assessment of the normal value?	
DCODIP	DFAT	DVENDT						DQTDVEND
B	TPH-003	04/30/2014	No	No	No	No	**Yes**	**300.0**
A	TPH-003	04/30/2014	No	No	No	No	**Yes**	**450.0**
A	NYC-256	06/02/2014	Yes	Yes	No	No	No	900.0
A	DLW-423	08/01/2014	No	No	No	No	**Yes**	**1,350.0**
A	FLD-669	09/17/2014	Yes	Yes	No	No	No	330.0
B	WSC-1592	11/20/2014	No	No	Yes	No	No	660.0
B	MSC-1704	01/07/2015	Yes	Yes	No	Yes	No	210.0
A	ATL-111	02/02/2015	Yes	No	No	No	**Yes**	**2,100.0**
B	SHC-09	03/08/2015	No	No	No	No	**Yes**	**990.0**
B	DVC-315	03/10/2015	No	No	No	No	**Yes**	**390.0**

1.1.1.5 Sufficiency analysis of the sales in the domestic market

The Brazilian Regulation provides that:

> "The sales of a like product destined to the consumption in the domestic market of the exporting country shall be considered as in <u>sufficient quantity</u> for the assessment of the normal value when they are <u>five percent or more</u> of the sales of the subject product exported to Brazil, and a lower percentage should be admitted when it was shown that, even though, occurred sales in the domestic market of the exporting country in sufficient quantity to allow a suitable comparison."[22] (our emphasis)

Therefore, it is seeking to determine if the sales in the domestic market represent a sufficient quantity for the assessment of the normal value. For that, only the volume is considered per CODIP referring to the ordinary course of trades. Also, in this test is considered, besides the type of product, the customer category.

Thus, the volume sold of the foreign like product is compared with the domestic market, during the period of investigation, segmented by type of product and customer category (usually final consumers and dealers, also called **trading companies** in some cases), with the volume of the subject product exported to Brazil, in the same period, of the same CODIP and to the same customer category. If the volume sold in the domestic market is 5% or more of the volume exported to Brazil, it is considered that it constitutes a sufficient quantity for assessment of the normal value.

It is emphasized that if is assessed an insufficient quantity (below the level of 5% mentioned in the paragraph above), it is admitted the use of such information when it is shown that, even so, occurred sales in the domestic market of the exporting country in a sufficient quantity to allow an appropriate comparison.

Considering the Fictitious Company case, at the end of tests to obtain the ordinary course of trades, it is concluded that, from the total of 7,680kg of its sales of wooden tables to the consumption in the domestic market in its country, only the sales of 5,580kg would correspond to the ordinary course of trades.

Such sales, segmented by CODIP and customer category, were compared with the volume exported to Brazil[23], segmented in the same way, as described as follows:

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22 Paragraph 1 of art. 12 of Decree No. 8,058 of 2013.
23 The sales of Fictitious Company to Brazil shall be analyzed in Chapter 2.

Table 1.19: Sufficiency analysis of sales in the domestic market

Total volume of sales in the domestic market (kg)	5,580.0
Total volume exported to Brazil (kg)	58,500.0
Percentage	**9.5%**

CODIP	customer category	Volume of sales in the domestic market (kg)	Export Volume to Brazil (kg)	Percentage	Sufficient
A	Final consumer	1,350.0	-	-	-
A	**Trading company**	2,550.0	24,000.0	10.6%	Yes
B	Final consumer	990.0	1,500.0	66.0%	Yes
B	**Trading company**	690.0	33,000.0	2.1%	No

Considering the segmented comparison by type of product and customer category, it is concluded as follows:

VIII) CODIP A – sales to final consumer in the domestic market (1,350kg): since there were not sales to Brazil of such CODIP for that customer category, it is not relevant to perform the analysis of sufficiency of the volume sold in the domestic market to this binomial CODIP-customer category.

IX) CODIP A – sales to **trading company** in the domestic market (2,550kg): the volume was considered sufficient, bearing in mind that it has been higher than 5% of the sales to Brazil of such CODIP for this customer category (24,000kg).

X) CODIP B – sales to final consumer in the domestic market (990kg): the volume was considered sufficient, bearing in mind that it has been higher than 5% of the sales to Brazil of such CODIP for this customer category (1,500kg).

XI) CODIP B – sales to **trading company** (690kg): the volume was considered **insufficient**, bearing in mind that it has been lower than 5% of the sales to Brazil of such CODIP for this customer category (33,000kg).

From the analysis of table 1.16, it could be noted that the sales of a like product destined to consumption in the domestic market of the country of the Fictitious Company, considered as whole, would constitute a sufficient quantity for the assessment of the normal value (since these — 5,580kg - represent 9.5% of the total sales of the subject product to Brazil — 58,500kg).

However, this was not the case. When they are considered in segments by type of product and customer category, CODIP B – **trading company** did not achieve the level required by law. Thus, under Brazilian Regulation24 23, the normal value for this binomial CODIP-customer category could be assessed based on the constructed value or, alternatively, in the export price to a third country.

Note 1.5: The observations previously shown also apply to the opposite case. Take the following situation as an example: a producer/exporter exported to Brazil the following quantities of a determined product during determined period:

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24 Art. 13 of Decree No. 8,058, of 2013. "*If exist sales of a like product destined to the consumption in the domestic market of the exporting country in a sufficient quantity to the assessment of the normal value, without that exist sales in sufficient quantity of determined specific models, the normal value for these models could be assessed based on the constructed value, as defined in item II of the* **introductory paragraph** *of art. 14 or, alternatively, in the export price to a third country.*"

Table 1.20: Exports to Brazil		
CODIP	**customer category**	**Export Volume to Brazil (kg)**
A	Final consumer	2,000.0
A	**Trading company**	1,000.0
B	Final consumer	2,000.0
B	**Trading company**	5,000.0
	Σ	**10,000.0**

During the same period, this producer/exporter sold the following volumes of this same product in the domestic market:

Table 1.21 - Sales in the domestic market		
CODIP	**customer category**	**Volume of sales in the domestic market (kg)**
A	Final consumer	-
A	**Trading company**	200.0
B	Final consumer	150.0
B	**Trading company**	50.0
	Σ	**400.0**

If compared the total volume sold in the domestic market with the total volume exported to Brazil, without any segmentation, we have the following result:

Table 1.22: Sufficiency analysis of the sales in the domestic market	
Total volume of the sales in the domestic market (kg)	400.0
Total volume exported to Brazil (kg)	10,000.0
Percentage	**4.0%**

Thus, if only considered the total volumes, without any segmentation, we would achieve to the conclusion that said producer/exporter did not make sales in the domestic market in sufficient quantities to the assessment of the normal value, which would cause in the disregarding of the totality of its sales in the domestic market.

However, when compared to the volumes of sales segmented by CODIP and customer category, we have the following results:

Table 1.23: Sufficiency analysis of the sales in the domestic market					
CODIP	**customer category**	**Volume of sales in the IM (kg)**	**Export Volume to Brazil (kg)**	**Percentage**	**Sufficient**
A	Final consumer	-	2,000.0	0.0%	No
A	**Trading company**	200.0	1,000.0	20.0%	Yes
B	Final consumer	150.0	2,000.0	7.5%	Yes
B	**Trading company**	50.0	5,000.0	1.0%	No

Considering the segmented comparison, shown in the table above, the sales of CODIP A to **trading companies** and CODIP B to the final consumer were classified as a significant quantity. Thus, it would not disregard the total of sales of said producer/exporter to the domestic market (as in the case of comparison without any segmentation), and the use of two other alternative methods would only occur in

the case of CODIP A — final consumer and CODIP B – **trading company**.

1.1.1.6 Normal value assessment

After the execution of all analyzes previously explained, we will effectively to the assessment of the normal value based on the selling price in the domestic market.

As the Brazilian Regulation gives preference to the comparison between the export price and the normal value in the **ex-factory** sales agreement25, usually, it seeks the assessment of the normal value in this condition.

For this purpose, from the gross price informed by the producer/exporter are deduced the taxes incurring on the sale, discounts and allowances, direct costs of sales, financial cost, expense of inventory maintenance, and eventual adjustments related to the trade level, besides adding, if the case may be, an interest income and tax recovery (**drawback**).26

It is emphasized that, against to the assessment of the net price for comparison with the cost of production, in the case of assessment of the **ex-factory** price, only direct costs of sales are deduced, while indirect costs of sales are not deduced. Because indirect costs of sales, by definition, could not be directly allocated to products or markets. As a result, it is understood that the percentage of these expenses attributed to the foreign like product and/or subject product shall be identical27, both in sales destined to the domestic market and in the exports to Brazil. Since the percentage is identical in the sales to the domestic market and in exports to Brazil, it is considered that indirect expenses do not affect the fair comparison between the export price and the normal value. Thus, its deduction is not required from the gross price for the purposes of assessment of the **ex-factory** price.

In the case of Fictitious Company, it is shown, as follows, the assessment of the **ex-factory** price, taking into consideration all sales transactions in the domestic market reported (and not only those classified as the ordinary course of trades and in sufficient quantity):

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25 Art. 22 of Decree No. 8,058 of 2013.

26 The reimbursement of the tax in the export could be added to the selling price to Brazil (for the purposes of the assessment of the export price) or to third country (when the normal value is assessed for this method) or, still, deduced from the selling price in the domestic market of the exporting country.

27 For more details on the conception of indirect costs of sales, see Chapter 3.

Table 1.24: Assessment of the Ex-factory Price

Identification Code - CODIP	Invoice Number	Date of Sales	Gross per unit price (US$/kg)	Deductions (US$/kg)	Increases (US$/kg)	**Ex-factory** price (US$/kg)
				Discounts and Allowances, Financial Cost, Taxes, Direct Costs with Sales (including Expenses with Packaging), and Expense of Inventory Maintenance	interest income	= Gross price + (Deductions) + Increases
DCODIP	DFAT	DVENDT	DPRBRUTO			
B	TPH-003	04/30/2014	3.98	(0.87)	0.04	3.14
A	TPH-003	04/30/2014	3.97	(0.59)	0.04	3.43
A	NYC-256	06/02/2014	2.82	(1.06)	-	1.76
A	DLW-423	08/01/2014	3.49	(0.71)	-	2.78
A	FLD-669	09/17/2014	3.30	(0.75)	-	2.55
B	WSC-1592	11/20/2014	3.43	(0.51)	-	2.92
B	MSC-1704	01/07/2015	-	(0.66)	-	(0.66)
A	ATL-111	02/02/2015	3.87	(1.18)	-	2.69
B	SHC-09	03/08/2015	3.75	(0.78)	-	2.97
B	DVC-315	03/10/2015	4.17	(1.29)	0.09	2.98

With the information of the **ex-factory** price of sales of the foreign like product in the domestic market in ordinary course of trades that have occurred in a sufficient quantity, we will go to the assessment of the weighted average normal value of each binomial CODIP-customer category based on the selling price in the domestic market.

It worth emphasizes that, bearing in mind that sales of the Fictitious Company per CODIP B to **trading companies** were made in insufficient quantities (as shown in item 1.1.1.5), for the purposes of assessment of the normal value of this binomial, it will not use the **ex-factory price** of the sales in the domestic market of this CODIP to this customer category, but, alternatively, the constructed normal value. It is emphasized that the assessment of the constructed normal value of CODIP B - **trading company** (corresponding to US$3.03/kg) will be explained in item "1.1.3 - Constructed normal value" of this Brochure.

See below an illustrated information to be used to assess the weighted average normal value per CODIP-customer category of Fictitious Company:

Table 1.25: Assessment of the Ex-Factory Price

Identification Code - CODIP	Invoice Number	Date of Sales	Gross per unit price (US$/kg)	Deductions (US$/kg)	Increases (US$/kg)	**Ex-factory** price (US$/kg)
				Discounts and Allowances, Financial Cost, Taxes, Direct Costs with Sales (including Expenses with Packaging), and Expense of Inventory Maintenance	interest income	= Gross price + (Deductions) + Increases
DCODIP	DFAT	DVENDT	DPRBRUTO			
B	TPH-003	04/30/2014	3.98	(0.87)	0.04	3.14
A	TPH-003	04/30/2014	3.97	(0.59)	0.04	3.43
A	NYC-256	06/02/2014	2.82	(1.06)	-	1.76
A	DLW-423	08/01/2014	3.49	(0.71)	-	2.78
A	FLD-669	09/17/2014	3.30	(0.75)	-	2.55
B	WSC-1592	11/20/2014	3.43	(0.51)	-	2.92
B	MSC-1704	01/07/2015	-	(0.66)	-	(0.66)
A	ATL-111	02/02/2015	3.87	(1.18)	-	2.69
B	SHC-09	03/08/2015	3.75	(0.78)	-	2.97
B	DVC-315	03/10/2015	4.17	(1.29)	0.09	2.98

Considering this information in the table above, collected by CODIP-customer category, it was obtained the following data:

Table 1.26: Weighted normal value per CODIP and customer category

CODIP	Customer category	Quantity (kg) (I)	Ex-factory amount (US$)	Ex-factory price (US$/kg)
A	Final consumer	1,350.00	3,748.63	2.78
A	**Trading company**	2,550.00	7,186.71	2.82
B	Final consumer	990.00	2,939.33	2.97
B	**Trading company**	690.00	2,093.04	3.03

Finally, it was obtained the weighted average normal value of each CODIP - customer category of Fictitious Company (corresponding to the **ex-factory** price in the last column of the table above). These amounts could be used in the comparison with the export price, also segmented per CODIP and customer category, for the purposes of assessment of the margin of dumping, as it will be shown in chapter 5.

1.1.2 Normal value assessed according to the export price to an appropriate third country

As mentioned above, if there are no sales of a like product in the ordinary course of trades in the domestic market of the exporting country or when, in view of special conditions of market or low volume of sales of a like product in the domestic market of the exporting country, an appropriate comparison of the price of a like product destined to the consumption in the domestic market with the export price to Brazil was not possible, the normal value could be assessed based on (i) in the export price to an appropriate third country or (ii) in a constructed value.

The use of the export price to an appropriate third country, based on the answer to the application submitted by the producers/exporters, however, it is not much common.

It is because there is the possibility that the investigated origin also is practicing dumping in its exports to third countries, and, therefore, the price referring to such exports could not be suitable to the proper comparison with the export price to Brazil.

Besides, for the purposes of assessment of the normal value, SDCOM primarily requires the submission, on the part of the producers/exporters, of data related to their sales of a foreign like product in the domestic market, occurred during the period of investigation, and the companies also have the option to present, in addition, data related to the exports to third countries. In many cases, therefore, information referring to such exports are not available to the Department.

> Note 1.6: SDCOM requests information on the three larger export markets for the purposes of determination of the normal value. If the company opts to provide export data to other countries that are not in the three larger export markets, it shall appoint the option and justify that in detail. Bearing in mind the purposes of this Brochure, it will not be analyzed the methodology of appointment and choose of the appropriates third country.

Since evidenced the impossibility of use of the first methodology of assessment of the normal value (based on the selling price of a foreign like product in the domestic market) and justified the use of such assessment based on the methodology explained in this item of the Brochure, SDCOM shall establish if the export transactions to an appropriate third country, informed in the application of the producer/exporter, are suitable for this purpose. It is because, besides this price shall be "representative", according to art. 2.2.1 of the Anti-Dumping Agreement of the World Trade Organization (ADA), the export transactions that had been performed out of the ordinary course of trade could be disregarded for the purposes of assessment of the normal value, as follows:

> "**2.2.1 Sales of the like product in the domestic market of the exporting country or <u>sales to a third country</u> at <u>prices below per unit</u> (fixed and variable) costs of production plus administrative, selling and general costs may be treated as <u>not being in the ordinary course of trade</u> by reason of price and may be disregarded in determining normal value only if the authorities determine that such sales are made within an extended period of time in substantial quantities and are at prices which do not provide for the recovery of all costs within a reasonable period of time. If prices which are below per unit costs at the time of sale are above weighted average per unit costs for the period of investigation, such prices shall be considered to provide for recovery of costs within a reasonable period of time**" (Our emphasis)

Thus, the same tests and applicable considerations to the assessment of the normal value based on the selling price in the domestic market are performed, as evidenced in item 1.1.1 of this Brochure, presented in brief as follows:

Considering the similarity of procedures used in this and in the first methodology (item 1.1.1) of assessment of the normal value, it will not be presented, in this item, a hypothetical example as SDCOM would assess the normal value of Fictitious Company based on its export price to an appropriate third country.

1.1.2.1 Test of sales below the cost

Also, in this methodology of assessment of the normal value, the exports to an appropriate third country that are not considered as the ordinary course of trades (ex. sales made below the cost of production), will equally be disregarded. To determine which sales occurred below the cost of production, we performed the test of sales below the cost.

Firstly, the net price of each export transaction to an appropriate third country is assessed. Likely the first methodology to determine the normal value (item 1.1.1), it is considered the gross price informed by the producer/exporter net of eventual taxes incurring on sales, discounts, and allowances, selling costs (direct and indirect), financial cost, financial income with interests (which shall be added), expense of inventory maintenance, and eventual adjustments related to the trade level. In cases where the cost of production is informed net of cost of packaging, the expense of packaging (classified as expense of sale in annex of sales in the domestic market) also shall be deduced of the mentioned export price.

The only point related to the assessment of the net price different between the first methodology and that analyzed in this item is the type of selling costs and the eventual taxes incurring on these transactions, having cases where it is only applied to sales in the domestic market and not to the exports and vice-versa, and it is not changed, however, its nature.

The following examples may be quoted, requested by the Department in the questionnaire of the producer/exporter, as additional fields in the annex referring to the normal value, which shall be filled only in case of exports to an appropriate third country, and not to sales destined to the domestic market: international freight, international insurance, domestic freight in the third country - from port to warehouse, domestic freight in the third country - warehouse to the independent customer, domestic insurance in the third country, handling of cargo and brokerage, duties of import in the third country and tax recovery.28 However, it is emphasized that all other fields in the annex related to the assessment of the normal value, such as CODIP, shall also be filled by the producer/exporter, if, obviously, they are applied to their exports to a third country.

Thus, taking into account the nature of the sales transactions (export), the types of expenses, discounts and allowances explained in the database provided by the producer/exporter, regarding the assessment of the normal value based on the export price to a third country, will be very similar to those informed by such producer in database referring to its exports to Brazil (for the purposes of assessment of the export price of the subject product).29 It is emphasized, however, a difference: while in the case of exports to Brazil there is no the possibility of the producer/exporter performs its sales in the condition **Delivered Duty Paid** - DDP30, in cases of export to third countries, the producer/exporter could be of the investigated origin the responsible for the collection of the import taxes. If this occurs, it will be deduced from the gross price, in addition to items previously mentioned, also import taxes under seller's responsibility.

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28 If the producer/exporter has been benefited of **drawback** programs in their exports to a third country, the correspondent value shall be, such as in the assessment of the export price to Brazil, added to the gross price.

29 For more details on the concept of each one of these items (mainly those referring to exports of the producer/exporter to Brazil) and procedures that are made by the Department for the necessary deductions/increases for assessment of the net price (for the test of sales below the cost), see the Chapter 3.

30 In this condition of sale, the seller is responsible for deliver the merchandise to the purchaser, unencumbered for import, in the place of designed destination, assuming all costs and risks related to the transportation and delivery (including unencumber, as payment of import tax) of the merchandise in the place of destination.

The cost of production to be considered in this first test is the same that taking into consideration in the first methodology (item 1.1.1): it consists of manufacturing costs (fixed, variable, and labor) added of general, administrative, financial expenses and others.

The test of sales below the cost is constituted of two steps, as follows.

1.1.2.1.1 First step: comparison of the net price (for the test of sales below the cost) with the monthly per unit cost of production

As in the first methodology (item 1.1.1), here the net price of each sales transaction is compared with the average per unit cost of production referring to the month of such sale, considering the CODIP.

The months where did not have production shall be considering. In these cases, it is used the cost of production referring to the immediately preceding month or, in its absence, the average cost of production of the period of investigation, firstly to the same CODIP and, in second case of the closer CODIP (or group of CODIPs).

Also, to this methodology, the criteria of 20% for possible disregard (if met other requirements of this test) of sales performed below the cost are applied, taking into account they had been made in a "relevant quantity". In addition, it is assessed if these sales were made during a reasonable period of time, that is, taking into account twelve months of the period of investigation.

1.1.2.1.2 Second step: verification if the sales made below the monthly per unit cost were made at the prices allowing the recovery of the costs in a reasonable period of time;

If there is a relevant quantity traded below the monthly per unit cost of production, it is made a comparison of the net price (for the test of sales below the cost) of each one of these sales that were made below the monthly average cost of production with the weighted average per unit cost obtained in the period of investigation. The sales that not recovering the costs in a reasonable period of time are considered as non-ordinary course of trades and they are, therefore, disregarded for the assessment of the normal value based on the exports to an appropriate third country.

1.1.2.2 Sales to related parties

Also in this methodology, it will be characterized as non-ordinary course of trades, and, therefore, the trades to related parties will be disregarded for the assessment of the normal value, if they have a weighted average price of sales 3% higher/lower than the weighted average price of sales to the independent parties.

To make this comparison, it is considered the total of the sales (segmented per CODIP-customer category) reported by the producer/exporter, made during the period of investigation, and not only those that complied with the criteria of test of sales below the cost. In addition, it is taking into consideration the net price of all sales expenses (direct and indirect), discounts and allowances, and taxes ("net price for the test of sales below the cost").

1.1.2.3 Other transactions

It is also considered as non-ordinary course of trades, the trade of samples, sales to employees, donations, **tolling**, **swap**, captive consumption, and others.

1.1.2.4 Conclusion: ordinary course of trades

After all procedures explained above, we concluded that such sales are characterized as the ordinary course of trades and, therefore, they shall be used for the purposes of assessment of the normal value, based on the export price to an appropriate third country.

1.1.2.5 Sufficiency analysis of the sales to an appropriate third country

Likely the first methodology, it shall be verified if sales to an appropriate third country represent a sufficient quantity for assessment of the normal value. For that, only the volume is considered for CODIP referring to the ordinary course of trades. Also, for this test is evaluated, besides the type of product, the customer category.

Thus, the volume sold of the foreign like product is compared with an appropriate third country, during the period of investigation, segmented by type of product and customer category with the volume of subject product exported to Brazil, in the same period, of the same CODIP and to the same customer category. If the volume sold to an exporting third country is equal or higher than 5% of exports to Brazil, it is concluded that this constitutes the sufficient quantity for assessment of the normal value. If it is lower, even so these sale trades could be used for the assessment of the normal value, if it is demonstrated that occurred in a sufficient quantity to allow an appropriate comparison.

It is noted that such comparison is made in a segmented way per CODIP-customer category, considering the exports of the subject product from the company to Brazil, also are segmented in this way. In addition, for those sales made in a "insufficient quantity", the constructed normal value could be used.

1.1.2.6 Normal value assessment

After the execution of all analyses previously explained, we will effectively to the assessment of the normal value based on the selling price to an appropriate third country.

In the same way that in the previous methodology, the Department seeks the assessment of the normal value in an **ex-factory** condition. For this purpose, from the gross price informed by the producer/exporter are deduced the taxes incurring on the sales, discounts and allowances, direct costs of sales31, financial cost, expense of inventory maintenance, and eventual adjustments related to the trade level, and added revenues with interests.

Finally, it is obtained the weighted average normal value of each CODIP – customer category, which could be used when the comparison with the export price, also segmented per CODIP and customer category, for the purposes of assessment of the margin of dumping.

1.1.3   Constructed normal value

As mentioned above, when there are no sales in the domestic market or when, in view of special conditions of market or low volume of sales of a like product in the domestic market of the exporting country, an appropriate comparison of the export price was not possible, the normal value could be assessed based on the constructed value. Under the Brazilian Regulation, the constructed value will be the cost of production in the stated country of origin, added with a reasonable amount as general costs, administrative costs, trade costs, financial costs, and profit.

As a rule, the normal value shall be constructed in the condition of **ex-factory** sales. However, not always the available information allows a fair comparison between the normal value and the export price is made in this sales condition. Thus, it shall be analyzed the sales condition where the export price will be determined and to construct the normal value in a way to ensure a fair comparison.

In the example of the producer/exporter of wooden tables of a market economy country (Fictitious Company), it was required to construct the normal value to CODIP B - **trading company**, for the purposes of comparison with the export price of this model, since there are no sales in the domestic market of the exporting country in sufficient quantities. This construction is shown below.

1.1.3.1 Assessment of the monthly per unit cost of production

The first step to construct the normal value, in case of producers/exporters of market economy countries, consists in the assessments of the cost of production referring to one unit of each CODIP, in each month of the period of investigation.

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31 Remember that the Department understands that the percentage of indirect costs is identical in the exports to a third country and in the exports to Brazil. Thus, indirect costs are considered to not affect the fair comparison between the export price and the normal value. Thus, its deduction is not required from the gross price for the purposes of assessment of the **ex-factory** price.

The cost of production is composed of the manufacturing cost and general, administrative, financial, and other costs referring to each CODIP manufactured in the months of the period of investigation. However, it is verified that the manufacturing cost used in the construction of the normal value consists in the same cost used in the test of sales below the cost.

All this information is obtained from the annex of cost informed in the answer to the questionnaire of the producer/exporter, which has information referring to the costs effectively incurred by the company in the production of a foreign like product/subject product.

Regarding the abovementioned expenses, it is worth emphasizing that the Brazilian Regulation provides that the calculation of the general, administrative, trade, and financial costs and the profit margin will be based on the effective data of production and sale of a like product of the producer or exporter under investigation in the ordinary course of trades.32 If it is no possible to calculate these expenses and profit margin following such provision, these could alternatively be assessed according to:

> "I - in quantities effectively spent and earned by the producer or exporter under investigation related to the production and sale of products of the same general category in the domestic market of the exporting country;
>
> II – in the weighted average of quantities effectively spent and earned by the other producers or exporters under investigation related to the production and trade of a like product in the domestic market of the exporting country; or
>
> III - in any other reasonable method, since the stipulated amount to the profit does not exceed the profit normally earned by other producers or exporters with the sales of products of the same general category in the domestic market of the exporting country."33

The assessment of these expenses, for the purposes of composition of the cost of production, is based on the information provided by the foreign producer/exporter in the annex of cost of the answer to the questionnaire. There, companies are instructed to calculate these expenses as the ratio among them and the CPV, as discriminated in its financial statement, and to apply it on the "manufacturing cost" informed in the said annex.

Thus, in the example of the producer/exporter of wooden tables, the cost of production34 for each unit of CODIPs informed by the company Fictitious Company, in each manufacturing month could be seen in table 1.5 (Assessment of the cost of production - total and per unit).

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32 Paragraph 14 of art. 14 of Decree No. 8,058 of 2013.
33 Paragraph 15 of art. 14 of Decree No. 8,058 of 2013.
34 As it will be most evidenced in the Exhibit I herein, it worth emphasizes that the difference between the terms "manufacturing cost" and "cost of production". While the first corresponds to the sum of the fixed, variable, and labor cost of production, the second corresponding to the sum of manufacturing costs with general, administrative, financial costs, and others.

1.1.3.2 Assessment of the weighted average cost for the period of investigation

Since the per unit cost of production of CODIP in each month is calculated, it is assessed the average per unit cost of production of each CODIP for the period of investigation, weighted by the total quantity manufactured of the corresponding CODIP in said period. Considering that the example of the Fictitious Company, the weighted average per unit cost of production per CODIP is in the table 1.7 (Average cost of the period).

1.1.3.3 Assessment of the profit margin

After that, the values referring to the per unit cost of production of each CODIP, for each month of the period of investigation, are attributed to each sales transaction informed in the exhibit of sales in the domestic market. It is recorded that the attribution of this information aims to aggregate, in a single file, all required information to the assessment of the profit that will be used in the construction of the normal value, in a way to facilitate the calculation.

Taking into consideration that some CODIPs could be sold in after months to its production and that neither all CODIPs are necessarily made in all months of the period of investigation, could have cases where there will not be value corresponding to the cost of production of determined CODIP in the month where this was sold in the domestic market. In these cases, it could be used, for the purposes of determination of the profit margin, one of the costs of production presented below, respecting the following order:

I) per unit cost of production assessed for that CODIP in the immediately preceding month to its sale;

II) weighted average per unit cost of production assessed for that CODIP in the period of investigation;

III) per unit cost of production assessed for the closely CODIP or group of CODIPs, referring to the sold month of the original CODIP;

IV) per unit cost of production assessed for the closely CODIP or group of CODIPs of the immediately preceding month to the month of sale of the original CODIP; or

V) weighted average per unit cost of production assessed for that closely CODIP or group of CODIPs in the period of investigation.

In the table below, it shows the monthly cost of production of each CODIP (illustrated in table 1.8 - Monthly cost of production per CODIP), which were attributed to each sales transaction informed in the annex of sales in the domestic market of the Fictitious Company, based on the hierarchy presented in the previous paragraph, as well as the weighted average cost of production of the period of investigation of each CODIP (presented in the table 1.7 - Average cost of period), also attributed to each sales transaction in the domestic market.

Table 1.27: Definition of the cost of production for the sales in the domestic market

Product Identification Code - CODIP	Invoice Number	Date of Sales	Quantity sold (kg)	Gross per unit price (US$/kg)	Per unit **monthly** cost of production (US$/kg)	**Average** cost of production of the period (US$/kg)
B	TPH-003	04/30/2014	300.0	3.90	2.83	2.83
A	TPH-003	04/30/2014	450.0	3.89	2.59	2.59
A	NYC-256	06/02/2014	900.0	2.74	2.57	2.59
A	DLW-423	08/01/2014	1,350.0	3.41	2.59	2.59
A	FLD-669	09/17/2014	330.0	3.22	2.59	2.59
B	WSC-1592	11/20/2014	660.0	3.35	2.83	2.83
B	MSC-1704	01/07/2015	210.0	-	3.17	2.83
A	ATL-111	02/02/2015	2,100.0	3.79	2.62	2.59
B	SHC-09	03/08/2015	990.0	3.67	2.83	2.83
B	DVC-315	03/10/2015	390.0	4.09	2.83	2.83

For the assessment of the profit, it is used the sales in the domestic market informed by the producer/exporter that had been performed in the ordinary course of trade.[35] In the example of the producer/exporter of the wooden tables, it is used the assessment of the profit to sales and values presented as follows:

Table 1.28: Ordinary Course of Trades

Identification Code - CODIP	Invoice Number	Date of Sales	Ordinary course of trades?
B	TPH-003	04/30/2014	**Yes**
A	TPH-003	04/30/2014	**Yes**
A	NYC-256	06/02/2014	No
A	DLW-423	08/01/2014	**Yes**
A	FLD-669	09/17/2014	No
B	WSC-1592	11/20/2014	No
B	MSC-1704	01/07/2015	No
A	ATL-111	02/02/2015	**Yes**
B	SHC-09	03/08/2015	**Yes**
B	DVC-315	03/10/2015	**Yes**

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35 Paragraph 14 of art. 14 of Decree No. 8,058, of 2013.

Table 1.29: Summary of the sales on the ordinary course of trades

Gross Total Value (US$) (SDCOM)	21,163.00
Total discount for prepayment (US$) (SDCOM)	-
Allowances (US$) (SDCOM)	-
Financial cost of the trade (US$) (SDCOM)	81.38
Trade interest income (US$) (SDCOM)	67.70
Taxes incurring on the trade (US$) (SDCOM)	998.86
Domestic freight - unit of production/storage to the customer (US$) (SDCOM)	3,071.26
Expenses of advertising (US$) (SDCOM)	241.64
Expenses of technical assistance (US$) (SDCOM)	112.90
Other direct costs of sales (US$) (SDCOM)	69.32
Expense of inventory maintenance (US$) (SDCOM)	227.70
Cost of production (US$) (SDCOM)	14,917.09
Indirect selling expenses (US$) (SDCOM)	502.33
Cost of packaging (US$) (SDCOM)	446.40
Quantity sold (kg)	5,580

The profit of the foreign producer/exporter will be calculated from the total gross value of sales made in the ordinary course of trades. The amounts referring to discounts and allowances shall be deduced from this total gross revenue to the taxes incurring on the transaction36, to the cost of production of these sales37, to the direct costs of sales informed in the exhibit of sales of the like product in the domestic market of the exporting country and to the opportunity costs, which are the financial cost, and the expense of inventory maintenance. Thus, it will be assessed the net profit of all operational expenses, except for indirect costs of sales, since, as a rule, these are not deduced on the export price used in the comparison with the normal value.

Considering the ordinary course of trades presented in the table 1.25, the following profit would be obtained:

36 The taxes incurring on the trade only shall be deduced from the total gross revenue if these values are included in the gross per unit price informed in the exhibit of sales in the domestic market.
37 The cost of production of each sale refers to the product of the per unit cost of production of CODIP sold assessed to the month which was made the sale by the quantity sold of CODIP in said transaction.

Table 1.30: Assessment of the profit for construction of the normal value

	Gross Total Value (US$) (SDCOM)	21,163.00
-	Total discount for prepayment (US$) (SDCOM)	-
-	Allowances (US$) (SDCOM)	-
-	Financial cost of the transaction (US$) (SDCOM)	81.38
+	Interest income of the transaction (US$) (SDCOM)	67.70
-	Taxes incurring on the transaction (US$) (SDCOM)	998.86
-	Domestic freight - unit of production/storage to the customer (US$) (SDCOM)	3,071.26
-	Expenses of advertising (US$) (SDCOM)	241.64
-	Expenses of technical assistance (US$) (SDCOM)	112.90
-	Other direct costs of sales (US$) (SDCOM)	69.32
-	Expense of inventory maintenance (US$) (SDCOM)	227.70
-	Cost of packaging (US$) (SDCOM)	446.40
=	Net Revenue (US$)	15,981.24
-	Cost of production (US$) (SDCOM)	14,917.09
=	Profit (US$)	1,064.15

Based on the assessed profit, the percentage referring to the profit margin or to the participation of the profits in the costs is calculated. While the profit margin corresponding to the ratio between the profit found and the total **ex-factory** of the sales in ordinary course of trades, the share of the profit in the costs consists in the ratio between the assessed profit and the cost of production referring to these sales. Thus, it achieves the following percentages:

Table 1.31: Assessment of the percentages referring to the profit

	Methodology	Assessed percentages
Profit Margin	Total profit ÷ total **ex-factory** value of sales	6.7%
Share of the profit in the costs	Total profit ÷ total monthly cost of production of the sales	7.1%

1.1.3.4 Assessment of the constructed normal value

Finally, the percentage referring to profit on the weighted average cost of production assessed for each CODIP is applied. It is emphasized that, although the differences do not imply on the result, the formulas for the application of the percentages referring to the profit margin and share of the profit in the costs are different. Therefore, we have:

Table 1.32: Assessment of the constructed normal value

	Methodology
Profit Margin (a)	[cost ÷ (1 - a)]
Share of the profit in the costs (b)	[cost + (cost x b)]

Applying the formulas presented in the table above to the example of the producer/exporter of wooden tables, it is obtained the following constructed normal value to CODIP B:

Table 1.33: Construction of the normal value to CODIP B

rage cost of production (US$/kg)	Profit Margin	structed normal value (US$/kg)
2.83	6.7%	3.03

rage cost of production (US$/kg)	are of the profit in the costs	structed normal value (US$/kg)
2.83	7.1%	3.03

Note 1.7: Considering the abovementioned, it is worth emphasizing the nuance of use of the monthly costs of production of each CODIP and the weighted average costs of production of the period of investigation in the assessment of the constructed normal value.

- Monthly costs of production:
  - i) normally they are used in the assessment of the profit (as explained in the item 1.1.3.3).

- Weighted average costs of production of the investigated period:
  - i) they are the basis of the constructed normal value, to which the general,

> ii)   if there is no production of determined CODIP in the month of its sale, neither in the immediately preceding month, the average cost of production of the investigated period could be used in the assessment of the profit (normally performed based on the monthly cost of production),
>
> iii)   depending on the way how the profit was calculated, the average cost of production of the period of investigation could also serve as basis to the application of the percentage of share of the profit in the assessed costs.

1.1.3.5 Assessment of expenses and profit margin in the absence of production and sale of foreign like product

Also, it is worth call the attention to cases where there was not effective data of production and sales performed in ordinary course of trades in the domestic market of the exporting country.38 In these situations, the profit for the purposes of construction of the normal value could be assessed based on three hypothetical provided in39 the Brazilian Regulation, and evidenced in item 1.1.3.1 of this Brochure, depending on the available information of the case records of each procedure.

Regarding the use of these alternative methods in the assessment of the profit for the purposes of construction of the normal value, some points shall be observed.

In relation to the hypothesis of use the amounts effectively spent and earned by the producer or exporter under investigation related to the production and to the sale of products of the same general category in the domestic market of the exporting country40; taking into account that, in the construction of the normal value, are included in the cost of production all revenues/operational expenses, unless selling costs, it shall try to use the profit is net of these costs already included. Thus, it could use the profit earned before the income tax, which is net of all revenues/operational expenses. However, it would also be necessary to adjust the constructed normal value based in this profit, in order to make it comparable to the export price.

To assess the profit according to this methodology, it will be preferably used information arising from the Consolidated Income Statement (CIS) of the investigated company, audited, for the period of investigation. If this CIS does not be available to the said period, it could be used audited statements of the investigated company to the periods encompassing the period of investigation, considering the profits in each statement based on the composition of the investigated period. Thus, if the period of investigation was April 2013 to March 2014, the profit to be used in the construction of the normal value could be constituted of 3/4 of the profit earned by the company in 2013 plus 1/4 of the profit earned in 2014, according to the audited CISs referring to these years. If these statements do not

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38 Art. 14 of Decree No. 8,058 of 2013.
39 Paragraph 15 of art. 14 of Decree No. 8,058 of 2013.
40 Item I of paragraph 15 of art. 14 of Decree No. 8,058, of 2013.

be available or if the company is not obligated to have its statements audited, it could be appeal to one of the alternatives below, among others:

I)   The Consolidated Income Statement of the group and audited to the period of investigation or to the closed years encompassing such period;

II) The Consolidated Income Statement of the group by the company to the period of investigation or to the closed years encompassing such period; or

III) The Consolidated Income Statement signed by the company's accountant referring to the period of investigation.

The profit found will be divided by the net sales revenue, to obtain the profit margin to be used in the formula previously mentioned for the calculation of the constructed normal value.

> Note 1.8: Regarding the method of assessment of the profit margin based on the weighted average of the amounts effectively spent and earned by other producers or exporters under investigation related to the production and trade of a like product in the domestic market of the exporting country41; it worth emphasizes that the weighting of the profit margins of the others producers/exporters could be made based on the values of sales of a like product for each company in its respective domestic markets. Thus, if considered two companies with the profit margins and revenues of sales presented in the example below, it would have the following profit margin:42 41
>
> Table 1.34: Assessment of the profit margin based on the item II of paragraph 15 of art. 14
>
> | Company | Sales revenue (US$) | Profit Margin (%) | Weighted profit margin (%) [(Revenue A * Margin A) + (Revenue B * Margin B)] / (Revenue A + Revenue B) |
> |---------|---------------------|-------------------|--|
> | A | 3,000.00 | 5.82 | 6.23 |
> | B | 1,500.00 | 7.05 | |

Regarding the use of "other reasonable method", since the stipulated amount to the profit does not exceed the profit normally earned by others producers or exporters with the sales of products of the same general category in the domestic market of the exporting country43, it worth emphasizes that the Department could including draw on published CISs of companies that manufacture and trade products of the same general category, which are available to the access and/or they are brought to knowledge of the investigating authority for the interested parties. The assessment of the profit margin

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41 Item II of paragraph 15 of art. 14 of Decree No. 8,058 of 2013.

42 If it is decided to assess the profit based on the sharing of the profit on the costs, the weighted average between these shares shall be calculated in the same way as shown with the profit margin, that is, based on the selling quantities of the like product by each company, in its respective domestic markets, in ordinary course of trades.

43 Item III of paragraph 15 of art. 14 of Decree No. 8,058, of 2013.

based on these statements follows the same methodology previously delivered in the explanation of the first method (amounts effectively spent and earned by the producer or exporter under investigation related to the production and sale of products of the same general category in the domestic market of the exporting country). In this way, the "other reasonable method" to be used shall depend on the available information in each concrete case.

Finally, it is worth mentioning the hypothesis of construction of normal value in cases of two or more manufacturing companies related to which were assessed individual margins of dumping, but to those will be stipulated a single anti-dumping right. In these cases, it is usually assessed the normal value for each company based on its respective costs of production and operating expenses. Regarding the assessment of the profit to be used in the construction of the normal value of each one of these companies, this could be individually assessed for each one, and the corresponding percentages to the profits of each one could be applied on the respective costs of production of these companies. Alternatively, it also could evaluate the reasonableness of to assess the single profit margin for these companies, through the weighting of their individual profit margins through the total revenues earned by them in their ordinary course of trades.

1.2 Non-market Economies

If the country is not considered a market economy, the determination of the normal value will not be as previously described (item 1.1), but based on:[44]

I) In the selling price of the like product in a substitutive country;

II) In the constructed value of the like product in a substitutive country;

III) In the export price of the similar like product from a substitutive country to other countries, except to Brazil; or

IV) In any other reasonable price, including the paid or payable price for the like product in the Brazilian domestic market, duly adjusted, if necessary, to include a reasonable profit margin, always anyone of the previous events is feasible and since duly justified.

This is because the sales transactions in such countries are considered, under governments' influence, do not reflect trade conditions of free competition markets, and, therefore, they are not appropriate to the composition of the normal value to be compared with the export price of the subject product to Brazil. For this reason, if a substitute country is search for the assessment of the normal value of the producers/exporters of non-market economy countries.

Note 1.9: Under the Brazilian Regulation[45], the substitutive country will consist of a third country of market economy as appropriate, considering the reliable information timeliness delivered by the applicant or producer/exporter. It is emphasized that, where applicable, SDCOM appeals to a substitute country subject to the same investigation, due to have, often, in these cases, more detailed and verifiable information of producers/exporters of also investigated countries of market economy.

The non-informed interested parties, in the beginning of the investigation, of the substitutive country intended to be used, having the applicant and producers/exporters, in case of disagreement, the prerogative to present suggestion duly justified and grounded on evidence, of an alternative third country.

SDCOM analyses all submitted information and delivers its final decision on the substitutive country in the preliminary determination.

In addition, the Brazilian Regulation also allows those producers/exporters of a non-market country request treatment as a market economy country and, therefore, they have its normal value assessed based on (i) their own sales in the domestic market; (ii) their exports to an appropriate third country; or (iii) its constructed value taking into consideration their data of production and expenses costs. This request is linked to the presentation of evidence showing that this producer/exporter and the economic

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44 Art. 15 of Decree No. 8,058 of 2013.
45 Idem.

sector which it belongs operate in similar conditions to those in force in market economy countries.46

Bearing in mind the purposes of this Brochure, it will not be analyzed (i) the methodology of appointment and chose of an appropriate substitutive country for assessment of the normal value of producers/exporters of countries that are not considered as market economy; and (ii) the SDCOM's analysis of the request of producers/exporters of non-market economy countries for assessment of its normal value based on their own information (treatment similar to market economies).

In contrast to the case of market economies, the Brazilian law does not establish a hierarchy among the four methodologies abovementioned. Thus, for instance, it could directly start from the assessment of the normal value of non-market economy producer/exporter based on the constructed value of the like product in the substitutive country, without there is an analysis of sales in the domestic market of the substitutive country.

It worth emphasizes that information for this assessment could arise from several sources: information provided by the applicant in the initial application of the investigation; questionnaires of market economy producers/exporters that are submitted to the same investigation; collaborative answers of market economy producers (questionnaire of a market economy third country), secondary sources, etc. The source of information, often, will determine the availability and development of treatment of these data by the Department.

In this section of this Chapter, these four methodologies of assessment of the normal value will be analyzed in brief. With the purpose to show how SDCOM could assess the normal value of a producer/exporter of a non-market economy country based on each method (without prejudice to other methodologies equally valid), we will use the hypothetical example of a fictitious company (Fantasia Co., Ltd.), as mentioned in the Introduction of this Brochure. Remember that this hypothetical example means an dumping investigation in exportation of wooden tables to Brazil, and the period of investigation was defined as "April 2014 to March 2015".

1.2.1 Selling price of the like product in a substitutive country

If the assessment of the normal value of non-market economy producers/exporters is made based on the selling price of a foreign like product in the domestic market of the substitutive country, it shall be considered, where possible, the same way as in the case of market economies, only the sales are fitted as "ordinary course of trades".

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46 Arts. 16 and 17 of Decree No. 8,058 of 2013.

For this purpose, the same tests and considerations described in the item on the assessment of the normal value based on the selling price in the domestic market of the market economy producer/exporter could be made, which are:

I) Test of sales below the cost

I.I) First step: comparison of the net price (for the test of sales below the cost) of each sales transaction of the foreign like product in the domestic market of the substitutive country with the monthly per unit cost of production, considering CODIPs and the date of each sale.**47** The criteria of 20% for possible disregarding (if met other requirements of this test) of sales made below the cost are applied, taking into account they had been made in a "relevant quantity". In addition, it is assessed if these sales were made during a reasonable period of time, that is, taking into account twelve months of the period of investigation.

I.II) Second step: verification if the sales made below the monthly per unit cost were made at the prices allowing the recovery of the costs in a reasonable period of time; The sales that not recover the costs in a reasonable period of time are considered as non-ordinary course of trades and they are, therefore, disregarded for the assessment of the normal value.

II) Sales to related parties: exclusion of trades to related parties, if they have a selling average price of 3% higher/lower to the selling average price to independent parties. To make this comparison, it is considered the total of the sales (segmented per CODIP-customer category) reported by the producer/exporter, made during the period of investigation, and not only those that complied with the criteria of test of sales below the cost. In addition, it is taking into consideration the net price of all sales costs (direct and indirect), discounts and allowances, and taxes ("net price for the test of sales below the cost").

III) Other transactions: exclusions of samples, sales to employees, donations, **tolling**, **swap**, captive consumption, and others.

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47 The months where did not have production shall be taking into consideration, using, in these cases, the cost of production referring to the immediately preceding month or, in its absence, the average cost of production of the period of investigation, firstly to the same CODIP and, in second case of the closer CODIP (or group of CODIPs).

If the Fantasia Co., Ltd has its normal value assessed based on the selling data of the Fictitious Company (a company of the substitutive country, also subject to the hypothetical investigation) of a foreign like product in the domestic market of the substitutive country, the same sales of the Fictitious Company in its domestic market would be considered, obtained after the performance of the tests abovementioned in table 1.11:

However, in such example, the price to be considered for the assessment of the Fantasia Co.'s normal value will not be, such as in the case of Fictitious Company, the **ex-factory** price (gross price deduced from discounts/allowances, expenses of direct sales, financial costs, and expense of inventory maintenance), but the price considered in basis of **delivered** (or FOB, depending on the classification used by the company). This is because, it was concluded that, in such example, the normal value assessed in **delivered** condition, and the export price assessed in FOB condition (see 2.2.1), were just comparable.

It is emphasized that, however, there are cases where adjustments related to the values of discount/allowances, freight/internal insurance, and financial cost are required for fair comparison of the normal value with the export price. The requirement to perform these adjustments will depend on the assessment basis of the export price of the producer/exporter of a non-market economy. To perform these adjustments, however, expenses incurred by the producer/exporter of non-market economy countries are used, since they do not reflect a situation of free competition market. In its place, expenses incurred by companies of market economy countries are used.

In case of Fantasia Co., for assessment of the normal value based on **delivered**, it was divided the gross value of the sales in the domestic market of Fictitious Company considering the ordinary course of trades, which is the gross per unit price, by the total selling quantity in the domestic market to this last company, considering the same trades, segmented per CODIP and customer category, such as follows:

Table 1.35: Delivered price

2.0		3.0	4.1		(A)	(B)	(A*B)
Identification Code - CODIP	Customer category	Invoice number/Bill of Sale	Date of Sales	Conclusion: ordinary course of trade?	Quantity sold (kg)	Gross per unit price (US$/kg)	Gross value (US$)
DCODIP		DFAT	DVENDT		DQTDVEND	DPRBRUTO	
B	Trading company	TPH-003	04/30/2014	**Yes**	300.0	3.98	1,192.50
A	Trading company	TPH-003	04/30/2014	**Yes**	450.0	3.97	1,787.55
A	Final consumer	DLW-423	08/01/2014	**Yes**	1,350.0	3.49	4,711.50
A	Trading company	ATL-111	02/02/2015	**Yes**	2,100.0	3.87	8,130.50
B	Final consumer	SHC-09	03/08/2015	**Yes**	990.0	3.75	3,712.83
B	Trading company	DVC-315	03/10/2015	**Yes**	390.0	4.17	1,628.12

Table 1.36: Weighted normal value per CODIP and customer category

CODIP	Customer category	Quantity (kg) (I)	Delivered amount (US$)	Delivered price (US$)
A	Final consumer	1,350.00	4,711.50	3.49
A	Trading company	2,550.00	9,918.05	3.89
B	Final consumer	990.00	3,712.83	3.75
B	Trading company	690.00	2,820.62	4.09

The delivered price in the last column of the table above corresponds to the weighted average normal value of each CODIP - customer category. These values could be used when of the comparison with the export price (considering the exports made by own Fantasia Co., Ltd. to Brazil during the period of investigation48), also segmented per CODIP and customer category, for the purposes of assessment of the margin of dumping.

Note 1.10: In the case of SDCOM has more than a valid database of selling prices in the producer's domestic market of the substitutive country, such as, for instance, when the substitutive country also is under the same investigation and more than a producer/exporter has provided answers to the application, the weighted average normal value could be assessed, considering all these databases.

If was, in the hypothetical example of Fantasia Co., Ltd., in addition to the Fictitious Company producer/exporter, other producer of wooden tables of the same substitutive country had provided a valid database on its sales in the domestic market (Surreal Company), the weighting, considering only the ordinary course of trades of these two last companies, it would be as follows:

Table 1.37: Delivered normal value - Fictitious Company

CODIP	Customer category	Quantity (kg)	Delivered value (US$)	Delivered price (US$)
A	Final consumer	1,350.00	4,711.50	3.49
A	Trading company	2,550.00	9,918.05	3.89
B	Final consumer	990.00	3,712.83	3.75
B	Trading company	690.00	2,820.62	4.09
General Total		5,580.00	21,163.00	

Table 1.38: Delivered normal value - Surreal Company

CODIP	Customer category	Quantity (kg) (I)	Delivered amount (US$)	Delivered price (US$)
A	Final consumer	500.00	1,600.00	3.20
A	Trading company	1,200.00	4,704.00	3.92
B	Final consumer	2,500.00	9,450.00	3.78
B	Trading company	750.00	3,037.50	4.05
General Total		4,950.00	18,791.50	

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48 The export price of the producers/exporters of non-market economies, in contrast to its normal value (determined based on data of substitutive country), is assessed based on the exports to Brazil of subject product effectively made by them.

Product Identification Code (CODIP)/ customer category	Company	Quantity (kg)	Delivered price (US$/kg)	Delivered amount (US$)
A - Trading Company	Fictitious Company	2,550.00	3.89	9,918.05
A - Trading Company	Surreal Company	1.200,00	3.92	4,704.00
Σ		(I) 3,750.00		(II) 14,622.05
Weighted gross price (US$/kg) = (II)/(I)				**3.90**
A - Final consumer	Fictitious Company	1,350.00	3.49	4,711.50
A - Final consumer	Surreal Company	500.00	3.20	1,600.00
Σ		(I) 1,850.00		(II) 6,311.50
Weighted gross price (US$/kg) = (II)/(I)				**3.41**
B -Trading Company	Fictitious Company	690.00	4.09	2,820.62
B - Trading Company	Surreal Company	750.00	4,05	3,037.50
Σ		(I) 1,440.00		(II) 5,858.12
Weighted gross price (US$/kg) = (II)/(I)				**4.07**
B - Final consumer	Fictitious Company	990.00	3.75	3,712.83
B - Final consumer	Surreal Company	2,500.00	3.78	9,450.00
Σ		(I) 3,490.00		(II) 13,162.83
Weighted gross price (US$/kg) = (II)/(I)				**3.77**

In this way, for the assessment of the margin of dumping of Fantasia Co., Ltd. could be used the weighted average normal values of each CODIP - customer category obtained after the weighting by the quantity sold in the domestic market by Fictitious Company and Surreal Company in the previous table of the sum lines (Σ).

1.2.2 Constructed value of a like product in a substitute country

The normal value of producer/exporter of a non-market economy country could be assessed based on the constructed value of the like product in a substitutive country, even it is possible to use the first methodology evidenced (selling price in the domestic market of the substitutive country), bearing in mind that the absence of hierarchy between the methods of assessment of the normal value for companies of non-market economies.

The methodologies used to construct the normal value of producers/exporters of market economy countries and non-market economy countries follow the same general rules (explained in item 1.1.3 of this Brochure).

However, there is a paramount difference between these methodologies, which are the sources and types of information that will support the construction of the normal value in each case.

Regarding the data used in the construction of the normal value for producers/exporters of non-market economy countries, it is worth mentioning that their answers to the application do not have data referring to the sales of the like product in the domestic market of these countries, neither information related to the cost of production of the foreign like product/subject product. The office does not require that such information is submitted to it, since such sales in the domestic market does not reflect the prices and costs existing in the free competition markets.

For this reason, when it is decided to construct the normal value for companies of non-market economy countries, this construction is made according to other information that not in effective data of prices and costs of the investigated producer/exporter. The type of information used in these cases will depend on the data that are available in the cases records of each procedure, which could arise from several sources. It is emphasized that the source of information, often, will determine the availability and development of treatment of these data by the Department. Examples of sources that SDCOM could use are listed as follows:

IV) applications of producers/exporters of market economy substitutive country that are under the same investigation;

V) collaborative answers of producers of market economy substitutive country (application of third country);

VI) information provided by petitioner in the initial petition of the investigation;

VII) secondary sources, among others.

Here, we make some specific comments on the types of information that SDCOM could use to construct the normal value of companies of non-market economy countries. The information available in the two first hypothesis of sources abovementioned are data of prices and effective costs of producers/exporters of substitutive country of market economy.

In these two hypotheses, despite the information are different from those used in the construction of the normal value of companies of market economy countries, the methodology for construction of this price follows the same general rules. Thus, based on available data, it will be assessed manufacturing cos referring to the production of the like product/subject product to which will sum a reasonable amount as general and administrative expenses, financial expenses, other expenses, expenses of trade and profit. Again, it is worth mentioning that the normal value shall be constructed aiming to ensure its fair comparison with the export price.

In turn, when the normal value is constructed based on information provided in the petition or in secondary sources, despite the construction follows the basic idea to add expenses and profit to the manufacturing cost of the like product, it shall be analyzed if the methodology and sources used are suitable. In these cases, the data provided could arise from several sources, such as specialized publications having input prices, consolidated income statements of companies located in the substitutive country of market economy. In addition, it could be used, as basis to determine the inputs that will compose the cost of production, the structure of costs of producers located in the investigated country, in the substitutive country of market economy or in Brazil, since the prices of inputs/raw materials/factors of production are based on values of the substitutive country.

Therefore, it is verified that the construction of the normal value for producers/exporters of non-market economy countries shall be evaluated on case-by-case basis, mainly when it was made as from data provided in the petition or secondary sources. In any event, however, it shall always bear in mind the assessed export price, to ensure the fair comparison between this price and the constructed normal value.

1.2.3 Export price from a substitutive country to other countries

As already abovementioned, the normal value of producer/exporter of a non-market economy country could be assessed based on the export price from a substitutive country to other countries, except for Brazil, even it is possible to use the first methodology evidenced (selling price in the domestic market of the substitutive country), bearing in mind the absence of hierarchy between the methods of assessment of the normal value to companies of non-market economies.

In the same way, in cases of assessment based on selling price in the domestic market, it is established if trades of exports from a substitutive country to other countries are suitable for the assessment of the normal value.

For this purpose, the same tests and considerations described in the item on the assessment of the normal value based on the selling prices in the domestic market of the substitutive country producer/exporter could be made, which are:

VIII) test of sales below the cost

First step: comparison of the net price (for the test of sales below the cost) of each selling trade of the foreign like product to other countries with the monthly per unit cost of production, considering CODIPs and the date of each sale. The criteria of 20% for possible disregard (if met other requirements of this test) of sales performed below the cost are applied, considering they had been made in a "relevant quantity". In addition, it is evaluated if such sales were made during a reasonable period of time, that is, considering twelve months of the period of investigation;

Second step: verification if the sales made below the monthly per unit cost were made at the prices allowing the recovery of the costs in a reasonable period of time; The sales that not recover the costs in a reasonable period of time are considered as anormal ordinary course of trades and they are, therefore, discarded for the assessment of the normal value.

IX) Sales to related parties: exclusion of trades to related parties if they have a selling average price of 3% higher/lower to the selling average price to independent parties. To perform this comparison, it is considered the totality of sales (segmented by CODIP-customer category) informed by the producer/exporter, made during the period of investigation, and not only those that complied with the criteria of test of sales below the cost. In addition, it is taking into consideration the net price of all sales expenses (direct and indirect), discounts and allowances, and taxes ("net price for the test of sales below the cost").

X) Other transactions: exclusions of samples, sales to employees, donations, **tolling**, **swap**, captive consumption, and others.

If Fantasia Co., Ltd. had its normal value assessed according to the export data from the substitutive country to other countries, based on data of Fictitious Company (a company of the substitutive country), after all these tests, it would assess the price in **delivered** basis. This is because, it was concluded that, in such example, the normal value assessed in **delivered** condition, and the export price assessed in FOB condition (see 2.2.1), were just comparable.

As evidenced above, in cases where the adjusts are required for a fair comparison, these are not performed according to the data of the investigated company of the non-market economy country, and they shall be substituted by information referring to companies located in market economy countries.

In case of Fantasia Co., for assessment of the normal value based on **delivered**, it was divided the gross value of the sales from Fictitious Company to other countries considering the ordinary course of trades, which is the gross per unit price, by the total selling quantity in the domestic market to this last company, considering the same trades, segmented per CODIP and customer category, such as follows:

Thus, it would be obtained the weighted average normal values of each CODIP - customer category, which could be used in the comparison with the weighted average export prices (considering the exports made by own Fantasia Co., Ltd. to Brazil during the investigation period of dumping), also segmented per CODIP and customer category, for the assessment of the margin of dumping of the producer of the non-market economy country.

1.2.4 Any other reasonable price

As already abovementioned, the normal value of producer/exporter of a non-market economy country could be assessed based on the any other reasonable price, even it is possible to use the first methodology evidenced (selling price in the domestic market of the substitutive country), bearing in mind the absence of hierarchy between the methods of assessment of the normal value to companies of non-market economies.

This methodology encompasses several possibilities, including the price of the domestic industry of sales of the domestic like product in the Brazilian market or even though its adjusted cost of production.

CHAPTER 2: EXPORT PRICE

The margin of dumping is defined by the difference between the normal value and the export price. The normal value, its definition and methodologies for its assessment were themes approached in the previous chapter. The second step to determine the margin of dumping is the assessment of the export price, which we will analyze in this Chapter.

As a rule, the export price is the received or receivable price, by the producer or producer/exporter, "by the product exported to Brazil, net of taxes, discounts or decreases effectively granted and directly related with the sales of the subject product."[49] These are the hypothesis where the foreign producer is also the exporter of the subject product or where, although they are distinct entities, there is no relationship or association between them.

It could have cases where there is no export price, or this price could seem not reliable. The export price could be considered not reliable when (i) the foreign producer and exporter of the subject product are related or associated parties, or when (ii) there is association, relationship or compensatory agreement between the foreign producer or exporter and the importer or a third party.[50] In these hypotheses, the Department will implement the reconstruction of the export price, as will be explained below in this Chapter.

As a rule, if the reconstruction of the export price is required or not, the Department shall have as a basis for assessment of this price the information informed by the foreign producer/exporter in the exhibit of exports to Brazil of the answer to the respective application. In this exhibit, it shall be informed all sales invoices referring to the exports of the subject product to Brazil, performed during the period of investigation. These invoices are extracted from the relative information, for instance, to the selling price, net of taxes and discounts granted in the moment of the sale, and the quantity sold. The information requested in said exhibit which are not available in the sales invoices shall be extracted from the accounting records of the company, in a way that SDCOM could subsequently verify.

Besides the application of the producer/exporter, having a relationship between the producer/exporter and the Brazilian importer, it could also be used eventual answers of this to the respective application. In these answers, it shall be informed all import trades of the subject product made in the period of investigation, as well as all resales of this product made by the importer informed in said period. The information reported by the importer shall be based on data in the import cash flow and resale invoices.

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49 Arts. 18 and 19 of Decree No. 8,058 of 2013.
50 Section II of Chapter II of Decree No. 8,058 of 2013.

It is also worth mentioning that, differently of that occurs in the determination of the normal value, where the non-ordinary course of trades is excluded and made in insufficient quantity, the assessment of the export price always takes into consideration all export trades to Brazil. In addition, the Department always search to use export data effectively reported by the producers/exporters, regardless of the **status** of the country under investigation.

Finally, following the logic that the export price and the normal value shall be comparable, these shall always be assessed in sales condition ensuring a fair comparison. As a rule, these values are assessed in the **ex-factory** condition.[51] This was the case of the company of market economy in the hypothetical example of dumping investigation in the exports to Brazil of wooden tables (Fictitious Company), whose measurement of the normal value could be verified in item 1.1.1 of this Brochure and whose methodologies of assessment of the export price will be described in the first section of this Chapter.

In turn, the second section of this Chapter will show the methodologies of assessment of the export price to the case of companies of non-market economies. In the hypothetical example approached in this Brochure, referring to the fictitious company Fantasia Co., Ltd., the export price was assessed in FOB condition and the normal value, in the **delivered** sales condition, and these sales conditions ensuring a fair comparison were considered.

2.1 Market Economies

2.1.1 Received or receivable export price

The Brazilian Regulation provides in its article 18 the general rule for assessment of the export price of producers/exporters of market economies, which:

> "If the producer is the exporter of the subject product, the export price will be the received or receivable export price, by the by the product exported to Brazil, net of taxes, discounts or decreases effectively granted and directly related with the sales of the subject product."[52]

In turn, the article 19 of the Brazilian Regulation presents a methodology like the article 18 for the assessment of the export price, in cases where the producer and the exporter are separate entities. In this sense, it provides that:

> "If the producer is not the exporter and both are not associated or related parties, the export price will be, preferentially, the received, or the receivable price, by the producer, for the product exported to Brazil, net of taxes, discounts or decreases effectively granted and directly related to the sales of the subject product".[53]

As evidenced in the introduction of this Chapter, it is searched, preferentially, in the assessment of the export price in the **ex-factory** condition. Therefore, based on the

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51 Art. 22 of Decree No. 8,058 of 2013.
52 Art. 18 of Decree No. 8,058 of 2013.
53 Art. 19 of Decree No. 8,058 of 2013.

information in the exhibit of exports to Brazil, the price of each sale trade is assessed from the gross value of the sale, deducing the amounts related to the discounts and allowances, to the taxes incurred in the transaction, to the direct costs of sales, including freight and international insurances, and Opportunity costs. It is only emphasized that, while in the first hypothesis previously suggested, the Department will use the database of the producer/exporter of the subject product, in the cases covered with the second methodology, the information used for purposes of assessment of the export price are only provided by the producer of the investigated product, which sales the product to the non-related exporter.

Considering the hypothetical example of the producer/exporter of wooden table, Fictitious Company, the **ex-factory** export prices assessed, from the database provided by the said producer/exporter in its answer to the application (herein Exhibit III) are those presented in the Table 2.1 below. Regarding these prices, it is only worth mentioning that, in such example, to ensure the fair comparison, the export price was assessed without deduction of the indirect costs of sales54, but with the deduction of packaging cost, such as it was performed in the measurement of the normal value (see item 1.1.1).

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54 Remember that the Department understands that the percentage of indirect expenses is identical in the sales of the foreign like product to the domestic market (or, eventually, in the export price to an appropriate third country) and in exports to Brazil. Thus, indirect costs are considered to not affect the fair comparison between the export price and the normal value. Thus, its deduction is not required from the gross price for the purposes of assessment of the **ex-factory** price.

Table 2.1: Assessment of the ex-factory export price

ECODIP	Invoice Number	Date of Sales	customer category (SDCOM)	Quantity sold (kg)	Gross per unit price (US$/kg)	Deductions (US$/kg)	Increases (US$/kg)	**Ex-factory** export price (US$/kg)
	EFAT	EVENDT	customer category (SDCOM)	EQTDVEND	EPRBRUTO	Financial cost, Domestic freight, Handling of Cargo and Brokerage, International Freight, Merchandising Expense, Other Direct Expenses, Expense of Inventory Maintenance, and Packaging Cost	Tax Recovery	Gross Per Unit Price + (Deductions) + Accretions
B	BRA-038	06/02/2014	Final consumer	1,500.0	4.83	1.85	0.01	3.00
A	BRA-057	08/26/2014	**Trading company**	7,500.0	4.70	1.89	0.01	2.82
B	BRA-113	12/15/2014	**Trading company**	18,000.0	4.87	1.95	0.02	2.94
A	BRA-556	01/14/2015	**Trading company**	16,500.0	4.30	1.80	0.01	2.51
B	BRA-907	03/08/2015	**Trading company**	15,000.0	4.93	1.96	0.03	3.00

After the determination of the export prices of each transaction, the weighted average export prices are assessed for each CODIP - customer category, to the period of investigation. These weighted average export prices (in the **ex-factory** condition) could be compared with the weighted average normal values for each CODIP - customer category (also in the **ex-factory** condition), for the purposes of assessment of the margin of dumping, such will be evidenced, in the hypothetical example of the Fictitious Company, in the Chapter 5.

In the example of the producer/exporter of wooden tables, the average export prices are those presented in Table 2.2 as follows.

Table 2.2: Assessment of the ex-factory export price per CODIP and customer category

Product Identification Code	customer category (SDCOM)	Export Price ex-factory (US$/kg)	Quantity sold (kg)	Total sales value ex-factory (US$)
		(A)	(B)	(A)*(B)
B	Final consumer	3.00	1,500.0	4,492.6
A	**Trading company**	2.82	7,500.0	21,183.6
B	**Trading company**	2.94	18,000.0	52,930.3
A	**Trading company**	2.51	16,500.0	41,464.4
B	**Trading company**	3.00	15,000.0	45,041.3

CODIP	customer category (SDCOM)	∑ ex-factory total sales value per CODIP and customer category (US$)	∑ Quantity sold per CODIP and customer category (kg)	**ex-factory** export price per CODIP and customer category (US$/kg)
		(C)	(D)	(C)/(D)
A	**Trading company**	62,648.0	24,000.0	2.61
B	**Trading company**	97,971.6	33,000.0	2.97
B	Final consumer	4,492.6	1,500.0	3.00

2.1.2 Reconstruction of the export price

As abovementioned, the Department could reconstruct the export price always that:

I)   there is a relationship or association between the foreign producer and the exporter of the subject product;

II)   there is a relationship or association between the foreign producer or exporter and the importer or a third party;

III)   there is a compensatory agreement between the foreign producer and exporter or between them and the importer or a third party; or

IV)   there is no export price.

Related to two first hypothesis abovementioned, firstly, it is worth emphasizing that the Brazilian Regulation lists situations which will be considered that there is a relationship or association between the interested parties, for the purposes of determination of dumping.55

With regards to the third hypothesis, which is the possibility of existence of a compensatory agreement, despite the Brazilian Regulation does not present any definition about the term, it is worth mentioning that this type of agreement could occur in different ways. Among several possible types are (i) the compensation through transactions involving other products different from the subject product, (ii) the compensation through payment made in a third country, and (iii) the compensation through conciliation of credits and debts in a third country. These compensatory agreements could be identified, for instance, as from divergences between the price reported by the producer/exporter and its answer to the application and in the import, data make available by RFB (in the same sales condition), or from the sales trades made for derisory prices. In any way, the identification of possible compensatory agreements requests the careful examination, by the Department, of the available data in each case.

In turn, referring to the fourth hypothesis, it also could have a situation where there is no export price. This can happen, for instance, in cases of (i) remittance of samples without trade value; (ii) donations; (iii) transactions without currency hedging or (iv) CKD (**Completely Knock-Down**) transactions, referring to sales of assembly of parties, where only these have definite price, when the final product (under investigation) does not have it.

In any case, the Department shall make the reconstruction of the export price, based on, as a rule, in the reselling price of the subject product to the first independent purchaser. It was not possible in view of the products to not be resales to an independent purchaser or to not be resales in the same condition which they were imported, the

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55 Paragraph 10 of art. 14 of Decree No. 8,058 of 2013.

Department could use another reasonable considered basis.[56]

Before to detail the possible methodologies for the reconstruction of the export price from the resale price to the first independent purchaser, it is worth mentioning that the other "reasonable considered basis" mentioned above will vary in accordance with the available information in each process. The export price shall be reconstructed according to, for instance, in the price performed by other exporters or importers to the first independent purchaser or in the selling price of the product manufactured by the Brazilian importer using the subject product as input in its productive process.

2.1.2.1 Relationship between the foreign producer and exporter

The hypothesis of reconstruction of the export price in view of the relationship or association between the producer and the exporter is provided in art. 20 of the Brazilian Regulation. According to the provision in this article, the reconstruction of the export price will have as basis the "price effectively received or the receivable price by the exporter for a product exported to Brazil."

For this reason, considering a standard situation of company from a market economy country, the export price would be reconstructed in the condition of **ex-factory** sale, as from the gross value of sales effectively charged by the related exporter, aiming to remove the influence of such intermediary on the export price, in a way to ensure the fair comparison of this price with the assessed normal value. Thus, the export price would be reconstructed from the gross value of sales to the first independent purchaser effectively charged by the related exporter, as informed in the exhibit to the exports to Brazil delivered by the exporter through the realization of the adjustments delivered in the following table.

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[56] Item II of art. 15 of Decree No. 8,058, of 2013.

Table 2.3: Reconstruction of the export price in cases of relationship between the producer and the exporter

	value of sales of the exporter related to the first independent purchaser
	ints and allowances (granted by the related exporter)
	incurring on the trade (paid by the related exporter)
	lue of sales of the exporter related to the first independent purchaser
	ational freight and insurance (incurred by the related exporter or producer)
	xpenses (incurred by the related exporter)
	al and administrative expenses (incurred by the related exporter)
	margin (referring to the related exporter)
	ial cost (referring to the related exporter)
	se of Inventory Maintenance (referring to the related exporter), if any
	se of Inventory Maintenance (referring to the producer)
	costs of sales (incurred by the related exporter)

Some observations shall be made related to the previous table. Firstly, it shall call the attention that only shall be deduced discounts, allowances, and taxes referring to the sale to the first independent purchaser, since the price taken as a basis to reconstruct is that charged by the exporter related in such sales.

Regarding to the international freight and insurance, it is worth mentioning that the amounts referring to these items are deduced regardless of the related party (producer or exporter) incurring on it. Consequently, the values of international freight and insurance shall not be included in these amounts to be deduced as sales expenses (being those incurred by the producer in the sale to the related exporter, or those incurred by the related exporter in its sales to the first independent purchaser).

Regarding the sales expenses incurred by the related exporter, it is worth emphasizing that, generally, direct expenses and indirect costs of sales informed in the exhibit of exports to Brazil are deduced. However, the decision on such sales expenses shall be deduced during the reconstruction of the export price shall be taken case-by-case, upon the analysis of sales expenses incurred by the producer and related exporter and informed in the exhibits of exports to Brazil, and in accordance with the assessed normal value for such company, to ensure the fair comparison between this value and the export price.

Regarding the profit margin, it is not usual to use the margin of the own related exporter, in order that Department uses the profit margin of other company, available in an audited financial statement. Although there are no criteria for definition of this alternative margin, it is preferable that to be used is the company located in the own investigated country and that acts in the same economic sector referring to the subject product. In addition, according to the Brazilian Regulation, this margin shall refer to the period of investigation or to the last available tax year.57

Even though the profit margin does not could be assessed in accordance with the effective data of the investigated company, the general and administrative expenses could be assessed based on the values of the audited DRE of the related exporter.

Regarding to the opportunity costs, it is worth emphasizing that only the financial cost related to the sales to the first independent purchaser is deduced. Thus, this cost shall be calculated taking as basis the interest rate referring to the related exporter and the terms of payment in the exhibit of exports to Brazil submitted by such exporter.

In turn, the expenses of inventory maintenance incurred both the producer and the related exporter, if applicable, are deduced from the sales value to the first independent purchaser. In both hypotheses, the calculation of

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57 Paragraph 6 of art. 22 of Decree No. 8,058 of 2013.

the expense of inventory maintenance shall take into consideration the interest rate referring to the producer and the manufacturing cost58 of each CODIP, assessed in accordance with data reported by the producer. However, it is worth emphasizing that the number of days in inventory to be used in each case shall not be the same. While in the calculation of the expense of inventory maintenance of the producer will use the average of days in inventory reported by the producer or identified during the verification **in loco**, in the assessment of this opportunity cost referring to the related exporter, it will use the eventual difference of days between the shipping dates of the producer and related exporter.

Finally, about the deduction of direct costs of sales incurred by the producer in its sales to the related exporter, it is worth call the attention to the fact that it is usual to calculate the weighted average per unit value of these expenses to the period of investigation, taking into consideration all transactions reported by the producer. Thus, this average value is allocated to each export transaction of the subject product to Brazil reported by the related exporter, and the total amounts of these expenses corresponding to each resale transaction are deduced from the sales value to the first independent purchaser, for the purposes of assessment of the **ex-factory** export price.

It is also worth emphasize that could have cases where the delivery channel in exports to Brazil includes more than one related exporter. In these situations, it is necessary to remove the influence of all intermediaries (related exporters) on the export price, to ensure the fair comparison between the export price and the normal value. Thus, would be deduced amounts referring to the general, administrative, and sales expenses, as well as to the profit margin and to the expense of inventory maintenance, if applicable, related to each intermediary related exporter With regards to the related exporter reselling the subject product to the first independent purchaser, it would be deduced, besides the expenses and profit margin previously mentioned, amounts referring to the financial cost of these transactions of resales and eventual expense of inventory maintenance incurred by such exporter, if applicable.

Upon mentioned, and considering the existence of a company Exportables Trading, which is an exporter related to the producer Fictitious Company, in the hypothetical example of the investigation of dumping in the exports to Brazil of wooden tables, we have the following **ex-factory** export prices, assessed in accordance with the information in the Exhibit IV:

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58 Remember the concept of manufacturing cost: the sum of the costs of variable, fixed, and labor production.

Table 2.4: Reconstruction of the ex-factory export price from the resale price of the Exportables Trading

Sequence	Product Identification Code	Invoice Number	Date of Sales	Customer category	Quantity sold (kg)	Gross per unit price (US$/kg) (A)
1	A	TBRA-001	06/08/2014	Final consumer	1,050	6.64
2	B	TBRA-002	09/01/2014	Dealer	6,000	5.91
3	A	TBRA-003	12/21/2014	Dealer	24,900	5.14
4	B	TBRA-004	01/20/2015	Final consumer	540	6.43
5	A	TBRA-005	03/16/2015	Dealer	6,000	6.07
6	B	TBRA-006	03/13/2015	Dealer	500	6.57

Sequence	Per unit financial cost of the trade (US$/kg) (B)	International per unit freight [Fictitious Company] (US$/kg) (C)	International per unit insurance (US$/kg) (D)	Sales expenses [Exportables Trading] (US$/kg) Indirect expense of sales (US$) (SDCOM)	General and administrative expenses [Exportables Trading] (US$/kg) (F)	Profit margin [Exportables Trading] (US$/kg) (G)
1	0.18	0.79	0.18	0.29	0.14	0.41
2	0.08	0.79	0.18	0.26	0.13	0.37
3	0.07	0.79	0.18	0.22	0.11	0.32
4	0.18	0.79	0.18	0.28	0.14	0.40
5	-	0.79	0.18	0.27	0.13	0.38
6	-	0.79	0.18	0.29	0.14	0.41

Sequence	Expense of Inventory Maintenance [Fictitious Company] (US$/kg)	Direct costs of sales [Fictitious Company] (US$/kg)	Ex-factory export price (US$/kg)
	(H)	(I)	(A) - (B) - (C) - (D) - (E) - (F) - (G) - (H)- (I)
1	0.04	1.72	2.89
2	0.04	1.72	2.35
3	0.04	1.72	1.69
4	0.04	1.72	2.70
5	0.04	1.72	2.57
6	0.04	1.72	3.00

After assessed these values for each transaction, it is calculated the weighted average export prices are assessed for each CODIP - customer category, to the period of investigation. It is worth emphasizing that the calculation of this weighted average has as basis the quantity sold by the related exporter to the first independent purchaser, and not the quantity sold by the producer to the related exporter. Thus, in the case of the fictitious investigation of wooden table, we would have the weighted average export prices as follows:

Table 2.5: Reconstruction of the ex-factory export price per CODIP and customer category

CODIP	Customer category	**ex-factory** export price (US$/kg)	Quantity sold (kg)	**ex-factory** sales value (US$)
		(A)	(B)	(A) * (B)
A	Final consumer	2.89	1,050	3,031.33
B	Dealer	2.35	6,000	14,094.46
A	Dealer	1.69	24,900	42,089.39
B	Final consumer	2.70	540	1,459.19
A	Dealer	2.57	6,000	15,427.91
B	Dealer	3.00	500	1,501.93

CODIP	Customer category	∑ **ex-factory** sales value per CODIP and customer category (US$)	∑ Quantity sold (kg) CODIP and customer category (kg)	**ex-factory** export price per CODIP and customer category (US$/kg)
		(C)	(D)	(C) / (D)
A	Final consumer	3,031.33	1,050	2.89
A	Dealer	57,517.30	30,900	1.86
B	Final consumer	1,459.19	540	2.70
B	Dealer	15,596.39	6,500	2.40

It is worth to emphasize that, in some cases, the producer could export the subject product through distinctive distribution channels, selling the investigated product both through the related exporter and directly to the final consumer and/or independent dealer. In these events, the assessment of the weighted average export price for each CODIP - customer category will consider not only the quantities and models resold by the related exporter to the first independent purchaser, but also to those sold by the producer directly to independent customers.

2.1.2.2 Relationship between the foreign producer or exporter and importer or a third party

The possibility of reconstruction of the export price "in cases where there is no export price or this price is not seem reliable in view of the association or relationship between the producer or exporter and the importer or a third party, or if they have a compensatory agreement between themselves" is provided in art. 21 of the Brazilian Regulation. According to this article, the reconstruction of the export price shall be made as from:

> "I - the price for that the imported prices were resold for the first time to an independent purchaser; or
>
> II - a considered reasonable basis, in the case of the products to not be resold to an independent purchaser or in the same condition where they were imported."

As mentioned above in this Brochure, the reconstruction of the export price from a "considered reasonable basis" will vary in accordance with the available information in each process. For this reason, this Brochure will be limited to the reconstruction of the export price from the reselling price of the imported product to the first independent purchaser. For this purpose, the reselling price used by the Department is the gross price of sale reported by the importer listed in the exhibit of resales of the subject product to an independent purchaser, in importer's application.

The reconstruction of the export price, in this event, follows the same reasoning of the methodology applied in cases of relationship or association between the foreign producer and exporter, which is the assessment of the export price removing the influence of this intermediary (related importer) on the export price, to ensure the fair comparison between this price and the normal value. Thus, considering that a standard situation of company of a market economy country, the export price would be reconstructed from the gross price of resale of the imported product to the first independent purchaser, in the **ex-factory** sale condition, through the realization of the following adjustments:

Table Table 2.6: Reconstruction of the export price in cases of relationship between the producer or the exporter and the importer or a third party

	Sales value of the importer related to the independent purchaser
(-)	Discounts and allowances (granted by the related importer)
(-)	Taxes (ICMS, PIS, COFINS, and IPI) (paid by the related importer)
(-)	Domestic freight and insurance (incurred by the related importer)
(=)	**Net value of the sale**
(-)	Sales expenses (incurred by the related importer)
(-)	General and administrative expenses (incurred by the related importer)
(-)	Profit margin (referring to the related importer)
(=)	**Domestic CIF value in Brazil**
(-)	Import tax (paid by the related importer)
(-)	Expenses for domestically (incurred by the related importer)
(-)	Anti-dumping right (paid by the related importer) if any
(=)	**CIF value in Brazil**
(-)	International freight and insurance
(=)	**FOB value in producer**
(-)	Direct costs of sales (incurred by the producer on the sale to the related exporter)
(=)	**ex-factory sales value**
(-)	Financial cost (incurred by the related importer)
(-)	Expense of Inventory Maintenance (referring to the related importer)
(-)	Expense of Inventory Maintenance (referring to the producer)
(=)	**ex-factory export price**

Some considerations shall be made regarding the adjustments listed in the previous table. Firstly, it is worth mentioning that the amounts referring to discounts, allowances, taxes, sales and domestically expenses, Import Tax, and eventual anti-dumping rights are those that the related importer effectively reports on importer's application.

With regards to the sales expenses that related importer reports, it shall call the attention to the fact that these are segregated in the table above, in order that, when the domestic freight and insurance in Brazil are being deduced to the assessment of the net value of sale, the other sales expense not only are deduced in later stages, for the assessment of the domestic CIF value in Brazil. It is worth emphasizing that, for the purposes of calculation of the profit margin of the related importer, the decision on if the net value of sale will be assessed with or without the expenses incurred as domestic freight and insurance spent in the resale in Brazil shall be taken observing the calculation of the profit margin referring to the related importer (as clarified below), since the corresponding percentage of this margin is usually applied on the net value of sale.

The other sales expenses incurred by the importer related in the resale of the subject product in Brazil and reported in the importer's application shall be deduced as "sales expenses". Again, although, as a rule, both other direct expenses and indirect costs of sales are deduced, the decision on which expenses shall be deduced during the reconstruction of the export price shall be taken case-by-case. This decision is based on the analysis of the sales expenses incurred by the producer and reported importer and, respectively, reported in the exhibits of exports to Brazil and resales of the product imported in Brazil, as well as the normal value assessed to said producer, to ensure the fair comparison between this value and the export price.

Regarding the profit margin referring to the related importer, it is worth emphasizing that, as well as occurs in the reconstruction of the export price from the selling price of the exporter related to the first independent purchaser, it is not use the profit margin of the own related importer. Thus, the profit margin of other company is searched, which preferably shall be in Brazil and act in the same economic sector of the subject product. In addition, as mentioned above, this margin shall refer to the period of investigation or to the last available tax year. Again, even though the profit margin does not could be assessed in accordance with the effective data of the import company, the general and administrative expenses could be assessed based on the values of the audited DRE of the related importer.

In turn, the amounts referring to the expenses for domestication, to the Import Tax, and eventual anti-dumping rights in force are arising from the exhibit of import of the subject product submitted by the importer related to its answer to the application. Based on the totality of the import transactions in such exhibit, the unit values59 referring to these expenses are calculated, which are attributed to each resale transaction of the

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59 The unit of measure used in the calculation of this unit value shall take into consideration possible specific rights to be applied as arising from the investigation. Thus, both units of trade and units of weight could be used in this calculation.

imported product in the Brazilian market and, consequently, deduced from the sale value, for the purposes of assessment of the export price comparable to the normal value assessed in each case.

With regards to the direct costs of sales incurred by the producer in the sale to the related importer, it only shall observe that these will are calculated in the same way as the hypothesis of reconstruction of the export price are in view of the relationship or association between the foreign producer and the exporter (see item 2.1.2.1).

Regarding the opportunity costs, it is worth mentioning that the financial cost to be deduced makes only reference to the resale transactions of the subject product by the related importer to the first independent purchaser. Thus, for the calculation of this cost, it shall use (i) the gross value of sale, in the exhibit of resales of the subject product of the importer's application, deduced from discounts and allowances, (ii) the interest rate of short-term of the related importer in Brazil, and (iii) the difference of days between the payment receiving date by the related importer and the shipping date or resale of the subject product in Brazil.

Also, with regards to the opportunity costs, amounts as expenses of inventory maintenance incurred both the related importer and producer are deduced. In this sense, the calculation of the expense of inventory maintenance of the producer considers (i) the manufacturing cost of each CODIP, as informed by the producer, and (ii) the producer short-term interest rate, if the calculation of this cost referring to the related importer has as a basis (i) the manufacturing cost of each CODIP informed by the producer, and (ii) the related importer short-term interest rate in Brazil, as already mentioned above.

Regarding the term to be considered in the calculation of these expenses of inventory maintenance, it is worth emphasizing that, since the shipment of the subject product to the independent purchaser will only occur after the customs clearance of the merchandise in Brazil, the term to be used for calculation shall take into consideration (i) the average of days in inventory in the producer, (ii) the average of days in transit and in customs clearance processes, and (iii) the average of days in inventory in the related importer in Brazil after the customs clearance. However, when the average of days in inventory in the producer will always be considered in the expense of inventory maintenance of the producer and the average of days in inventory in the importer after the customs clearance it will always be considered in the calculation of such cost referring to the related importer, the average of days in transit will be allocated to one or other expense of inventory maintenance depending on the related party that has the responsibility for the merchandise during this transit, which is shown by the sale condition where the transaction was made. Thus, if, for instance, the export was made in CIF sales condition, given the producer is responsible for the merchandise during the transit to Brazil, the average of days in transit shall be considered in the calculation of producer's expense of inventory maintenance. In turn, if the export sales condition is FOB, where the producer's responsibility for the merchandise ceases in the shipping port to Brazil, this average of days in transit shall be used in the calculation of the cost referring to the related importer in Brazil.

Finally, it is worth emphasizing that, even the reconstruction of the export price from the resale price of the imported product to the first independent purchaser is made in reais (R$) until the assessment of the net value of the sale, this net value of sale, as well as the other items used in this reconstruction could be in a foreign currency.60 Thus, it always is necessary that the values in reais shall be exchanged for foreign currency based on the exchange rates calculated as the item 5.7 of this Brochure.

Hence, if considered that, in the fictitious investigation of wooden tables, the subject product is sold by the producer Fictitious Company to an import company related in Brazil, Importables Ltda., which resales the imported product to independent purchasers, the **ex-factory** export prices of the investigated company would be obtained as from the database in the Exhibit V, as follows:

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60 It is emphasized that different monetary units in the assessment of the export price could be used. The decision on that currency should be used, it should take into consideration the monetary unit which would be established eventual specific anti-dumping right.

Table 2.7: Reconstruction of the ex-factory export price from the resale price of the Importables Ltda.

	Sales Invoice		Product Identification Code (CODIP)	customer category	Quantity (kg)	Gross per unit price (R$/kg)	Total Gross Value (R$)
Sequence	Number	Date					
1	UF01	04/06/2014	A	Final consumer	1,050	27.90	29,295.00
2	D02	04/10/2014	B	Dealer	6,000	24.84	149,040.00
3	D01	02/13/2015	A	Dealer	24,900	21.60	537,840.00
4	UF02	03/28/2015	B	Final consumer	540	27.00	14,580.00
5	D02	03/30/2015	A	Dealer	6,000	25.50	153,000.00
6	D01	03/26/2015	B	Dealer	500	27.60	13,800.00

	Total Gross Value (R$)	IPI	PIS	COFINS	ICMS	Per unit domestic freight up to the customer in Brazil (R$)	Per unit domestic insurance up to the customer in Brazil (R$)	Net value of the sale (R$)
Sequence	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(A) - (B) - (C) - (D) - (E) - (F) - (G)
1	29,295.00	0	483.37	2,226.42	4,980.15	2,800.00	175.00	18,630.06
2	149,040.00	0	2,459.16	11,327.04	25,336.80	16,000.00	1,000.00	92,917.00
3	537,840.00	0	8,874.36	40,875.84	91,432.80	66,400.00	4,150.00	326,107.00
4	14,580.00	0	240.57	1,108.08	2,478.60	1,440.00	90.00	9,222.75
5	153,000.00	0	2,524.50	11,628.00	26,010.00	16,000.00	1,000.00	95,837.50
6	13,800.00	0	227.70	1,048.80	2,346.00	1,333.33	83.33	8,760.83

Sequence	Net value of the sale (US$) (H)	Per unit expense of storage in Brazil (R$) (I)	Indirect costs of sales incurred in Brazil (R$) (J)	Costs Incurred in Resales, except for domestic freight and insurance (US$) (I) + (J) / 3.32 R$/US$ (K)	General and administrative expenses [Importer] (US$) (L)	Profit Margin [Importer] (US$) (M)	Domestic CIF value in Brazil (US$) (H) - (K) - (L) - (M)
1	5,611.46	350.00	175.00	158.13	122.33	297.41	5,033.59
2	27,987.05	2,000.00	1,000.00	903.61	610.12	1,483.31	24,990.00
3	98,225.00	8,300.00	4,150.00	3,750.00	2,141.31	5,205.93	87,127.77
4	2,777.94	180.00	90.00	81.33	60.56	147.23	2,488.82
5	28,866.72	2,000.00	1,000.00	903.61	629.29	1,529.94	25,803.87
6	2,638.81	166.67	83.33	75.30	57.53	139.86	2,366.12

Sequence	Domestic CIF value in Brazil (US$) (N)	Import Tax (US$) (O)	Expenses for Domestication (US$) (P)	Anti-Dumping Right (US$) (Q)	CIF Value in Brazil (US$) (N) - (O) - (P) - (Q) (R)	Total international (US$) [Fictitious Company] (S)	FOB Value in the producer (US$) (R) - (S)
1	5,033.59	181.27	328.45	-	4,523.87	826.00	3,697.87
2	24,990.00	1,035.84	1,876.85	-	22,077.31	4,720.00	17,357.31
3	87,127.77	4,298.74	7,788.92	-	75,040.11	19,588.00	55,452.11
4	2,488.82	93.23	168.92	-	2,226.68	424.80	1,801.88
5	25,803.87	1,035.84	1,876.85	-	22,891.18	4,720.00	18,171.18
6	2,366.12	86.32	156.40	-	2,123.40	393.33	1,730.06

Sequence	FOB Value in the producer (US$) (T)	Direct expenses of total sales [Fictitious Company] (US$) (U)	Ex-factory Value in the producer (US$) (T) - (U) (V)	Financial cost [Importables Ltda.] (US$) (X)	Expense of Inventory Maintenance [Importables Ltda.] (US$) (Y)	Expense of Inventory Maintenance [Fictitious Company] (US$) (Z)	Ex-factory Value, without opportunity costs (US$) (V) - (X) - (Y) - (Z) (AA)	ex-factory export price (US$/kg) (AA) / Quantity sold (Kg)
1	3,697.87	1,805.82	1,892.05	-	33.29	103.71	1,755.05	1.67
2	17,357.31	10,318.97	7,038.34	577.44	208.12	648.30	5,604.48	0.93
3	55,452.11	42,823.73	12,628.38	3,125.71	799.12	2,489.32	6,214.22	0.25
4	1,801.88	928.71	873.17	-	18.73	58.35	796.09	1.47
5	18,171.18	10,318.97	7,852.21	592.78	190.24	592.62	6,476.56	1.08
6	1,730.06	859.91	870.15	-	17.34	54.02	798.78	1.60

In the same example, when the weighted average export price of each CODIP-customer category to the period of investigation is assessed, it is observed the following weighted average export prices in the **ex-factory** sales condition:

Table 2.8: Reconstruction of the ex-factory export price per CODIP and customer category

Product Identification Code (CODIP)	customer category	Ex-factory export price (US$/kg)	Quantity (kg)	x-factory total value (US$)
		(A)	**(B)**	**(A) * (B)**
A	Final consumer	1.67	1,050.00	1,755.05
B	Dealer	0.93	6,000.00	5,604.48
A	Dealer	0.25	24,900.00	6,214.22
B	Final consumer	1.47	540.00	796.09
A	Dealer	1.08	6,000.00	6,476.56
B	Dealer	1.60	500.00	798.78

Product Identification Code (CODIP)	customer category	∑ Ex-factory total value per CODIP and customer category (US$)	∑ Quantity sold per CODIP and customer category (kg)	ctory export price per CODIP and customer category (US$/kg)
		(C)	**(D)**	**(C) / (D)**
A	Final consumer	1,755.05	1,050.00	1.67
A	Dealer	12,690.78	30,900.00	0.41
B	Final consumer	796.09	540.00	1.47
B	Dealer	6,403.27	6,500.00	0.99

It is emphasized that the weighting abovementioned shall be made according to CODIPs and in the resold quantities by the related importer to the first independent purchaser, in the period of investigation, and not according to the models and sold volumes by the producer to the related importer in such period. In addition, if the producer also exports the subject product directly to independent customers, both final consumers or dealers, the volumes and sold models to these customers shall also be considered in the weight of the export price mentioned in this paragraph.

It is also worth mentioning that, if the subject product is sold by the producer to the related importer through a related exporter, the FOB price assessed in accordance with the methodology previously presented will consist in the FOB value of the subject product collected by the related exporter. In this event, to ensure the fair comparison, it shall also be necessary to eliminate the influence of the related exporter on the export price. In addition, if there is more than one intermediary related exporter, it shall also be removed the influence of each these intermediaries (exporters) on the export price, as previously explained herein. In this context, the methodology for the reconstruction of the export price, in a standard situation of company of market economy country, in the **ex-factory** sale condition, would started from the gross price of resale of the imported product to the first independent purchaser and would include the following adjustments:

Table 2.9: Reconstruction of the export price in cases of relationship between the producer, exporter, and importer or a third party

	value of sales of the related importer to the independent purchaser (R$)
	ts and allowances (granted by the related importer)
	ICMS, PIS, COFINS, and IPI) (paid by the related importer)
	ic freight and insurance (incurred by the related importer)
	ue of the sale
	xpenses (incurred by the related importer)
	and administrative expenses (incurred by the related importer)
	argin (referring to the related importer)
	tic CIF value in Brazil
	tax (paid by the related importer)
	es for domestically (incurred by the related importer)
	mping right (paid by the related importer), if any
	lue in Brazil
	ional freight and insurance
	alue in the related exporter
	xpenses (incurred by the related exporter)
	and administrative expenses (incurred by the related exporter)
	argin (referring to the related exporter)
	alue in producer
	costs of sales (incurred by the related exporter)
	ory sales value
	al cost (incurred by the related importer)
	e of Inventory Maintenance (referring to the related importer)
	e of Inventory Maintenance (referring to the related exporter and producer)
	tory export price

Regarding the abovementioned adjustments, it shall also call to the attention to the expenses of inventory maintenance to be deduced. In this event of export to Brazil through related exporter and importer, it also shall be considered as term in the calculation of the total expense of inventory maintenance all the period since the manufacturing of the investigated product up to its shipment to the first independent purchaser in Brazil. Thus, the calculation of the expense of inventory maintenance referring to the producer and related exporter shall consider (i) the manufacturing cost of each CODIP reported by the producer, (ii) the producer's short-term interest rate, and (iii) the average of days in inventory in the manufacturing added to the average of days in transit and in process of customs clearance, this last one added if the sale condition reflects their responsibility for the merchandise during the transit (ex: CIF). In turn, the calculation of the expense of inventory maintenance referring to the related importer shall consider (i) the manufacturing cost of each CODIP reported by the producer, (ii) the related importer's short-term interest rate in Brazil, and (iii) the average of days in inventory in the related importer after the customs clearance if the sale condition reflects their responsibility for the merchandise during this transit (ex: FOB).

2.2 Non-market Economies

The methodologies of assessment of the companies' export price of non-market economy countries are identical to those used in the determination of this price in the case of market economies, and it always to pay attention to the normal value and the export price are in the same basis, to ensure the fair comparison between them.

It is emphasized that, however, there are cases where adjustments related to the values of discount/allowances, freight/internal insurance, and financial cost are required for fair comparison of the normal value with the export price. For instance, if the normal value (referring to the substitutive country) is assessed net of the opportunity costs, these also should be deduced from the export price. In other example, if the payment conditions of the selling trades in the domestic market of the substitutive country are very different from those practiced in the exports of the producer/exporter of the non-market economy country to Brazil, the amount referring to the financial could be deduced both from the normal value and the export price, always to ensure the fair comparison.

However, it is worth emphasizing that the information to be used to the performance of some adjustments, in the context of the assessment of the export price, will not be referring to the own investigated companies of the non-market economy countries, since the market of these countries, under influence of governments, does not reflect conditions of free competition.

Thus, to illustrate the types of information that could be used in the cases of companies of non-market economy countries, examples of assessment of the export price to the company Fantasia Co., Ltd will be presented, in the hypothetical case of the investigation of wooden tables. In this case, it was concluded that the normal value assessed in the **delivered** condition (see 1.2.1), and the export price assessed in FOB condition (see 2.2.1) were just comparable.

2.2.1 Received or receivable export price

In the case that a company of a non-market economy country is both producer and exporter of the subject product, its export price will be assessed according to the export price which it had received or to receivable.[61]

In the hypothetical example of Fantasia Co., Ltd., its export price was assessed in condition of FOB sales, such as mentioned in the previous item. For this purpose, only the amounts referring to the expenses of international freight and insurance were deduced from the gross sale of each selling trade to Brazil of said company. Thus, the export prices in FOB sales conditions were obtained as follows:

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61 Art. 18 of Decree No. 8,058 of 2013.

Table 2.10: Assessment of the FOB ex-factory export price

	Invoice Number	Date of Sales	Customer category (SDCOM)	Quantity sold (kg)	Gross per unit price (US$/kg)	Deductions	Export price **FOB** (US$/kg)
ECODIP	EFAT	EVENDT	Customer category (SDCOM)	EQTDVEND	EPRBRUTO	Freight and insurance International	Gross Per Unit Price - Deductions
B	BRA-038	06/02/2014	Final consumer	1,500.0	4.83	0.73	4.10
A	BRA-057	08/26/2014	**Trading company**	7,500.0	4.70	0.81	3.89
B	BRA-113	12/15/2014	**Trading company**	18,000.0	4.87	0.79	4.08
A	BRA-556	01/14/2015	**Trading company**	16,500.0	4.30	0.72	3.58
B	BRA-907	03/08/2015	**Trading company**	15,000.0	4.93	0.85	4.08

After the assessment of these values for each transaction, it is calculated the weighted average export prices for each CODIP-customer category, in FOB sales condition, to the period of investigation, as follows:

Table 2.11: Assessment of the FOB ex-factory export price per CODIP and customer category

CODIP	Customer category (SDCOM)	Export price FOB (US$/kg)	Quantity sold (kg)	Value of FOB sales (US$)
		(A)	(B)	(A) * (B)
B	Final consumer	4.10	1,500	6,155.00
A	**Trading company**	3.89	7,500	29,175.00
B	**Trading company**	4.08	18,000	73,380.00
A	**Trading company**	3.58	16,500	59,070.00
B	**Trading company**	4.08	15,000	61,250.00

CODIP	customer category (SDCOM)	∑ Value of FOB sales per CODIP and customer category (US$)	∑ Quantity sold per CODIP and customer category (kg)	FOB export price per CODIP and customer category (US$/kg)
		(C)	(D)	(C) / (D)
A	**Trading company**	88,245.00	24,000	3.68
B	**Trading company**	134,630.00	33,000	4.08
B	Final consumer	6,155.00	1,500	4.10

It is worth emphasizing again that there are cases where adjustments related to the values of discount/allowances, freight/domestic insurance, and financial cost are required for fair comparison of the normal value with the export price. As mentioned above, to perform these adjustments, however, expenses incurred by the producer/exporter of non-market economy countries are not used, since they do not reflect a situation of free competition market. In its place, expenses incurred by companies of market economy countries are used.

2.2.2 Reconstruction of the export price

With regards to the reconstruction of the export price of companies of non-market economy countries, it is important to emphasize that, as well as it occurs in cases of companies of market economy countries, the adjustments made during the reconstruction aim to remove the influence of the intermediaries (related parties) on the export price of the subject product to Brazil. For this reason, the items shall be deduced from the resale price to the first independent purchaser, in the case of non-market economies, do not differ from those deduced in the standard situations of companies of market economy countries, unless the export price has to be reconstructed in other sale condition, in order to ensure the fair comparison between this price and the normal value.

As mentioned in the beginning of this section, the paramount difference between the methodologies of reconstruction of the export price for companies of market economy countries and for companies of non-market economy countries consists in the fact that some of the adjustments to be made, where applicable, do will not take as a basis the data of the investigated company, and they shall be substituted by information referring to companies located on market economy countries.

2.2.2.1 Relationship between the foreign producer and exporter

In the case of export through related exporter in a non-market economy country, there are peculiarities related to the methodology used in case of producers/exporters of market economy countries, and it is necessary to use the types of different information in the calculations of the adjustments. For instance, it will be used the hypothetical situation where the company Fantasia Co., Ltd. exports to Brazil through a related exporter also located in the non-market economy country (the company Export Tables Co., Ltd).

Thus, considering that, as mentioned above, in the case of Fantasia Co., Ltd., the export price was reconstructed in **FOB** sales condition, the reconstruction of this price as of the selling price of the related exporter to the first independent purchaser, made from the data base in Exhibit VII, used the following methodology:

Table 2.12: Reconstruction of the export price in cases of relationship between the producer and the exporter

	value of sales of the exporter related to the first independent purchaser
	ints and allowances (granted by the related exporter)
	incurring on the trade (paid by the related exporter)
	lue of sales of the exporter related to the first independent purchaser
	ational freight and insurance (incurred by the related exporter or producer)
	sales value in the related exporter
	xpenses (incurred by the related exporter)
	al and administrative expenses (incurred by the related exporter)
	margin (referring to the related exporter)
	xport price in the producer

Some comments shall be commented on the adjustments referring to the expenses incurred and to the profit margin earned by the related exporter.

As in the example of the related exporter is in the non-market economy country, the sales expenses, and general and administrative expenses to be deduced, they will be referring to other company located in a substitutive country of market economy, which, preferably, it will act in the same economic sector of the subject product. These expenses will be removed from the income statements of the period audited by the chosen company, which shall refer to the period of investigation or the last available tax period, as previously mentioned in this Brochure.

If, however, the related exporter is in a market economy country, the costs of sales to be deduced will be those reported by this exporter in the exhibit of export to Brazil. In turn, the general and administrative expenses incurred by the exporter would be extracted from the income statement for the period audited from the own related exporter, referring to the period of investigation or to the last available tax period.

Regardless of where the related exporter is located, the profit margin to be deduced will be calculated according to the income statement to the period of a third company, which preferably will act in the same economic sector of the subject product. In addition, if the related exporter belongs to a market economy country, the substitute company shall, preferably, be in the same country of such exporter. In turn, if the related exporter is in a non-market economy country, the substitute company shall be located, preferably, in the substitutive country used for the purposes of determination of the normal value. In any event, the statement that will support the calculation of the profit margin shall refer to the period of investigation or the last available tax period.

In addition, it is worth emphasizing that, if it is necessary to deduce some opportunity cost incurred by the producer or related exporter located in a non-market economy country, the interest rate to be used in the calculation of these costs shall refer to the short-term interest rate representative in the substitutive country. In the hypothetical example of wooden tables, however, the deduction of these costs will not be necessary.

The calculation of the other adjustments shall be made in the same way as in the case of companies of market economy country.

Upon the abovementioned and considering the percentages referring to the sales expenses, general and administrative expenses and to the profit margin obtained from DRE of a company located in a substitute country, we would have the following export prices, in **FOB** sales conditions referring to the exports of the fictitious company Fantasia Co., Ltd. made through the exporter related to its Export Tables Co., Ltd., also located in a non-market economy country:

Table 2.13: Reconstruction of the ex-factory export price from the resale price of the Export Tables Co., Ltd.

	CODIP	Invoice Number	Date of Sales	Customer category	Quantity sold (kg)	Gross per unit price (US$/kg)	International per unit freight [Fantasia Co., Ltd.] (US$/kg)
Sequence						(A)	(B)
1	A	TBRA-001	06/08/2014	Final consumer	1,050	6.64	0.79
2	B	TBRA-002	09/01/2014	Dealer	6,000	5.91	0.79
3	A	TBRA-003	12/21/2014	Dealer	24,900	5.14	0.79
4	B	TBRA-004	01/20/2015	Final consumer	540	6.43	0.79
5	A	TBRA-005	03/16/2015	Dealer	6,000	6.07	0.79
6	B	TBRA-006	03/13/2015	Dealer	500	6.57	0.79

	International per unit insurance [Export Tables Co., Ltd.] (US$/kg)	**FOB** export price in the related exporter [Export Tables Co., Ltd.] (US$kg)	Sales expenses [Export Tables Co., Ltd.] (US$/kg)	General and administrative expenses [Export Tables Co., Ltd.] (US$/kg)	Profit margin [Export Tables Co., Ltd] (US$/kg)	**FOB** Export price in the producer [Fantasia Co., Ltd.] (US$/kg)
Sequence	(C)	(A) - (B) - (C) / (D)	(E)	(F)	(G)	(D) - (E) - (F) - (G)
1	0.18	5.68	0.29	0.14	0.41	4.83
2	0.18	4.95	0.25	0.13	0.37	4.20
3	0.18	4.18	0.22	0.11	0.32	3.52
4	0.18	5.46	0.28	0.14	0.40	4.65
5	0.18	5.10	0.26	0.13	0.38	4.33
6	0.18	5.60	0.28	0.14	0.41	4.77

After assessment of these values for each transaction, it is calculated the weighted average export price for each CODIP- customer category to the period of investigation. It is emphasizing that the calculation of the weighted average has as a basis the quantity exported by the related exporter to the first independent purchaser, obtaining the weighted average export prices as shown below:

Table 2.14: Reconstruction of the FOB export price per CODIP and customer category

CODIP	Customer category	FOB Export price (US$/kg)	antity sold (kg)	lue of FOB sales (US$)
		(A)	(B)	(A) * (B)
A	Final consumer	4.83	1,050	5,075.57
B	Dealer	4.20	6,000	25,186.13
A	Dealer	3.52	24,900	87,749.50
B	Final consumer	4.65	540	2,509.25
A	Dealer	4.33	6,000	26,009.43
B	Dealer	4.77	500	2,385.75

CODIP	Customer category	∑ Value of FOB sales per CODIP and customer category (US$)	∑ Quantity sold per CODIP and customer category (kg)	B export price per CODIP and customer category (US$/kg)
		(C)	(D)	(C) / (D)
A	Final consumer	5,075.57	1,050	4.83
A	Dealer	113,758.93	30,900	3.68
B	Final consumer	2,509.25	540	4.65
B	Dealer	27,571.88	6,500	4.24

Finally, it is worth emphasizing that the export prices to be used in the comparison with the normal value are the weighted average prices assessed per CODIP-customer category. In addition, also in the case of companies of non-market economy country, if the producer sales through both the related exporter and directly to the independent consumers, the weighting of the export price mentioned in the paragraph above shall take into consideration both quantities resold by the related exporter and those sold by the producer to the independent consumers.

2.2.2.2 Relationship between the foreign producer or exporter and importer or a third party

In cases of reconstruction of the export price from the resale price of the related importer to the first independent purchaser, the adjustments are made according to the effective data of the related importer. Thus, there is no difference in the calculation of these adjustments in case of market economies and non-market economies, applying the constant considerations in the item 2.1.2.2. Again, it is worth emphasizing that, if necessary, the adjustments made in relation to the expenses of the producer/exporter related to non-market economy countries, they will not be based on the expenses incurred by the own investigated companies, since they do not reflect a situation of free competition market. In its place, expenses incurred by companies of market economy countries are used.

CHAPTER 3: DEDUCTIONS AND INCREASES

The Article 2.4 of the Anti-Dumping Agreement of the World Trade Organization (ADA), as well as the Brazilian law[62], determines that a fair comparison shall be made between the normal value and the export price, to achieve a positive or negative conclusion on the existence of differences of prices per market and consequently the practice of dumping.

In the path of this purpose, such normative rule states that any difference between the prices able to affect its comparability shall be the object of adjustment, including but not limited to, disparities concerning to the terms and conditions of sales, tax, to the trade level, traded quantities, and physical characteristics of the products.

The reason under such command is that, to the account of the uncountable factors affecting the financial return earned by the producer/exporter in a specific transaction, its face value does not provide conclusive evidence to the occurrence of the discriminatory practice. As an example, it is observing that, following the principle globally acknowledged that taxes shall not be exported, frequently, the States erase their exports of the duties normally incurred on the sales destined to their domestic markets.

Thus, in the absence of other elements impacting on the formation of the price, such producer/exporter, even that it is intended to earn the same profit margin in sales to the domestic market of its country and in its exports, it will practice different prices per market (since it will enjoy of a competitive advantage in the exports), without that necessarily implies on unfair practice of trade.

Bearing this in mind, it is necessary to effect increases and/or deduction to the face value of the transaction to, firstly, assess its effective value and to remove the effects of factors affecting the comparability between the normal value and the export price.

The traditional method that SDCOM uses to achieve this purpose is, as from the face value of the transaction (sales in the domestic market of the exporting country, export to third countries or export to Brazil), net of discounts and allowances granted in the moment of the sale, to add/deduce the following items:

    I)   discounts and allowances granted after sales;
    II)   opportunity costs;
    III)   interest income;
    IV)   taxes incurring on the transaction (as indirect taxes, for instance);

    V)   adjusts related to the trade level;
    VI)   direct costs of sales;
    VII)   expenses with packages; and

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[62] Art. 22 of Decree No. 8,058 of 2013.

VIII)   reimbursement of taxes.

It is worth emphasizing that, however, any difference affecting the comparability between the normal value and export price could be object of adjustment to the comparable values, both as request of some interested party in the process or ex officio.

The face value of the transaction shall coincide with that is consigned in the invoice, as shown in the example below (invoice DVC-315 of the Exhibit II):

Figure 3.1: Example of Invoice in the Domestic Market

Address xxxxxxxxx

Fictitious Company

LOGO HERE

Phone#	(XXX)-XXXX-XXXX
Invoice#	DVC-315
Date	08/01/2014
Email	xxx(@)xxxxxxxxxxx.com

Invoice

Bill To:		Mailing Info	
Company Name	**Office tables Imp. and Exp. Ltd.**	**Company Name**	**Office tables Imp. and Exp. Ltd.**
Customer Code	**785**	**Customer Code**	**785**
Customer Name	**Mr. John**	**Customer Name**	**Mr. John**
Address	**B-98 WEST Garden, LA**	**Address**	**B-98 WEST Garden, LA**
Phone#	**(xxx) xxx-xxxx**	**Phone#**	**(xxx) xxx-xxxx**

Item	Description	Code Number	Quantity	Net Weight	Unit Price	Amount
1	Rectangular varnished wooden table	100-02-02-01	13	390 kg	$100.00	$1,300.00

Condition of Sale: Delivered

MERCHANDISE TOTAL	$1,300.00
FREIGHT	$320.00
OTHER CHARGES	$0.00
TAX AMOUNT	$78.43
Discount	-$70.31

Make all checks payable to Company Name

For any questions, please contact Mr. Michael at Tel 0-000-0000 or fax at 0-000-0000

Thank you for business with us

The face value (or gross) of the transaction to be reported to the previous sale would be US$ 1,628.12, which corresponds to the amount effectively charged from the customer, already considering the freight, taxes, and discount included.

In the case of the invoice has more than one item, each sold item shall correspond to a selling trade to be reported to SDCOM. If necessary, the amounts corresponding to the invoice shall be prorated between the items constituting it.

It is worth to mentioning that the amount of the freight in the previous invoice corresponds to that charged of the purchaser by the seller, which necessarily will not coincide with the effectively spent to deliver the merchandises. This item (freight collected from the purchaser) shall be part of the gross value reported. However, the freight amount to be informed in specific field, as a sale expense, shall be that effectively spent by the seller company.

With regards to the taxes incurring on the transaction, it is worth mentioning that, if the accounting system adopted by the company allows to remove the revenue of sales already net of taxes incurring on the transactions, the gross value of the transactions could be reported in this way. In the example of the previous invoice, if was feasible this way of remove of data, the amount to be informed would be US$ 1,549.69:

Table 3.1: Net Price of Taxes

Total merchandise	$1,300.00
Freight	$320.00
Other charges	$0.00
Discount	-$70.31
TOTAL	**$1,549.69**

In this case the company would inform, in its answer to the application of the producer/exporter, which gross value already reported is net of incurring taxes, becoming dispensable the discrimination of these taxes in the specific field of its database (avoiding thus in deductions in duplicity).

In the subsequent topics, it describes the detail the increases/deductions previously listed.

3.1 Discounts and allowances granted after sales

The discounts on sales representing reductions in the value of the commercial transaction, granted by the seller to the purchaser, could arising from several factors, as prepayment of the due value, volume of high purchase, loyalty of the customer, etc.

For the purposes of deductions or increases to the transaction value, aiming the fair comparison between the normal value and the export price, are taking account only the granted discounts after the issuance of the invoice. This is because the gross value in the answer to the application of the producer/exporter now shall be reported net of discounts granted in the moment of the sale, to coincide with the total amount consigned in the invoice (as shown in the invoice presented above).

In the application of the producer/exporter, the granted discounts after the sale shall be classified among the following categories:

I) discount for prepayment;
II) discount related to the quantity; and
III) other discounts.

The allowances, on the other hand, arise from of irregularity proven in the merchandises received by the customer, which in the absence of decrease of the price originally agreed, would arise from the devolution of goods. Thus, by definition, the allowances are always granted after the realization of the commercial transaction.

The reason to deduce the discounts and allowances is that the calculation of the margin of dumping shall consider of the effective amount of the transaction or, in other words, the amount effectively received by the sales of merchandises. It is observed that, in the absence of such deduction, avoidance practices — as exports to high prices followed of significative discounts — could empty the effectiveness of the terms multilaterally agreed, since would artificially be inflating the export price and, consequently, decreasing or eliminating the existing margin of dumping.

The discounts and allowances are, as a rule, granted in the way of credit (through the bill of exchanges), discounts in future sales or in merchandises.

Whenever the agreed way between the purchaser and seller, to the discounts and allowances are considered as deduction of the transacted value, three conditions shall be observed:

I) it shall have been originated o sales of subject product/foreign similar;

II) as a timely criterion, one of the following options shall be adopted (to be evaluated by the Department):

- it shall be reported all discounts/allowances related to the performed sales during the period of investigation; or
- it shall be reported all discounts/allowances granted during the period of investigation, regardless of the date of the sale which originated them.

III) it shall be assessed, preferentially, in the individual way, for each transaction where they were granted. If this is not possible or implies in a unreasonable burden to the producer/exporter, it could be adopted the criteria of pro-rata, since this does not entails distortions in the reported data.

Complied with the previous conditions, the discounts/allowances are deduced of the amounts used to the assessment of the normal value and the export price.

3.2 Opportunity costs

The opportunity costs could synthetically know, for the purposes of commercial defense, as the financial sacrifice incurred for a company, to opt for an alternative of economic exploitation of its equity, in prejudice of other equally feasible.

These economic costs (or non-accounting) arise from the view of the most varied trade-offs inherent to the management of a company, as to produce a product in prejudice to the other, sell on credit rather than to sell on demand, produce or resale, etc.

To the assessment the margin of dumping of determined producer/exporter, the following opportunity costs to gain prominence:

I)   financial cost; and
II)   expense of inventory maintenance

Both opportunity costs could be calculated to the selling price practiced by the producer/exporter (in its sales to the domestic market of its country, to third countries or to Brazil) or intermediary agents between this and the final customer, as trading companies or importers (in the case of reconstruction of the export price).

As follows, we will seek to present the main aspects related to the calculation of the financial cost, and expense of inventory maintenance, when assessed from the price of the producer/exporter. For more details on the assessment of the associated opportunity costs to the sales of the intermediary agents, in the case of reconstruction of the export price, the provisions of the Chapter 2 shall be observed.

3.2.1   Financial cost

To make a selling trade of merchandise, in the moment of the shipment, a seller company ceases its possession on the assets and, in counterpart, it earns the financial availability equal to the net receivable amount. However, when occurs a period of time between the shipment of the product and the receiving of the payment, it appears an opportunity cost to this company, which means the cost to let make available that amount during the agreed term, which could be used, for instance, to decrease of its debts. Consequently, this opportunity cost decreases the possibility of an actual gain with the transaction.

Thus, put the question, it shall bear in mind that, since the payment is not always made in the on-demand condition, the amount of the transaction will be unable to appoint the actual gain of the trade transaction. In this case, to reach such gain, it shall make use of responsible element for the adjustment of the face value, namely: the financial cost.

Thus, in summary, the financial cost could mean, for the purposes of the calculation of the margin of dumping, as the cost incurred to receive in term for a sale, against to receive it on demand, both in virtue of a granting of term to the customer and in virtue of its default. In practical terms, considering that the financial cost increases the need of financing to the seller, its value will correspond to the total of interests due to the loan of the net receivable amount of the transaction, during the period of time elapsed between the shipment of the merchandise to the receiving of the payment.

3.2.1.1 Application

The need to adjust the actual amounts of trade transactions impose on the amount of the financial cost when the comparison between distinct transactions and arise from the obligation imposed to the investigative authority to ensure the fair comparison between the normal value and the export price (Article 2.4 of ADA and art. 22 of Decree No. 8,058, of 2013), on the one hand, and to analyze the facts at its hand of the impartial way and objective (Article 17.6 of ADA), on the other hand.

Thus, it shall be paid attention not only to the face value of the transaction, but to the agreed conditions and, consequently, to its actual gain. This is because, even the producer/exporter offers, in relation to a given merchandise, the same price in sales to its domestic market and in the exports to Brazil, it will have dumping if the granted term in the exports is higher than granted in its domestic sales, since the company will be scarifying its actual gain with those, when compared to those.

Thus, since it always to compare distinct amounts (being two prices or one price related to its cost), it shall make use of the financial cost, to achieve the actual gain of the transaction and, as a result, to achieve the appropriate conclusion.

For the purposes of calculation of the margin of dumping, the conception of the financial cost gains significance in three moments, namely:

I)   test of sales below the cost (comparison between the net price of sales in the domestic market or in export to a third country and the cost of production);

II)   calculation of the profit margin, for the purposes of construction of the normal value (and subsequent comparison with the export price); and

III)   calculation of the margin of dumping as such (comparison between the normal value and the export price).

In all mentioned comparisons, the financial cost shall be deduced of the selling price in the domestic market or in exports to a third country of the normal value and/or of the export price, regardless of the basis where these are (CIF, **ex-factory** etc.), to consider the effective gains of the transactions. In case of construction of the normal value, since the selling trades are not considered, because there is no term for payment, the financial cost is directly deduced from the calculated profit margin, thus the constructed normal value already net of the opportunity cost, as shown in item 1.1.3.3.

However, it shall pay attention to the fact that, when these amounts could not be directly obtained from data reported by selected or collaborative companies (a commonly situation where it is recurred to the official statistics, as Trade Map[63], Eurostat[64], USITC[65], etc.), the Department does not adjust the financial cost of the amounts to be compared, since it does not have information of the conditions which the merchandise were sold, dates/terms for payments etc.

3.2.1.2 Calculation

As stated in the item 3.2.1, the calculation of the financial cost will correspond, in practical terms, to the due interests in virtue of the loan of the net value of the transaction or, in other words, to the cost of the money during the elapsed term until the release of the sale.

Bearing this in mind, to dimension such variable, it is used a transaction of simple interest, in accordance with the mathematical formula as follows:

Financial Cost

> *= Net receivable value of the transaction X interest rate X term*

When the said formula is applied, it is necessary that the interest rate and the term are in the same unit, that is, if the used rate is monthly basis, the term necessarily shall be in months; if the rate is annual, the term shall be in years, etc.

3.2.1.2.1 Net receivable value of transaction

The receivable amount net of transaction (VL) means the total amount collected by the company in the moment of sale. This will correspond to the gross factored amount, deduced of discounts and allowances granted in the moment of sale.

It is noted that the discounts and allowances informed in a discretionary way by the producer/exporter in the sales data to its domestic market and exports only refer to those granted after the issuance of the invoice. Therefore, these discounts and allowances shall not be deduced from the reported gross invoiced amount, to achieve the net receivable amount of the transaction, for effects of calculation of the financial cost.

An important aspect to be considered is the existence of freight and/or insurance paid by the purchaser to the seller. In effect, if the sales term corresponding to the transaction ascribes to the seller the responsibility of the transportation or insurance of the merchandises and this collects from the purchaser the respective amounts, these revenues of freight /insurance shall constitute the total to be received/paid by the transaction and, therefore, they shall be included in VL.

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63 Available at http://www.trademap.org/
64 Available at http://ec.europa.eu/eurostat
65 United States International Trade Commission (available at http://www.usitc.gov/)

It is recorded that the previous rule is valid, including, when the amounts of freight and/or insurance are separately collected of the customer through invoice different that has the merchandises.

It is emphasizing that no one of the cases specified in the item 3.2.1.1, the costs of sales, direct or indirect, are deduced from the calculation basis of the financial cost. The direct costs of sales, specifically, are deduced from the normal value and export price, when its assessment occurs for the purposes to affect a fair comparison between them. However, considering that the direct costs of sales (as well as the indirect) shall constitute the amount to be received from the customer are included in the price of the merchandise and, consequently, the financial cost of the transaction.

It is observed the example of the calculation of VL as follows, referring to the sale effected through the DVC-315 invoice (presented in the introduction of this Chapter and in the Exhibit II), issued by the company Fictitious Company.

Note 3.1: example of calculation of VL referring to a sale of like product in the domestic market of the exporting country (to be used in the composition of the normal value).

Considering the following sale of the like product in the domestic market of the exporting country (DVC-315 invoice in Figure 3.1 and in the Exhibit II):

Table 3.2: Sales made through the Invoice DVC-315 - Amounts

Items	lue (US$/kg)
Gross per unit price of the merchandise	SD 3.33/kg
Freight collected from the customer	SD 0.82/kg
Tax incurring on the sale	SD 0.20/kg
Discount granted in the moment of the sale	SD 0.18/kg
Interests collected from the customer	SD 0.09/kg
Sum of direct costs of sales;	SD 0.85/kg
Indirect costs of sales	SD 0.10/kg

In this case, VL would be calculated as follows:

Table 3.3: Calculation of the Net Receivable Value of the Transaction

	Gross per unit price of the merchandise	USD 3.33/kg
(+)	Freight collected from the customer	USD 0.82/kg
(+)	Tax incurring on the sale	USD 0.20/kg
(-)	Discount granted in the moment of the sale	USD -0.18/kg
(=)	VL	USD 4.17/kg

After the explained adjustment, the net value of the transaction to be used as basis of calculation of the financial cost corresponds to US$ 4.17/kg.

It is observed that there was not deduction of the costs of sales, both direct

and indirect, because, as previously stated, if they are included in the value to be receivable from the customer, they will constitute the opportunity cost arising from the granting of the term for receiving.

On the other hand, the interests collected due to the delay on the payment do not are included in the basis of calculation of the financial cost, since they do not arise from the condition of sale, and they could occur both in sales on demand and in credit sales.

3.2.1.2.2 Interest rate

The interest rate elected to the calculation of the financial cost shall reflect the opportunity cost arising from the granting of term for payment. As stated above, the temporary unavailability of the receivable value for sale increases the need of financing of the company, especially regarding short-term credits (here is assumed that this is the modality of credit predominantly used for financing of the operational activities).

Thus, the interest rate used in the calculation of the financial cost shall correspond to the average rate verified in the short-term loans66 borrowed or kept by the producer/exporter during the period of investigation.

If the company has not borrowed a short-term loan during the period of investigation (and, therefore, the measurement of the cost attributed by the market specifically to its profile during that period is unfeasible), it seeks to achieve the average cost of acquisition of short-term credit offered in the exporting country. In this case, it is appealed to secondary sources of information, as central banks of exporting countries, the World Bank, the International Monetary Fund, etc. Other possible way of assessment of the interest rate, in this case, it begins as of the data of another investigated companies.

Two methodologies are usually used in the calculation of the interest rate. The first, hereinafter referred to as method of weighted average, consists in the calculation of the weighted average of interest rates attributed to each loan contracted by the company during the period of investigation, using the respective borrowed amounts as weighting factors. In turn, the second, hereinafter referred to as method of disbursement interests, is based on the division of the disbursements effected for the payments of short-term interests, during the period of investigation, through the inventory of the short-term debt kept throughout this period.

Therefore, it is understood that depending on the methodology used, the loans that will constitute the calculation could vary:

I)   if the average tax is computed by the method of weighted average, it is only used the short-term loans borrowed during the **period of investigation**; and

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66 It is understood by short-term loan that whose term for payment does not surpass the end of the financial year followed to it borrow.

II) if the average tax is calculated by the method of the disbursement interests, all interests effectively **paid during the period of investigation** are used, referring to the short-term loans, regardless of the contracting date of them.

The option by one or other methodology shall depend on, essentially, of the information that the company has in its accounting system or physical recordings, and both, however, equally valid. However, it is recorded that, bearing in mind that this last one (method of the disbursement interests) is based on the amounts effectively spent by the company and recorded in its accounting system, it is reputed to its preferable choice regarding the first (method of weighted average).

It could not let to stress, as mentioned above, that regardless of the adopted method (weighted average or disbursement interests), the average tax will only be calculated based on the data of the company if this has borrowed some short-term loan during the period of investigation.

If it is necessary to calculate the financial cost to companies located in non-market economy countries, the assessment of the interest rate will follow the same rules described in this Chapter but based on data obtained to the substitutive country elected to the calculation of the normal value.

Finally, it is stressed that the methodologies presented herein are merely samples, and the possibility of proposition of distinct methods are not excluded, to be evaluated, case-by-case, by the Department.

3.2.1.2.2.1 Calculation of the interest rate through weighted average method

The methodology of calculation of the interest rate through the weighted average has the following steps:

I) To verify if the short-term loans **borrowed** by the company during the period of investigation;

II) For each verified loan, multiply the amount of borrowed credit by the respective interest loan (usually obtained from the loan agreement);

III) To sum all the results obtained in the step (ii); and

IV) To divide the result of the step (iii) through the sum of the borrowed credits during the period of investigation.

Note 3.2: example of calculation of the interest rate through weighted average method.

Supposes that, throughout the period of investigation the foreign producer Fictitious Company has borrowed two short-term loans, with the following characteristics:

Table 3.4: Loans in the Bank X

Period	Month	Borrowed Credit	Initial Balance of the Debt (US$)	Interest rate a.m. (%)	Disbursement Interests in the Month (US$)	Amortization (US$)	Installment (US$)	End Balance of the Debt (US$)
Period of investigation	4	1,225.50	1,225.50	2.0	24.51	65.75	90.26	1,159.75
	5	-	1,159.75	2.0	23.20	67.06	90.26	1,092.69
	6	-	1,092.69	2.0	21.85	68.40	90.26	1,024.28
	7	-	1,024.28	2.0	20.49	69.77	90.26	954.51
	8	-	954.51	2.0	19.09	71.17	90.26	883.34
	9	-	883.34	2.0	17.67	72.59	90.26	810.75
	10	-	810.75	2.0	16.22	74.04	90.26	736.71
	11	-	736.71	2.0	14.73	75.52	90.26	661.18
	12	-	661.18	2.0	13.22	77.03	90.26	584.15
	1	-	584.15	2.0	11.68	78.58	90.26	505.58
	2	-	505.58	2.0	10.11	80.15	90.26	425.43
	3	-	425.43	2.0	8.51	81.75	90.26	343.68

Table 3.5: Loans in the Bank Y

		Borrowed Credit (US$)	Initial Balance of the Debt (US$)	t rate (%)	isbursement ests in the Month (US$)	Amortization (US$)	Installment (US$)	End Balance of the Debt (US$)
of investigation		-	-	-	-	-		-
		-	-	-	-	-		-
		,000.00	5,000.00	1.0	50.00	2.50	62.50	4,687.50
		-	4.687,50	1.0	46.88	2.50	59.38	4,375.00
		-	4,375.00	1.0	43.75	2.50	56.25	4,062.50
		-	4,062.50	1.0	40.63	2.50	53.13	3,750.00
		-	3,750.00	1.0	37.50	2.50	50.00	3,437.50
		-	3,437.50	1.0	34.38	2.50	46.88	3,125.00
		-	3,125.00	1.0	31.25	2.50	43.75	2,812.50
		-	2,812.50	1.0	28.13	2.50	40.63	2,500.00

| | - | 2,500.00 | 1.0 | 25.00 | 2.50 | 37.50 | 2,187.50 |
| | - | 2,187.50 | 1.0 | 21.88 | 2.50 | 34.38 | 1,875.00 |

With the previous data, firstly, it shall multiply the amounts that will constitute the average (interest taxes) by the respective weights (amounts of borrowed credits), during the period of investigation.

Table 3.6: Multiplication of the Interest Taxes by the Amounts of Borrowed Credits

	Borrowed Credit (A)	Interest Rate a.m. (B)	(A) x (B)
Loan in the Bank - X	US$ 1,225.50	2.0%	US$ 24.51
Loan in the Bank - Y	US$ 1,225.50	1,0%	US$ 50.00
			= US$ 74.51

The next step for the calculation of the weighted average is to make the sum of the weights of weighting (amounts of borrowed credits).

Table 3.7: Sum of the Amounts of Borrowed Credits

	Borrowed Credit (A)	Interest Rate a.m. (B)	(A) x (B)
Loan in the Bank - X	US$ 1,225.50	2.0%	US$ 24.51
Loan in the Bank - Y	US$ 1,225.50	1.0%	US$ 50.00
	∑ = US$ 6,225.50		

Finally, to obtain the average tax of interest, it shall divide the sum of the multiplications of taxes by weights (US$ 74.51) by the sum of the weights (US$ 6,225.50).

$$Average\ interest\ rate = \frac{74.51}{6,225.50}$$

$$Average\ interest\ rate = \quad 1.20\%\ a.m.$$

It has present that, as the weighted average was achieved as of the monthly interest rates (a.m.), this will also represent a monthly interest rate. Thus, follows the unit of interest rate calculated by the method of the weighted average shall always be the same taxes composing it.

Obviously, the interest taxes composing the weighted average shall be all the same unit (annual, quarterly, monthly etc.).

3.2.1.2.2.2 Calculation of the interest rate through disbursed interest method

The method of the disbursement interests for the calculation of the interest rate has the following steps:

V)   Calculate the sum of the short-term interest **paid** throughout the period of investigation;

VI)   Calculate the sum of the inventory of the short-term debt kept throughout the months of the period of investigation; and

VII) Divide the result achieved in the step (i) by that obtained in the step (ii).

However, before to go to the demonstration of the method, we will make some observations.

Firstly, the installments paid in a loan are constituted of an installment of amortization (responsible for the effective reduction of the debt) and one installment of interests (remuneration of the capital). How many interests and amortization are included in each installment, as well as the own amount of the installment depends on the system of applicable amortization (**price** system**67**, SAC68, etc.) and is calculated by the financial institution offering the loan.

Thus, if the company chooses this method of calculation, it shall be able to show the number of short-term interests paid in each month, usually, through the recording mad in an expense account (interest expense).

Secondly, it is emphasizing that the divider of the described formula will amount to the sum of the debt stock kept throughout months of the period of investigation of investigation. In other words, this inventory is the debit balance of the debt, that is, the total of the borrowed credit, deduced from the amount already amortized, usually which could be obtained as of the balance of balance sheet account belonging to the current liability (payable loans/financings).

Thus, we analyzed how would be the calculation of the interest rate of the loan through the method of the disbursed interests, for the same loans presented in note 3.2.

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67 The **Price** System is a method of amortization through the borrowing is paid in installments of the same value.
68 The Constant Amortization System (SAC) is a way of debt payment where the amortized amount through each installment is constant.

Note 3.3: example of calculation of the interest rate of loan through the method of disbursed interests.

The first step of this methodology is to obtain the sum of paid interests during the period of investigation.

Table 3.8: Interests Paid in P5

Period	Month	Loan in the Bank - X		Loan in the Bank - Y	
		Initial Balance of the Debt (US$)	Disbursement Interests in the Month (US$)	Initial Balance of the Debt (US$)	Disbursement Interests in the Month (US$)
Period of investigation	4	1,225.50	24.51	0.00	0.00
	5	1,159.75	23.20	0.00	0.00
	6	1,092.69	21.85	5,000.00	50.00
	7	1,024.28	20.49	4,687.50	46.88
	8	954.51	19.09	4,375.00	43.75
	9	883.34	17.67	4,062.50	40.63
	10	810.75	16.22	3,750.00	37.50
	11	736.71	14.73	3,437.50	34.38
	12	661.18	13.22	3,125.00	31.25
	1	584.15	11.68	2,812.50	28.13
	2	505.58	10.11	2,500.00	25.00
	3	425.43	8.51	2,187.50	21.88
			$\sum$ = US$ 201.28		$\sum$ = US$ 359.38

The total sum of the interests paid through two loans during the period of investigation corresponds to US$ 560.65 (US$ 201.28 + US$ 359.38).

Subsequently, it shall obtain the total stock of short-term debts kept by the company during the period of investigation.

Table 3.9: Total Inventory of Debt - P5

Period	Month	Loan in the Bank - X		Loan in the Bank - Y	
		Initial Balance of the Debt (US$)	Disbursement Interests in the Month (US$)	Initial Balance of the Debt (US$)	Disbursement Interests in the Month (US$)
Period of investigation	4	1,225.50	24.51	0.00	0.00
	5	1,159.75	23.20	0.00	0.00
	6	1,092.69	21.85	5,000.00	50.00
	7	1,024.28	20.49	4,687.50	46.88
	8	954.51	19.09	4,375.00	43.75
	9	883.34	17.67	4,062.50	40.63
	10	810.75	16.22	3,750.00	37.50
	11	736.71	14.73	3,437.50	34.38
	12	661.18	13.22	3,125.00	31.25
	1	584.15	11.68	2,812.50	28.13
	2	505.58	10.11	2,500.00	25.00
	3	425.43	8.51	2,187.50	21.88
		$\sum$ = US$ 10,063.88		$\sum$ = US$ 35,937.50	

According to the previous table, it could be noticed that the total stock of short-term debts kept by the company during the period of investigation corresponded to US$ 46,001.38 (US$ 10,063.88 + US$ 35,937.50).

Finally, the average interest rate is obtained through division of the total interests paid (US$ 560.65) by the total debt stock kept throughout the period of investigation (US$ 46,001.38).

Average interest rate $= \dfrac{560.65}{6,225.50}$

Average interest rate = 1.22% a.m.

It is worth notice that, in this case, the calculated interest rate is also in a monthly unit. This occurred because said loan was paid in a monthly basis, which made to use the debt stocks corresponding to twelve months in the divider of this formula. Thus, the periodicity that the loans are paid will determine the unit of the found interest rate through the method of disbursed interests (and, consequently, it will realize the assessment of the paid interests and the existing debt stock): if paid in a monthly basis, the interest rate will be in a monthly basis; if paid a quarterly basis, the interest rate will be in a quarterly basis, etc.

A point to not be neglected is the average rates found through two methods, although are closer, they do not match. This is because, when the first method takes into account only the borrowed amounts and their respective interest rates, in turn, the second method also takes into account the period during which these loans occurred throughout the period of investigation (since when lesser is the period of occurrence of determined loan throughout the period of investigation, lesser will be its influence in the total amount paid of interests and in the debt stock kept throughout the period).

In addition, in the first method, the interest rates are weighed at one time through the initial balance of the debt. In the second method, the existing debt stocks at the end of each month of the period of investigation also are taking into account.

Thus, the methodology to be used, in each concrete case, shall be discussed with the Department, to evaluate if the suggestion delivered by the producer/exporter properly reflects the incurred opportunity cost.

3.2.1.2.2.3 Differentiation of taxes for market

Usually, the governments or financial institutions accredited by them offer differentiated credit facilities to exporting companies with the purpose to provide resources with more attractive interest rates than offered to the other companies (non-exporters), to the manufacturing and/or trade of goods destined abroad.

This fact could suggest being feasible to use of differentiated interest rates by market for the calculation of the financial cost. It could be said that, wrongly, to achieve the conclusion that the interest rate used to calculate the financial cost attached to the

transactions of export could be different that used to the sum of the financial cost attributed to the sales in the domestic market of the exporting country.

Notwithstanding, this practice is understood as incompatible with the principle of interchangeability of the currency. In other words, since they are incorporated to the company's cash, the resources arising from the loans merged with the other amounts existing there, which becomes the origin of the amounts applied in the manufacturing of goods or in their trade indistinguishable, both in the domestic market or in the international market.

Due to this, the Department does not have accepted the practice of differentiation of the interest rate by market to calculate the financial cost.

3.2.1.2.3 Credit period

The credit period to be used to calculate the financial cost shall correspond to the interim elapsed between the shipment of the merchandise and its effective payment. Preferably the assessment of such term shall be made transaction-by-transaction.

Even in the case of the payment has been made before the shipment, the same formula used to the cases of payment made afterwards shall be used, that is, the elapsed period between the payment date and shipment date shall be assessed. In this case, a negative term will be achieved, which will result in a financial gain (which will be added to the selling price, resulting in its increase).

It is noted that, when a merchandise is sold in cash, for instance, the offered price already takes into consideration such condition (usually, if the merchandise was sold on credit, the offered price would be higher). Thus, when a prepayment occurs, the solution to maintain the agreed contractual balance would be to grant a discount for prepayment. However, when this does not occur, materially, which has been an increase of the cash price of the merchandise or actual gain of the seller, which will be reflected exactly by the financial cost.

For the selling trades not paid when the filling of the application of the producer/exporter, the producer/exporter shall let in blank the field corresponding to the payment date. For this situation, SDCOM will evaluate case-by-case which solution is most appropriated to calculate the financial cost.

Finally, it is worth mentioning that, in some situations, it could not be feasible to attach the payments by the customers to the specific selling trades. For instance, this could occur in the payment system known as "**open account**".

In this case (the impossibility of assessment of the credit period in an individual way for sale), there is a constant reasonable flow to send merchandises by the seller to the purchaser and payments from this one to the other. However, these payments are not linked to the specific invoices, but to the balance between debits and credits of the customers periodically assessed.

In the cases where it is no possible to assess transaction-by-transaction, the elapsed period between the shipment of the merchandise to the respective payment (and since such unfeasibility is proved), other methodologies could be used to calculate the credit period.

A methodology commonly used in these situations (without prejudice of the existence of others equally valid) is the use of the following formula:

$$\textit{Average term for payment (in days)} = \frac{\textit{Customer account average value}}{\textit{Daily income of sales}}$$

The average value of the customer account (VCM) could be achieved through the average of balances observed to the "customers" accounts (or equivalent) at the end of each month of the period of investigation. Now the daily revenue of sales (RDV) results from the division of the total receiving of payments of this period by 365.

This assessment shall, to reasonable reflect the company's operational practice and, consequently, to be accepted, to calculate the financial cost, observe the following conditions:

III) both VMC and RDV shall related to the receivable amounts and payments effectively received arising from the sales of the subject product/foreign similar; and

IV) the average term shall be calculated, preferably, for each customer, to avoid distortions in the achieved outcomes.

The example below shows the assessment of the average term for payment.

Note 3.4: example of calculation of average term for payment.

Supposes that the producer/exporter Fictitious Company has observed, throughout the period of investigation, the following balances related to the receivable amounts of the customer "John" arising from the sales of the foreign like product.

Table 3.10: Receivable Amounts - Customer John

Period	Month	Receivable Amount (US$)
Period of investigation	4	25,000.00
	5	15,000.00
	6	12,000.00
	7	17,000.00
	8	23,000.00
	9	24,000.00
	10	24,000.00
	11	25,000.00
	12	18,000.00
	1	9,180.00
	2	7,000.00
	3	11,000.00
		$\sum$ = **US$ 210,180.00**

Additionally, supposes that throughout the period of investigation, the customer "John" has paid the total amount of US$ 206,225.00 arising from the purchases of the foreign like product.

The first step of the methodology is to assess the average value customer account (VMC), through the arithmetic average of the receivable values presented in the previous table. In this case, the VCM corresponds to US$ 17,515.00 (US$ 210,180.00/12).

Subsequently, it shall be calculated the daily revenue of sales (RDV) through division of the received amount during the period of investigation (US$ 206,225.00) by 365, resulting in US$ 565.00.

Finally, to assess the average term for payment, simply divide VMC by RDV:

$$Payment\ deadline = \frac{US\$\ 17,515.00}{US\$\ 565.00}$$

$$Payment\ deadline = 31\ days$$

Therefore, the average term for payment of the Customer "John", in this example, corresponds to 31 days.

Thus, since delivered the methodologies of calculation of the net receivable amount of the transaction, interest rate, and credit period, it is noticed how would occur the calculation of the financial cost.

Note 3.5: example of calculation of financial cost.

Consider the following data referring to the invoice DVC-315 of the Exhibit II:

- o VL = US$ 4.17/kg (note 3.1);
- o i = 1.22% a.m. (note 3.3); and
  - o t = 68 days (difference between the shipment date and payment date, assessed in an individual way to the analyzed invoice).

Firstly, to apply the formula of the financial cost presented in item 3.2.1, the units of the interest rate and credit period shall be arranged.

To exchange from the month to annual rate, considering that it will use the formula of simple interests, it shall simply multiply it by 12. The outcome achieved is equal to 14.63% a.a.

Now the term in days (68) shall be divided by 365, in order to achieve the term in years. The ratio of this operation is equal to 0.19 years.

Since the arrangement is completed, the formula of the financial cost could be directly applied:

Financial Cost = Net Value X interest rate X payment deadline

Financial Cost = US$ 4.17/kg X 14.63% X 68/365

Financial Cost = US$ 0.11/kg

Thus, the financial cost attributed to such operation is equal to US$ 0.11/kg.

3.2.2 Inventory carrying cost

The inventory carrying cost is part of the second relevant opportunity cost to calculate the margin of dumping.

The expense represents the opportunity cost where determined company incurs when choses to maintain a permanent asset of its capital stock, in a way of inventory of products, against other options of economic exploitation of its equity.

It is noticed that, when maintains products in inventory aiming to ensure the availability for its customers and to preserve the image of the brand, the company ceases to have the corresponding amount to the manufacturing costs of the goods, which could be used, for instance, in the amortization of their liabilities, in the manufacturing of other goods, etc.

Thus, it is easy to see that the inventory maintenance of goods creates to the producer an increase of its need of financing, since it will have less resources for the maintenance of its activities, decreasing, therefore, the actual gain with the subsequent sales of the storage goods. From this point of view (increase of the requirement of financing) that is calculated the expense of inventory maintenance in order to the assessment of the margin of dumping.

3.2.2.1 Application

In the same way that occurs with the financial cost for the purposes of calculation of the margin of dumping, the expense of inventory maintenance gains relevance in three moments, which are:

IV)   test of sales below the cost (comparison between the net price of sales in the domestic market or in export to a third country and the cost of production);

V)   calculation of the profit margin, for the purposes of construction of the normal value (and subsequent comparison with the export price); and

VI)   calculation of the margin of dumping as such (comparison between the normal value and the export price).

In all mentioned comparisons, the expense of inventory maintenance shall be deduced from the selling price in the domestic market or in exports to a third country of the normal value and/or the export price, regardless of the basis where they are (CIF, **ex-factory** etc.), to consider the effective gains of transactions. Specifically, in the case of construction of the normal value, the adopted methodology is to deduce from the expense of inventory maintenance directly of the calculated profit margin, achieving, in this way, the constructed normal value already free of this opportunity cost.

If there is a maintenance of inventories in Brazil, the corresponding opportunity cost also shall be calculated and deduced of the reported export price, as well as that incurred in the exporting country.

However, it is emphasizing that the fact that, when these amounts are obtained through the official statistics (Trade Map, Eurostat, USITC etc.), the Department does not calculate the expense of inventory maintenance, since it does not have information on the manufacturing cost of the merchandises and the storage period, essential data to the calculation of such expense.

For companies located in non-market economy countries, the expense of inventory maintenance could be calculated, since the required data for such assessment are available, especially regarding the manufacturing cost incurred to the production of the foreign like product/under investigation in the substitutive country elected for the purposes of calculation of the normal value.

3.2.2.2 Calculation

As stated in item 3.2.2, the expense of inventory maintenance is seen for the purposes of the calculation of the margin of dumping under the perspective of the increase of the need of financing arising from the storage.

Thus, the measurement of this opportunity cost corresponds to a simple interest transaction, applied to the manufacturing cost incurred to the manufacturing of the good sold during the term which it is kept in storage as the formula below:

Expense of inventory maintenance

= Manufacturing Cost x interest rate x average period in inventory

When the appointed formula is used, it is necessary that the interest rate and the average period in inventory are in the same unit.

3.2.2.2.1   Manufacturing cost

The manufacturing cost, used as a basis to calculate the expense of inventory maintenance, is constituted by the sum of costs with labor and others fixed and variable costs, as described below:

Figure 3.2: Manufacturing Cost
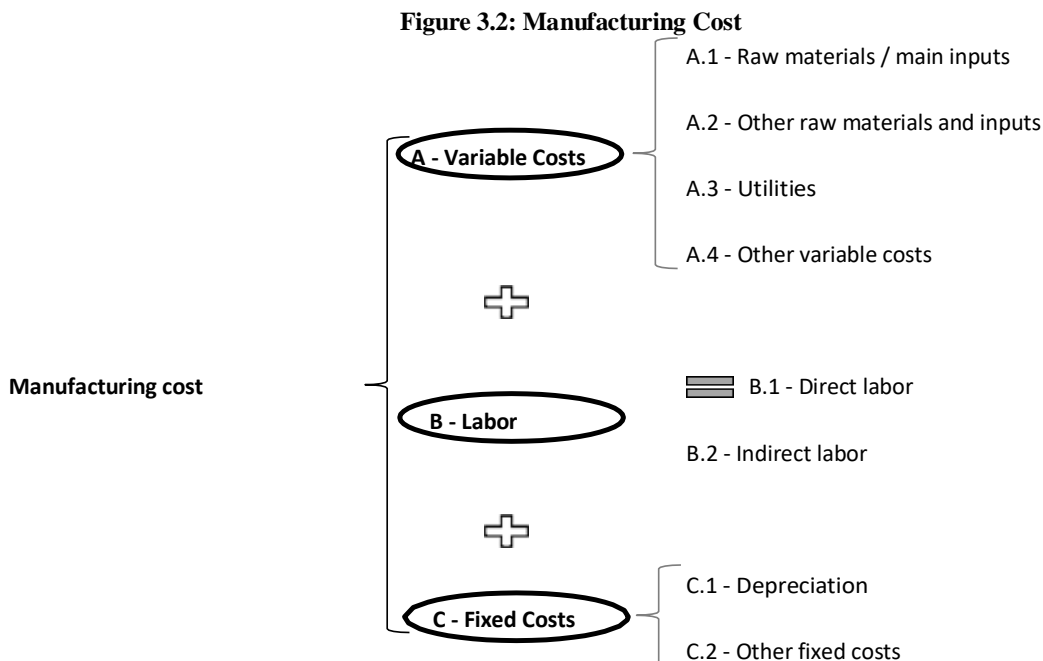
As denoted, it is not included in the manufacturing cost used as a basis to calculate the expense of inventory maintenance, general and administrative, financing, sales expenses neither other operational expense.

The tax base to the expense of inventory maintenance attributed to each selling trade in the domestic market of the exporting country or in the international market corresponding to the monthly manufacturing cost or the average cost of the period of investigation.

The monthly cost corresponds to that incurred in the month of sales for the manufacturing of goods classified in the same CODIP of that it was classified the trade merchandise. If there was not manufacturing of merchandises of that CODIP in the month of sales, it is used the manufacturing cost incurred for its manufacturing in the previous month to the sales. If there were not manufacturing of the merchandises of the same CODIP to those sold in the month of the sales neither in the previous month, it is used to the average cost of manufacturing assessed to that CODIP in the period of investigation.

In last case, in the event of in the period of investigation there is not have manufacturing of any unit of the merchandise of CODIP those sold, through the adoption of the same criteria above, it is sought to assess the cost incurred to manufacture merchandises classified in CODIP or closer group of CODIPs to the sold product.

Thus, the adopted criteria to the sum of the monthly manufacturing cost could be summarized in the flowchart below.

Figure 3.3: Flowchart - Manufacturing Cost

1) **Verify CODIP of the merchandise sold**

2) **Assess the manufacturing cost to the CODIP found in step 1, incurred in the selling month of the merchandise**

Inexistent Case

3) **Assess the manufacturing cost to the CODIP found in step 1, incurred in the previous selling month of the merchandise**

IN existing Case

4) **Assess the average cost of manufacturing to the CODIP found in step 1, incurred in the period of investigation**

inexistent Case

5) **Verify what is the CODIP or closer group of CODIPs to the found in step 1**

6) **Repeat steps 2 to 4, using the CODIP of closer group of CODIPs found in step 5**

It is observed the example below, showing the assessment of the monthly manufacturing cost to the tenth selling trade of the Exhibit II (invoice DVC-315).

Note 3.6: example of calculation of the monthly manufacturing cost for a selling trade.

In this example, it will seek to use the monthly manufacturing cost for the calculation of the expense of inventory maintenance (although it is also possible the

use of the average cost of the period of investigation).

The transaction No. 10 of the Exhibit II (invoice DVC-315) refers to a sale of merchandise classified in CODIP B, made in the month of March of 2015 (month 3). However, the first step to the assessment of the manufacturing cost is to verify if in this month there was manufacturing of merchandise classified in CODIP B.

As of Exhibit I (Table I.II), it is possible to view that there was not production of merchandises of this CODIP in the month 3 neither in the previous month (month 2). However, it shall seek the average cost of manufacturing of CODIP B in the period of investigation.

In this period, it was recorded the following data of manufacturing of wooden tables classified in CODIP B:

<p align="center">Table 3.11: Manufacturing Cost - CODIP B</p>

Product Identification Code (CODIP)	Month	Manufactured Quantity (kg)	A - Variable Costs [in US$]	B - Labor [in US$]	C - Fixed Costs [in US$]	D — Manufacturing Cost (A + B + C) [in US$]
B	1	210.0	307.40	70.00	45.50	422.90
B	8	360.0	403.80	120.00	78.00	601.80

The average manufacturing cost in the period of investigation, in this case, it is obtained using the following formula:

$$\textit{Manufacturing cost} = \frac{\sum \textit{manufacturing cost of CODIP B}}{\sum \textit{manufactured quantity of CODIP B}}$$

$$\textit{Manufacturing cost} = \frac{(422.90 + 601.80)}{(210.00 + 360.00)}$$

Manufacturing Cost = 1.80

Therefore, the manufacturing cost to be used to the transaction No. 10 corresponds to US$ 1.80/kg.

3.2.2.2.2 Interest rate

The interest rate used in the calculation of the expense of inventory maintenance shall reflect the increase of the need of financing of the company arising from the immobilization of part of its capital stock, in the form of inventories.

Thus, the rate used in the calculation of this opportunity cost coincides with that used to the calculation of the financial cost (which also represents this increase of need of financing).

Due to this, for explanations on the methodology of assessment of the interest rate, please see item 3.2.1.2.2.

3.2.2.2.3 Average period in inventory

The average period in inventory, to be used in the calculation of the expense of inventory maintenance shall correspond to the interim elapsed between the entry of the finished good in the inventory and the respective exit arising from its sales.

If it is not possible to assess, for each subject product/foreign similar manufactured during the period of investigation, the effective period of storage or also in the event of such methodology imposes a unreasonable burden to the producer/exporter, it is accepted alternative methodologies for the assessment of an average period of storage.

Without prejudice to existence of other valid methods, frequently it has been used, as an average period of storage, the average term of inventory turnover, which could be obtained as of the following formula:

$$Inventory\ turnover = \frac{Average\ volume\ in\ inventory}{Daily\ volume\ of\ sales}$$

The average volume in inventory (VME) could be obtained through the arithmetic average of the volumes in inventory of the subject product/foreign like product observed at the end of each month of the period of investigation, usually recorded in the management systems kept by the companies.

Now the daily volume of sales (VDV) results from the division of the total volume of the subject product/foreign like product sold (taking into account the sales to the domestic market to Brazil and third countries) in the period of investigation by 365.

The example below shows the assessment of the average term of inventory turnover.

Note 3.7: example of calculation of the average term of the inventory turnover.

Supposes that the producer/exporter Fictitious Company has observed, throughout of the period of investigation the following volumes of inventory of the subject product/foreign like product.

Table 3.12: Volume in Inventory

Period	Month	Final Volume in Inventory (kg)
of investigations of dumping	4	13,500.0
	5	16,500.0
	6	15,000.0
	7	7,500.0
	8	7,650.0
	9	12,000.0
	10	12,450.0
	11	12,600.0
	12	10,500.0
	1	12,000.0
	2	15,000.0
	3	16,500.0
		$\sum = 151,200.0$

Additionally, supposes that throughout period of investigation, the producer/exporter in analysis has sold 76,650 kg of the subject product/foreign like product.

The first step of the methodology is to assess the VME, through the arithmetic average of the volumes kept in inventory presented in the table above. In this case, VME corresponds to 12,600 kg (151,200/12).

Subsequently, it shall calculate the VDV, through the division of the volume sold in the period of investigation (76,650 kg) by 365, resulting in 210kg.

Finally, to assess the inventory turnover, simply divide VME by VDV:

Inventory Turnover = <u>12,600.0 kg</u>

210.0kg

Inventory Turnover = 60 days

Therefore, the inventory turnover of the Fictitious Company corresponds to 60 days.

Thus, since the manufacturing cost is calculated, the interest rate and average term of inventory turnover, please observe how would occur the calculation of the expense of inventory maintenance.

ote 3.8: example of calculation of the expense inventory maintenance.

Consider the following data referring to the sold 10 of the Exhibit II (invoice DVC-315):

- manufacturing cost = US$ 1.80/kg (note 3.6);
- interest rate = 1.22% a.m. (note 3.3); and
- inventory turnover = 60 days (note 3.7).

Firstly, to apply the formula of expense of inventory maintenance, the units of rate and term shall be arranged.

To exchange from the month to annual rate, considering that it will use the formula of simple interests, it shall simply multiply it by 12. The outcome achieved is equal to 14.63% a.a.

Now the term in days (60) shall be divided by 365, to achieve the term in years. The ratio of this operation is equal to 0.16 years.

Since effected the arrangement, it could directly apply the formula of the expense of inventory of maintenance:

Expense of Inventory Maintenance

= Manufacturing cost x interest rate x inventory turnover

Expense of Inventory Maintenance = US$ 1.80/kg x 14.63% x 60/365

Expense of Inventory Maintenance = US$ 0.04/kg

Thus, the expense of maintenance of inventory attributed to the transaction dealt with herein equal to US$ 0.04/kg.

3.3 interest income

The revenue of interests corresponds to the value charged by the seller, in virtue of a delay on the payment of the invoice by the purchaser.

Bearing in mind that the practice of collection of interests in view of the extemporaneous payment could be diversified in view of the market of destination, its amount could affect the comparability between the normal value and the export price.

Thus, the amount of the revenue of interest effectively received from the customer (usually recorded in an account of outcome, as asset interests) shall be added to the selling price (both in the domestic market and international market), before to proceed the comparison between the normal value and the export price.

In the case of the constructed normal value, the revenue of interests will be added to the total revenue earned with sales of the like product in the domestic market of the exporting country, when the assessment of the profit margin.

3.4 Levy of the taxes on the transaction

The difference of tax treatment of sales destined to the domestic market of the exporting country and to the international market could move away the comparability between the amounts used to the assessment of the normal value and the export price, mainly considering the global practice adopted to erase merchandises destined abroad.

Thus, aiming to ensure the fair comparison provided in the Article 2.4 of ADA and art. 22 of the Brazilian Regulation, and the value of sales in the domestic market of the exporting country, when the price is practiced in the exports, and the values of taxes incurring on trades of are deduced (as indirect taxes, understood in the meaning of the footnote No. 58 of the Agreement on Subsidies and Compensatory Measures of the World Trade Organization69), when the calculation of the margin of dumping.

As stated above, it is accepted that the gross value of sales is reported already net of levy of the taxes, if the accounting system of the company allows to remove the data in this way. In this case, the taxes already deduced shall not be reported in the respective field of the database of the company, to avoid deductions in duplicity.

3.5 Adjusts related to the trade level

The expression "trade level" means the stage of the chain of trade where occurs the sale of the product, considering several agents acting in it, since the producer up to the final user, as well as several activities of sale performed throughout the process.

Depending on the stage of the chain where the sales of the product occur, it is possible to have a variation of the offered price. This occurs because the distinct trade levels usually imply in the practice or activities related to the sale in several intensities. For instance, the sale in some levels of trade could demand the provision of services of technical assistance and/or the expenditure with storage in third party warehouses, and not in others.

Thus, the level of trade where the transaction occurs could affect the comparability between the selling prices.

Bearing this in mind and aiming to ensure the fair comparison between the normal value and the export price, when the calculation of the margin of dumping, besides the characteristics inherent to the own product (contemplated in CODIP), it is also taking into consideration, usually, the marketing aspect referring to the customer category. Thus, for each reported selling trade, the customer shall be classified in accordance with the groups as follows:

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69 Footnote No. 58 of the Agreement on Subsidies and Compensatory Measures of the World Trade Organization: **The term "indirect taxes" shall mean sales, excise, turnover, value added, franchise, stamp, transfer, inventory and equipment taxes, border taxes and all taxes other than direct taxes and import charges**.

I)	industrial user;
II)	final consumer;
III)	trading companies;
IV)	local dealers;
V)	retails; or
VI)	others.

Therefore, for each CODIP of the exportations of the products under investigation to Brazil, it will seek the normal value referring to the merchandises classified in the same CODIP and, also, sold to customers of the same category.

Thus, it seems that the adopted methodology already has, as a rule, the differences in the price listed to the level of trade.

Notwithstanding, if said producer/exporter understands that this methodology is insufficient to contemplate such divergences, it could request the procedure of a mathematical adjustment reflecting them in a more appropriate way.

This occurs, for instance, when it is shown that the existing levels of trade do not are related with the customer categories reported and the differences arising from them do not are appropriately contemplated in the increases and deductions already made.

This mathematical adjustment related to the level of trade, however, only is accepted if is shown that:

I) there is a consistent pattern of difference of prices per level of trade; and

II) the proposed adjustment does not result in overlapping or double incurrence regarding others deductions/increases already made, aiming to ensure the fair comparison.

It is observed, in the following example, as would be possible to make an adjustment related to the level of trade, without prejudice of other methodologies equally valid.

Note 3.9: example of calculation of adjustment related to the level of trade.

Supposes that for sales of said producer/exporter made throughout the period of investigation have been identified two distinct levels of trade which are not found adequately contemplated in the adjustments mentioned above, namely: the level of trade 1, and the level of trade 2.

The charts below show the sales of this producer/exporter destined to its domestic market and to the Brazilian market, separated by levels of trade:

Table 3.13: Sales in the Domestic Market

rade Level	Month of the Sale	Quantity Sold (kg)	ling price (US$/kg)
2	5	270.0	132.70
2	5	210.0	143.20
2	5	300.0	118.90
2	9	330.0	127.80
2	10	90.0	111.00
2	11	60.0	131.00
2	2	240.0	115.78
2	2	600.0	102.90

Table 3.14: Exports to Brazil

rade Level	Month of the Sale	Quantity Sold (kg)	ling price (US$/kg)
1	4	1,200.0	100.80
2	4	150.0	106.10
1	7	450.0	103.41
2	7	240.0	108.90
1	8	510.0	106.59
2	8	330.0	112.20
1	12	690.0	94.35
2	12	120.0	99.30
1	3	570.0	91.49
2	3	510.0	96.40

How there was not sales in the domestic market at the level of trade 1, the normal value of CODIP A linked to this could be obtained as of the sales in the domestic market of this same CODIP, made in the level of trade 2, but adjusted to contemplate the differences between the abovementioned levels of trade.

Through this table of exportations to Brazil, it is possible to realize that there is a consistent pattern of difference of price per level of trade. Please note that:

Table 3.15: Comparison of Prices - Trade Level

	ales in the Trade Level 1	ales in the Trade Level 2	
th of the Sale	selling price (US$/kg)	selling price (US$/kg)	Difference (%)
4	100.80	106.10	5.0%
7	103.41	108.90	5.0%
8	106.59	112.20	5.0%
12	94.35	99.30	5.0%
3	91.49	96.40	5.1%

In effect, when the selling prices are compared month-by-month for one or other level of trade, it is observed that the relative difference is approximately of 5%.

Thus, since it is verified this pattern of difference, and since it is demonstrated that the adjustment related to the level of trade would not overlap other increase/deduction already made neither result in a double incidence, its value could be calculated through the average of percentage of differences observed, month-by-month, between the prices practiced in the exports to Brazil to the two levels, weighted by the respective total quantities sold. Let's see:

of the Sale	rence of Price (%) - A	Quantity Sold - Trade Level 2 (kg)	Sold - el 1 (kg)	ntity - B	(B)
4	5.0%	150.0	,200.0	,350.0	7.5
7	5.0%	240.0	450.0	690.0	4.8
8	5.0%	330.0	510.0	840.0	2.0
12	5.0%	120.0	590.0	810.0	0.3
3	5.1%	510.0	570.0	,080.0	5.0
				= 4,770.0	239.6

Table 3.16: Adjustment Related to the Level of Trade

Thus, the adjustment related to the level of trade would equal to:

Adjustment related to the trade level =   *239.56*
                                                        4,770.00
Adjustment related to the trade level = 5.02%

This percentage would be deduced from the prices practiced in the sales to the domestic market of the exporting country made at the level of trade 2, for the purposes of assessment of the normal value corresponding to the sales of CODIP A, at the level of trade 1.

3.6 Selling costs

The sales expenses comprise all expenditures that a company incurs to the trade and distribution of its merchandises. For the purposes of trade defense, if these expenditures could be directly appropriated to the markets of destination are classified as direct. Now in the case of said direct appropriation to not be possible, and it requires, therefore, an estimate or proration for the allocation between markets, the sales expenses shall be classified as indirect.

Below there are shown the sales expenses to be reported in the information of sales of the subject product/foreign like product to the domestic market of the exporting country or third countries, if the assessment of the normal value, and to Brazil, to the assessment of the export price.

Figure 3.4: costs of sales - Sales to the Domestic Market of the Exporting Country

Direct costs of sales

1) Domestic freight - from the plant to the warehouses
2) Expense of warehouse - after-sales
3) Domestic freight - from plant/warehouse to the customer
4) Domestic insurance
5) Fees
6) Expense of warehouse - after-sales
7) Expense of marketing
8) Expenses of technical assistance
9) Other direct costs of sales

Indirect costs of sales
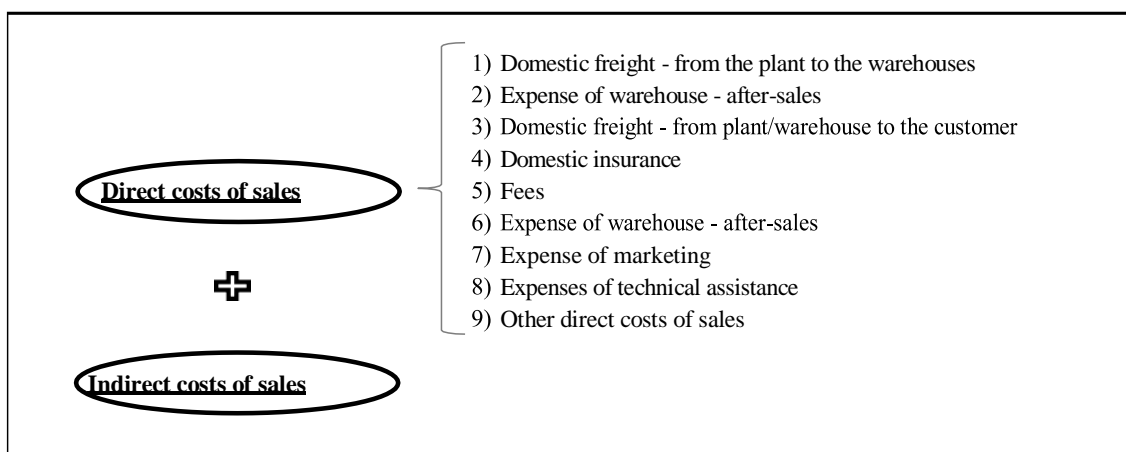
Figure 3.5: costs of sales - Export to a Third Country

Expense of sale incurred in the domestic market of the exporting country

✚

1) International freight
2) International insurance
3) Domestic freight in the third country - port to warehouse
4) Domestic freight in the third country - warehouse to the independent customer
5) Domestic insurance in the third country
6) Handling of cargo and brokerage
7) Import rights in the third country

Figure 3.6: costs of sales - Export to Brazil

Direct costs of sales

1) Domestic freight - from the plant to the warehouses
2) Expense of warehouse - presales
3) Domestic freight - plant/warehouse to shipping port
4) Domestic insurance
5) Handling of cargo and brokerage
6) International freight
7) International insurance
8) Domestic freight in Brazil - port to warehouse
9) Domestic freight in Brazil - warehouse to the independent customer
10) Other expenses of transportation in Brazil
11) Domestic insurance in Brazil
12) Fees
13) Expense of warehouse - after-sales
14) Expense of marketing
15) Expenses of technical assistance
16) Other direct costs of sales
17) Domestically value

✚

Indirect costs of sales

1) Indirect costs of sales incurred in the manufacturing country

2) Indirect costs of sales incurred in Brazil

When the comparison between the normal value and the export price, as a rule, only the direct costs of sales are deduced. This is because it is understood that indirect costs of sales, by definition, do not affect the comparability between the normal value and the export price. In effect, bearing in mind the impossibility of the direct appropriation to the products and markets, it is considered that a single percentage of indirect costs of sales shall be applied to the practiced prices both in sales to the domestic market or to abroad, and its deduction is dispensable.

These expenses (indirect), usually, will only be deduced from the export price if this is reconstructed, that means, assessed from the resales of the product under investigation by exporter related to the producer or by the importer related to the producer

or exporter. In this case, it is seeking to eliminate the influence of the intermediary agent (exporter or importer) on the selling price, as explained in item 2.1.2. Thus, if the exporter is reconstructed, it could be deduced among other items the costs of sales, direct and indirect, incurred by intermediary agents (exporter or importer). However, in this situation, the Office will evaluate case-by-case which specific expenses shall be deduced, considering those reported by the producer and intermediary agents, as well as that those were deduced when the calculation of the normal value occurs.

The indirect expenses incurred by the producer, however, are not subject to deduction.

One aspect that worth emphasizes is that, for the test of sales below the cost, both direct expenses as indirect expenses are deduced from the selling price in the domestic market of the exporting country. This occurs because among the expenses added to the manufacturing cost for the assessment of the cost of production any expense of sales is included (neither direct neither indirect). Thus, to the comparison between the selling price and the cost of production occurs in the same level, it is necessary to deduce all expenses of trade from the selling price.

Finally, if it is necessary to make the construction of the normal value, as from the cost of production, in order to this is assessed net of direct costs of sales (for subsequent comparison with the export price, at the same level), the indirect expenses shall be considered.

The scheme below shows the treatment given to the costs of sales when occurs the assessment of the normal value and export price.

Table 3.17: costs of sales - Treatment

Sales	Treatment
1) Assessment of the selling price in the IM to third countries or to Brazil	General rule: • Only the **direct** costs of sales are deduced. For reconstruction of the export price: • Direct and indirect costs of sales incurred by intermediary agents (exporter related to the producer or importer related to the producer or exporter) could be deduced. SDCOM will evaluate case-by-case which specific expenses shall be deduced, considering those reported by the producer and intermediary agents, as well as the way of assessment of the normal value.
2) test of sales below the cost	• The **direct** and **indirect** costs of sales are deduced from the practiced price; and • Any expense of sales is added to the manufacturing cost.
3) Construction of the normal value	• The **indirect** costs of sales are considered.

3.7 Expenses with packaging

The expenditures with packaging, being classified as costs or as expense, could present significative differences between the markets of destination. This because the international transportation usually requests a stronger physical protection to the product, due to the risks inherent to the operations of loading and unloading and the own transport of long distance.

Thus, these expenditures could affect the comparability between the practiced prices in the international and domestic markets, which could, therefore, be reported and deduced from the practiced prices in sales to the domestic market of the exporting country, to third countries (if applicable), and to Brazil, when occurs the assessment of the normal value and the export price.

The expenses with packaging also will have influence in the test of sales below the cost. In effect, the selling price used to the test in the domestic market (or in exports to a third country) and the cost of production shall be assessed net of these expenditures.

It is noticed that, as the cost of production used to compare the selling price in the domestic market (or in exports to a third country) is already assessed net of costs of sales, if the expenses with packaging are classified by the company in this category of expenses, it will not be necessary to make its deduction of the used cost.

However, if the company classifies the whole or part of the expenditures with packages as costs, two alternatives could be adopted in a way to ensure an objective and not biased comparison which are:

III) **the data of costs could be reported already net of the costs of packaging; or**

IV) **the costs with packaging could be informed in the data of costs, as a rule, in the field destined to "other variable costs".**

In this lasts case, the reported cost with packaging could be deduced from the cost (as well as from the selling price) to the performance of the test of sales below the cost.

3.8 Reimbursement of taxes

With the purpose to promote its exportations, several governments offer a reimbursement of taxes paid to the export industries when occurs the import of inputs, if these are used in the manufacturing of goods exports later. This system of reimbursement is globally known as the regime of **drawback**.

The effect of this reimbursement is to make that the exporter becomes more competitive, and could offer lower prices (or increase its profit margin), since it does not incur in expenses that, in the absence of said regime, it would have.

In view that the reimbursement shall only occur in sales to the international market, we could assume that its granting has the purpose to affect the comparability between the normal value and the export price.

Thus, in order to neutralize the effect of the reimbursement of tax in the export to ensure the fair comparison between the normal value and the export price provided that in Article 2.4 of ADA and art. 22 of Decree No. 8,058 of 2013, the amount equal to the tax returned could be added to the selling price to Brazil (for the purposes of assessment of the export price) or to a third country (when the normal value is assessed by this method) or, also, deduced from the selling price in the domestic market of the exporting country.

Remember that, if the reimbursement of taxes received is deduced from the selling price in the domestic market (rather than to be added to the selling price to the Brazilian market), this deduction shall be only made for the purposes of comparison between the normal value and the export price, and it shall not affect the value used to the performance of test of sales below the cost.

The company that seeks such adjustment shall explain how the receive amount in the form of reimbursement was calculated to demonstrate its connection with the sale of the subject product/foreign like product.

In addition, it shall be proven the effective import of the raw materials/inputs used in the manufacturing of the product exported to Brazil, the payment of the taxes due in the import and, also, the amounts received as reimbursement that do not exceed those paid when imported.

3.9 Statement of increases/deductions allowances

After the main aspects related to the increases and made deductions have been analyzed, for the purposes to ensure a fair comparison between the normal value and the export price, it is observed that the assessment of the **ex-factory** value and the net value used to the test of sales below the cost to the transaction related to the invoice DVC-315 of the Exhibit II (sales in the domestic market), on the one hand, and the **ex-factory** value to the transaction related to the invoice BRA-907 of the Exhibit III (export to Brazil), on the other hand, both made by the company Fictitious Company.

Note 3.10: example of assessment of the **ex-factory** value and net value used to the test of sales below the cost.

To the Invoice DVC-315, it was reported the following values:

Table 3.18: Reported Amounts - Invoice DVC-315

Items	lue (US$/kg)
Gross per unit price	4.17
Opportunity costs	0.16
Per unit financial cost of the transactions	0.11
Per unit expense of maintenance inventory	0.04
Per unit revenue of interests of the transaction	0.09
Taxes incurring on the transaction	0.20
Direct costs of sales	0.85
Domestic per unit freight - unit of manufacturing/storage to the customer	0.77
Per unit expense of marketing	0.05
Per unit expense of technical assistance	0.02
Other direct per unit costs of sales	0.01
Indirect per unit expense of sales	0.10
Per unit cost of packaging	0.08

In this example, for the calculation of the net value used to the test of sales below the cost, the opportunity costs (financial cost and expense of inventory maintenance), taxes incurring on the transaction, direct and indirect costs of sales, and the cost of packaging shall be deduced from the reported gross value. In addition, it shall be added the interest incomes. Let's see:

Table 3.19: Calculation of the Net Price (for the test of sales below the cost) - Invoice DVC-315 (US$/kg)

Gross per unit price	4.17
Opportunity costs	0.16
Per unit revenue of interests of the transaction	0.09
Taxes incurring on the transaction	0.20
Direct costs of sales	0.85
Indirect per unit expense of sales	0.10
Per unit cost of packaging	0.08
Net price to the test of sales below the cost	**2.88**

The calculation of the **ex-factory** price occurs in a very well similar way. The only difference, in this case, refers to the indirect costs of sales, which shall not be deduced. Thus, starting from the net value used to the test of sales below the cost, it simply adds the indirect costs of sales to achieve the **ex-factory** price.

Table 3.20: Calculation of Ex-factory Price - Invoice DVC-315 (US$/kg)

Ex-factory price	2.88
Indirect per unit expense of sales	0.10
ex-factory price	**2.98**

In this example, it is assumed that the data referring to the cost of production were already reported net of cost of packaging. Due to this, as well as

for the **ex-factory** price, it was maintained the deduction of this item for the assessment of the value to be used in the test.

Note 3.11: example of assessment of the **ex-factory** value of transaction of export to Brazil.

To the Invoice BRA-907, it was reported the following values:

Table 3.21: Reported Values - Invoice BRA-907

Items	ue (US$/kg)
Gross per unit price	4.93
Opportunity costs	0.15
Per unit financial cost of the transactions	0.10
Per unit expense of maintenance of inventory in the manufacturing country	0.04
Direct costs of sales	1.71
Domestic per unit freight - unit of manufacturing/storage to the shipping port	0.58
Handling of cargo and brokerage	0.10
International per unit freight	0.85
Per unit expense of marketing	0.15
Other direct per unit costs of sales	0.03
Tax Recovery	0.03
Indirect per unit expense of sales	0.12
Per unit cost of packaging	0.10

In this example, for the calculation of the **ex-factory** value, the opportunity costs (financing cost and expense of inventory maintenance), direct costs of sales and the cost of packaging shall be deduced from the gross value reported. In addition, it shall be added the amount received as reimbursement of tax. Let's see:

Table 3.22: Calculation of ex-factory Price - Invoice BRA-907
(US$/kg)

Gross per unit price	4.93
Opportunity costs	0.15
Direct costs of sales	1.71
Tax Recovery	0.03
Per unit cost of packaging	0.10
ex-factory price	**3.00**

After previous increases/deductions, it is achieved the **ex-factory** value of US$ 3.00/kg for the export transaction related to the abovementioned invoice.

CHAPTER 4: TREATMENT TO SPECIFIC TRANSACTIONS

In the subsequent items it is analyzed the treatment given to some specific transactions, which deserve a special attention, when occurs the calculation of the margin of dumping.

4.1 Samples/donations

The Articles 2.1 and 2.2 of Anti-Dumping Agreement of the World Trade Organization (ADA), as well as articles 8, 12, and 14 of Decree No. 8,058 of 2013, provide that for the assessment of the normal value through sales to the domestic market of the exporting country or to an appropriate third country, only the ordinary course of trades shall be take into consideration.

Although there is not an exhaustive list regarding which are considered anormal transactions, the Brazilian law70 provides that the following transactions shall not be considered as performed in the ordinary course of trade:

I)   sales made with prices below the cost of production (since made in the course of a reasonable period of time, in substantial quantities, and the prices that do not allow to recover all costs in a reasonable period of time;

II)   sales of samples or to employees and donations;

III)   sales supported by contracts involving industrialization to other companies - **tolling** or exchange of products - **swap**;

IV)   captive consumption; or

V)   other transactions established by SECEX.

As shown, the donations/sales of samples - defined as the sending of determined quantity of product (usually few), with a nominal, minimal or almost zero value prices, with the purpose to allow the analysis of its quantity - are not considered as the ordinary course of trades and, consequently, they are disregarded of the assessment of the normal value, being through sales to the domestic market of the exporting country or through the export to a third country.

It would be inappropriate to not mention that despite of the sending of samples and donations, usually, are also made below of the cost of production, conforming them, in addition, in other category of anormal trades, its disregard, for the purposes of assessment of the normal value, it will occur regardless of the treatment given to the sales below the cost.

It is worth mentioning that these lasts (sales below the cost) will not always be disregarded when the calculation of the normal value occurs, since its disregards is connected to the compliance with some requirements (relevant quantity, existence of transactions of this nature during the reasonable period of time and impossibility of recovery of costs in the course of this period).

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70 Paragraphs 1 and 7 of art. 14 of Decree No. 8,058, of 2013.

Thus, even in the cases where the requirements are not completed for disregarded of the sales below the cost, the samples/donations, by definition, shall be disregarded for the assessment of the normal value.

Other relevant aspect is that the conception of ordinary course of trades is only applicable to the normal value, and it is irrelevant to the calculation of the export price.

The reason of such distinction is that the normal value means the baseline for the measurement of the existence of dumping in exportations. In other words, when the normal value is compared with the export price, it is seeking to evaluate if the price practiced in the exports to Brazil is compatible or not with that charged in the normal trades of the company destined to its domestic market. Thus, under this point of view, the existence of anormal trades in the exports to Brazil could represent more than one index of practice of dumping, and therefore, it should not be disposed of.

Thus, the sending of samples and donations to Brazil are considering when the calculation of the export price occurs.

However, it is worth emphasizing that, if there is no export price for these transactions (sending of samples and donations) or, also, this is not seems reliable - in view of the association or relationship between the producer or exporter and the importer or a third party, or they have a compensatory agreement among themselves - the export price could be reconstructed71, as the methodology presented in the Chapter 2, as follows:

I) from the price by which the imported products were resold for the first type to an independent purchaser; or

II) from a reasonable basis, in the case of the products are not resold to an independent purchaser or in the same condition where they were imported.

4.2 Resales

The Article 6.10 of ADA and art. 27 of Decree No. 8,058 of 2013 provided that, preferably, it shall determine an individual margin of dumping for each one of the producers or exporters known of the subject product.

Thus, the individual margin of dumping could, according to the law in force, be calculated both at the level of producer and exporter.

In Brazil, when this margin is calculated to the producer, the quality is considering, and, as a rule, only the sales of the subject product/foreign like product of own manufacturing are considered, and the resales are disposed of.

In this case (the calculation of the margin of dumping to the producer in a market economy), the resales will only gain relevance when the export price is reconstructed (in the event of association or relationship between the producer and exporter or between the importer and the producer or exporter), since, in this situation, the exporter or importer practices prices of the subject product in the resale to the first independent purchaser will

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71 Article 2.3 of ADA and art. 21 of Decree No. 8,058 of 2013.

serve as a basis to determine the export price.

Now, when the margin of dumping is individualized per exporter, we compare the resales of a foreign like product in the domestic market of the exporting country or in a third country (normal value) with the resales of the subject product to Brazil.

4.3 Returns

The effect of the sum of the returns in the calculation of the margin of dumping shall merely be to annul the part of the conveyed goods that return to the ownership of the seller company, not changing the net price attributed to the original sale. Consequently the gross sale, as well as all increases/deductions to be attributed to the returned merchandises, shall coincide with those allocated to the respective original sale, in order to achieve identical net prices.

Thus, the principal effect of the consideration of the returns for the calculation of the margin of dumping is the changing of the quantities sold. Considering that the margin of dumping is weighted by the volumes exported to Brazil of each CODIP and customer category, the changing in the volumes of sales used, arising from the accounting of the returns, could change the achieved margin.

4.4 Lower quality products

Products that do not meet all the patterns of quality established by the seller company are, usually, if usable, sold at lower prices, when compared to the other merchandises.

This it makes that its inclusion, in the database used to the assessment of the normal value and export price could affect the comparability between these values. On the other hand, the mere lower quality, usually, is not sufficient to featureless the classification of the exported merchandise to Brazil in the definition of subject product neither the similarity that sold in the domestic market of the exporting country.

Thus, the solution to ensure the fair comparison, without to consider the transactions involving products with lower quality consists to segregate such sales, considering that the quality, together with the CODIP and the costumer category, as one more aspect to be taking into account for the comparison between the normal value and the export price.

CHAPTER 5: MARGIN OF DUMPING

Anti-Dumping Agreement of the World Trade Organization (ADA) and Brazilian Regulation provide two methodologies that usually shall be applied in the calculation of the margin of dumping: the comparison between the weighted average normal value and the weighted average export price[72] (W-W)[73]; and the comparison of each transaction of the export price with one corresponding to the normal value[74] (T-T)[75] 74. There is no predetermined hierarchy between these two methods, however, SDCOM prefers to apply the W-W method because it is simpler.

In addition, the mentioned methods in the previous paragraph, there also is the provision of a third method: the comparison of the weighted average normal value with the transactions of individual exports (W-T). However, this method could not be indiscriminately used, since its use is only authorized when two requirements are complied with: the investigative authority finds a pattern of export price significatively different among different purchasers, regions, or periods of time; and the authority provides an explanation about these differences could not be appropriately taking into account with the use of normal methods W-W or T-T.[76]

The operation of each one of these methods is explained below.

5.1 Comparison methods

5.1.1   First method: W-W

We use the W-W method to calculate the margin of dumping through the comparison of the weighted average normal value with the weighted average export price, both calculated as explained in Chapters 1 and 2. With regards to the margin of dumping, this could be calculated through the W-W method of two ways: making use of the annual averages or multiple averages.

When the investigative authority chooses the annual averages, it calculates a weighted average normal value and a weighted average export price, considering all the period of investigation. After that, only a comparison for each CODIP and costumer category between these values is necessary to calculate the margin of dumping.

Regarding the use of multiple averages to calculate the margin of dumping, a weighted average normal value and a weighted average export price will be calculated for each period of time established by the investigative authority. The periods of time to those the averages of the normal value and export price shall be calculated and they could end any periodicity lesser than the period of investigation (POI-that usually comprises 12 months), that is, the averages could be semiannual, quarterly, monthly, etc.

In the case of calculation of the margin of dumping using monthly multiple

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72 It refers to the method through the simplification W-W, representing the idea of Weighted Average with Weighted Average, which creates the term **Average-Weighted Average**.
73 Item II of art. 26 of Decree No. 8,058 of 2013.
74 The simplification has origin in the term **Transaction – Transaction**.
75 Item II of art. 26 of Decree No. 8,058 of 2013.
76 Paragraph 2 of art. 26 of Decree No. 8,058 of 2013.

averages for each month which there are transactions of export, it is calculated a weighted average normal value. The calculation of the monthly weighted average export price, then it is compared with the corresponding normal value, to determine the margin of dumping of each month. The margins of monthly dumping are subsequently consolidated through the weighting of each one of these margins by the exported quantity in the respective month, and thus, assessing the margin of dumping of POI.

The method of multiple averages to calculate of the margin of dumping could be appropriated in situations where the prices and costs of the investigated product present variations throughout the period of investigation linked with volumes of sales in the domestic market and to Brazil not balanced that could cause distortions in the annual averages of the normal value and export price. For instance, consider a situation where there is a supported trend of increase in costs and prices of a product during POI, combined with a concentration of sales for exportation in the beginning of the period and sales destined to the domestic market to the end of the period. In this example, even the producer/exporter has exactly practiced the same prices in all markets where it performs in sales that occurred in a concomitant way, the average of its export price will be lesser than the average of its normal value. This will occur since the great quantity of exportation in the beginning of the year (when the prices were lower) will attract the average of the export price to the lowest levels, while the high concentration of sales destined to the domestic market at the end of the year (when prices were higher) will bring the average of the normal value to a higher level. In this case, the investigative authority, using the annual average for all period, could verify the existence of dumping due to these distortions.

In the example below, we will show how the calculation of the margin of dumping is made when the average is annual or when it will be the multiple averages.

For explanatory purposes, it will be considered that only the following export transactions and sales in the domestic market occur in the period of investigation, which the product is homogeneous (that is, there are no different types of products) and that sales in the domestic market and exportation were destined to a single customer category.

<div align="center">**Table 5.1: Transaction in the Domestic Market**</div>

Transaction	Month	Price (US$/t)	Quantity (t)
1	1	8.00	10.0
2	1	12.00	8.0
3	3	13.00	8.0
4	4	16.00	12.0
5	4	15.00	12.0

<div align="center">**Table 5.2: Transaction of Export**</div>

Transaction	Month	Price (US$/t)	Quantity (t)
1	1	10.00	10.0
2	1	10.00	10.0
3	4	12.00	10.0
4	4	13.00	10.0
5	4	13.00	10.0

5.1.1.1 Annual average

5.1.1.1.1   Normal Value Calculation

We calculate the total value of each transaction using the multiplication of the unit price per quantity. Thus, the weighted average normal value is calculated by the ratio between the sum of the total values and the total quantity.

It is emphasizing that this is a simplification of the calculation of the normal value since this shall be made according to the Chapter 1. In such example, the price is already in the **ex-factory** condition.

<div align="center">**Table 5.3: Calculation of the Weighted Average Normal Value**</div>

Transaction	Month	**ex-factory** price (US$/t)	Quantity (t)	Price x Quantity (US$)
1	1	8.00	10.0	80.00
2	1	12.00	8.0	96.00
3	3	13.00	8.0	104.00
4	4	16.00	12.0	192.00
5	4	15.00	12.0	180.00
		Total	50.0	652.00
		Weighted average normal value (W)		13.04

5.1.1.1.2   Export Price Calculation

We calculate the total value of each transaction using the multiplication of the unit price per quantity of each sale. Thus, the weighted average export price is calculated by the ratio between the sum of the total values and the total quantity.

It is emphasizing that, in the same way as mentioned in the previous item, this is the simplification of calculation of the export price, since this shall be made according to the Chapter 2. In such example, the price is also already in the **ex-factory** condition.

Table 5.4: Weighted Average Export Price Calculation

Transaction	Month	ex-factory price (US$/t)	Quantity (t)	Price x Quantity (US$)
1	1	10.00	10.0	100.00
2	1	10.00	10.0	100.00
3	4	12.00	10.0	120.00
4	4	13.00	10.0	130.00
5	4	13.00	10.0	130.00
		Total	50.0	580.00
		Price of average exportation		11.60

5.1.1.1.3 Calculation of the Margin of Dumping

To calculate the margin of dumping in the W-W methodology, the weighted average export price (W) is subtracted of the weighted average normal value (W). From this calculation, we obtain the absolute margin. To calculate the relative margin of dumping, the value of the absolute margin is divided by the weighted average export price.

Absolute Margin of Dumping

> *= Weighted Average Normal Value*

> *— Weighted Average Export Price*

Absolute Margin of Dumping = 13.04 – 11.60

Absolute Margin of Dumping = US$1.44/t

Absolute Margin of Dumping = 1.44 ÷ 11.60

Absolute Margin of Dumping = 0.1241 = 12.41%

5.1.1.2 Multiple Averages

Taking these same transactions destined to the domestic market and the exportation presented above, and the same emphasis regarding the simplification of the calculations of the normal value and the export price, the calculation of the margin of dumping through the monthly averages would be made as follows:

5.1.1.2.1 Month 1

As there was export in this month, it is necessary to calculate the margin of dumping to the month of January.

5.1.1.2.1.1 Calculation of the Normal Value Month 1

To calculate the weighted average normal value in the month 1, it is only used the transactions occurred in the month 1. As table 5.1, these would be the transactions 1 and 2. We calculate the total value of each one of such transactions using the multiplication of the unit price per quantity. Thus, the weighted average normal value of month 1 is calculated by the ratio between the sum of the total values (US$176.00) and the total quantity (18.0 tons) traded in that month.

Table 5.5: Calculation of the Weighted Average Normal Value Month 1

Transaction	Month	**ex-factory** price (US$/t)	Quantity (t)	Price x Quantity (US$)
1	1	8.00	10.0	80.00
2	1	12.00	8.0	96.00
		Total	18.0	176.00
		Weighted average normal value of month 1		9.78

5.1.1.2.1.2 Calculation of the Export Price Month 1

To calculate the weighted average export price in the month 1, it is only used the transactions occurred in the month 1. According to table 5.2, these would be the transactions 1 and 2. We calculate the total value of each one of such transactions using the multiplication of the unit price per quantity. Thus, the weighted average export price of month 1 is calculated by the ratio between the sum of the total values (US$200.00) and the respective total quantity (20.0 tons) traded in that month.

Table 5.6: Calculation of the Weighted Average Export Price Month 1

Transaction	Month	**ex-factory** price (US$/t)	Quantity (t)	Price x Quantity (US$)
1	1	10.00	10.0	100.00
2	1	10.00	10.0	100,00
		Total	20.0	200.00
		Weighted average export price month 1 1 (W)		10.00

5.1.1.2.1.3 Calculation of the Margin of Dumping Month 1

The calculation of the margin of dumping is made in the same way as explained above.

Absolute Margin of Dumping Month 1

   = Weighted Average Normal Value Month 1

   — Weighted Average Export Price Month 1

Absolute Margin of Dumping Month 1 = 9.78 – 10.00

Absolute Margin of Dumping Month 1 = –US$0.22/t

5.1.1.2.2   Month 3

Since there are no export transactions in month 3, there is no calculation of the margin of dumping in this month. Consequently, the sales in the domestic market occurred in this month will not be used for the purposes of calculation of the margin of dumping through multiple averages. The fact of these sales are not considered to calculate the margin of dumping through the multiple averages, but they are included in the calculation of the annual margin of dumping represents one of the factors that causes difference between the outcomes obtained through these two methodologies.

5.1.1.2.3 Month 4

As there was export in this month, it is necessary to calculate the margin of dumping to the month of April.

5.1.1.2.3.1 Calculation of the Normal Value Month 4

Thus, according to it was done to the month 1, to calculate the weighted average normal value in the month 4, it is only used the transactions occurred in this period. According to table 5.1, these would be the transactions 4 and 5. We calculate the total value of each one of such transactions using the multiplication of the unit price per quantity. Thus, the weighted average normal value of month 4 is calculated by the ratio between the sum of the total values (US$372.00) and the total quantity (24.0 tons) traded in that month.

Table 5.7: Calculation of the Weighted Average Normal Value Month 4

Transaction	Month	ex-factory price (US$/t)	Quantity (t)	Price x Quantity (US$)
4	4	16.00	12.0	192.00
5	4	15.00	12.0	180.00
		Total	24.0	372.00
		Weighted average normal value of month 4 (W)		15.50

5.1.1.2.3.2 Calculation of the Export Price Month 4

Thus, according to it was done to the month 1, to calculate the weighted average export price in the month 4, it is only used the transactions occurred in this period. According to table 5.2, these would be the transactions 3, 4 and 5. We calculate the total value of each one of such transactions using the multiplication of the unit price per quantity. Thus, the weighted average export price of month 4 is calculated by the ratio between the sum of the total values (US$380.00) and the respective total quantity (30.0 tons) traded in that month.

Table 5.8: Calculation of the Weighted Average Export Price Month 4

Transaction	Month	ex-factory price (US$/t)	Quantity (t)	Price x Quantity (US$)
3	4	12.00	10.0	120.00
4	4	13.00	10.0	130.00
5	4	13.00	10.0	130.00
		Total	30.0	380.00
		Weighted average export price of month 4 (W)		12.67

5.1.1.2.3.3 Calculation of the Margin of Dumping Month 4

The calculation of the margin of dumping is made in the same way as explained above:

Absolute Margin of Dumping Month 4

= Weighted Average Normal Value Month 4

— Weighted Average Export Price Month 4

Absolute Margin of Dumping Month 4 = 15.50 – 12.67

Absolute Margin of Dumping Month 4 = US$2.83/t

5.1.1.2.4 Monthly Margin Consolidation

To calculate the margin of dumping of all the period of investigation using the multiple averages, it is necessary the consolidation of the monthly margins. In this sense, each month where there was exportation, the monthly margin of dumping (that is, the weighted average export price of the month subtracted of the weighted average normal value of the same month) is multiplied by the exported quantity in that same month. The ratio between the sum of these values (US$80.56) by the traded quantity during the totality of POI, (50.0 tons) represent the margin of dumping of POI obtained by the multiple averages (US$1.61/t).

To achieve the relative margin of dumping of POI, the absolute margin of dumping was divided by the weighted average export price of POI.

Table 5.9 Consolidation of the Monthly Margins of Dumping

Month	Margin of dumping (US$/t)	Quantity (t)	[VN - PE) x QE] (US$)
1	-0.22	20.0	-4.44
4	2.83	30.0	85.00
		50.0	80.56
		Absolute margin of dumping of POI (US$/t)	1.61

Margin of Dumping POI

> *= (∑ Margin of Dumping Month i x Exported Quantity Month i)*

> *÷ Exported Quantity in POI*

Margin of Dumping POI

> *= (Margin of Dumping Month 1 x Exported Quantity Month 1*

> *+ Margin of Dumping Month 4 x Exported Quantity Month 4)*

> *÷ Exported Quantity in POI*

Margin of Dumping POI = (–0.22 x 20 + 2.83 x 30) ÷ 50

Margin of Dumping POI = 80.56 ÷ 50

Margin of Dumping POI = US$1.61/t

To achieve the Relative Margin of Dumping, the amount of Absolute Margin of Dumping of POI is divided by the Weighted Average Export Price of the investigated period, which

was already calculated in item 5.1.1.1.2.

POI Relative Margin of Dumping

> *= POI Absolute Margin of Dumping*
>
> *÷ Weighted Average Export Price of POI*

POI Relative Margin of Dumping = 1.61 ÷ 11.60

POI Relative Margin of Dumping = 0.1388 = 13.88%

5.1.2 Second method: T-T

The method T-T is few used due to the difficulty found on its practical application, since it is necessary to find a transaction in the domestic market comparable to each export transaction.77 Thus, this method would easiest apply in the cases where there were few export transactions to Brazil, but it would reveal less practical in the cases where there were many export transactions.

In general, it is emphasizing that the T-T method results in a margin of dumping different from that calculated by the W-W comparison. The margin of dumping T-T would be the same of the calculated through the W-W method only when occurs specific circumstances: (1) the quantity of export transactions were the same of sales in the domestic market; (2) each export transaction occurs more or less in the same moment that the sale in the domestic market to which will be compared with; and (30 the relative weight of each export transaction were the same of its corresponding transaction in the domestic market. If any these three circumstances, the margin of dumping would be the same to the W-W and T-T methods.78

However, rarely these circumstances will co-exist. Initially, this is because the quantity of export transactions tend to be different from the quantity of sales in the domestic market. In addition, there is no reason to expect that the export sales occur at the same time of the domestic sales, neither the involved quantities are similar.

Regarding the calculation, when the margin of dumping is calculated transaction-by-transaction, there will be so intermediary margins of dumping as the export trades will be.

The first step in the T-T comparison would be to find the appropriate normal value to compare with each export price. ADA appoints that the comparison between the normal value and the export price shall be made "**in respect of sales at as nearly as possible the same time**".79 Thus, an important criterion to identify normal values comparable to the export transactions would be how close the sales in the domestic market occur in comparison to the exports.

Considering that, in the analyzed example, the transactions in the domestic market (table 5.1) temporarily closer to those of export (table 5.2) are those that follow

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77 Item II of art. 26 of Decree No. 8,058, of 2013.
78 Czako, Judith; Human, Johann; Miranda, Jorge. **A Handbook on Anti-Dumping Investigations**. Cambridge University Press, 2003. p. 127.
79 Article 24 of ADA.

the same sequency order, the calculation of the margin of dumping would be as follows:

Table 5.10: Calculation of the Annual Absolute Margin of Dumping by T-T Comparison

Transaction	ex-factory export price (US$/T)	Quantity (t)	Transaction	ex-factory normal value (US$/t)	(VN – P)	(VN-P) * Q (US$)
1	10.00	10.0	1	8.00	-2.00	-20.00
2	10.00	10.0	2	12.00	2.00	20.00
3	12.00	10.0	3	13.00	1.00	10.00
4	13.00	10.0	4	16.00	3.00	30.00
5	13.00	10.0	5	15.00	2.00	20.00
	Total	50.0			Total	60.00
					Absolute Margin of Dumping (US$/t)	1.20

To calculate the margin of dumping of all periods of investigation using this method, it is necessary the consolidation of the intermediary results previously calculated. For each export transaction, the margin of dumping (that is) the average export price of the transaction subtracted from the normal value of the corresponding transaction) is multiplied by the exported quantity of that transaction. The ratio between the sum of these values (US$60.00) by the total exported quantity in POI, (50.0 tons) represents the margin of dumping of POI calculated by the multiple averages (US$1.20/t).

Margin of Dumping

   = (∑ Margin of Dumping Transaction i

   x Exported Quantity Transaction i)

   ÷ Total exported quantity

Margin of Dumping

   = (Margin of Dumping Transaction 1

   x Exported Quantity Transaction 1

   + Margin of Dumping Transaction 2

   x Exported Quantity Transaction 2

   + Margin of Dumping Transaction 3

   x Exported Quantity Transaction 3

   + Margin of Dumping Transaction 4

   x Exported Quantity Transaction 4

   + Margin of Dumping Transaction 5

   x Exported Quantity Transaction 5)

   ÷ Total exported quantity

Margin of Dumping = (–2 x 10 +2 x 10 + 1 x 10 + 3 x 10+ 2 x 10) ÷ 50

Margin of Dumping = 60 ÷ 50

Margin of Dumping = US$1.2/t

To achieve the relative margin of dumping, the amount of absolute margin of dumping of POI is divided by the weighted average export price of the investigated period, which was already calculated in item 5.1.1.1.2.

Relative Margin of Dumping

= Absolute Margin of Dumping

÷ Weighted average export price

Relative Margin of Dumping = 1.2 ÷ 11.60

Relative Margin of Dumping = 0.1034 = 10.34%

5.1.3 Third method: W-T

In the W-T method it is calculated the margin of dumping through the comparison of the weighted average normal value with each transaction of export price. That is, it is calculated the weighted average normal value for each CODIP and customer category, to the totality of the period of investigation, and this is compared with each export transaction. Intermediary margins of dumping arising from these comparisons, which are weighted by the exported quantities to achieve the final margin of dumping.

As previously mentioned, this method only can be applied when two requirements are completed. The Brazilian law literally translates those requirements that are imposed by the Article 2.4.2 of the multilateral law:[80]

> "Paragraph 2 A normal value established through a weighted average could be compared with individual prices of exportation if it is determined the existence of a pattern of export prices significative different among different purchasers, regions or period of time and if it is presented explanation on the reason that such differences could not suitability be considered through the adoption of methodologies that deal with the items I and II of the **introductory paragraph**."

That is, the two requirements that shall be present in order that it is possible the comparison through the W-T method are as follows: (1) the existence of a standard of export prices significative different among different purchasers, regions, or periods of time; and (2) the investigative authority provides explanation for why these differences could not be appropriately compared with by W-W or T-T methods.

Due to the non-detailed instruction in the multilateral law and the little practice of most of the WTO Members as to the application of this method, there still are several controversies regarding the operationalization of the W-T comparison. Some of these controversies involve, but are not limited to:

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80 Paragraph 2 of art. 26 of Decree No. 8,058, of 2013.

I) To define the existence of a pattern of export prices;

II) The pattern shall only take into consideration one of the categories (purchasers, regions, or periods of time), or if it could analyze it for two or the three categories at the same time;

III) Which shall have the explanation requested by the second requirement;

IV) Operationalization of the method. In this sense, some argue that the calculation of the margin of dumping would be identical to that of the W-W method, with the unique difference that, while in the W-W methodology the weighted average normal value is compared with the weighted average export price, in the W-T methodology the weighted average normal value is compared with each export transaction. However, this would be that the results of the W-W and W-T comparisons are identical**81**, making harmless the second sentence of the Art. 2.4.2. This finding normally mentioned as "mathematical equivalence" is frequently alleged by those that defend the application of **zeroing** in the third method.

Thus, there are who allege that the W-T method assumes the negative intermediary results of the comparison between the normal value and the export price are disregarded (**zeroing**) in the calculation of the final margin of dumping. Despite this practice has been condemned in the WTO's Dispute Settlement Body (DSB) in the W-W and T-T comparisons, in original investigations and in administrative reviews, it was never considered as inconsistent with ADA when applied in W-T comparison.82

5.2 Margin of dumping for the hypothetical example

Below, we will show the calculation of the margin of dumping of Fictitious Company, producer/exporter of wooden tables of the hypothetical example illustrated in this Brochure, using the W-W method, and SDCOM practically uses this method to conduct its investigations.

As deduced in Chapters 1 and 2, the weighted average normal value and the weighted average export price calculated to the example, both per CODIP and considering the customer category, are in the tables as follows:

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81 This finding is very alleged by countries defending the application of **zeroing** in the third method called as "mathematical equivalence".

82 In the moment of elaboration of this Brochure, two disputes involving **zeroing** in W-T comparisons were in course: **United States — Anti-dumping and Countervailing Measures on large residential washers from Korea** (DS 471) e **United States — Certain Methodologies and their Application to Anti-Dumping Proceedings Involving China** (DS471). It is expected that some of these doubts are cured with the conclusion of the controversies.

Table 5.11: Weighted Average normal value per CODIP and Customer Category

CODIP	Customer category	Quantity sold (kg)	Normal value **ex-factory** (US$/kg)
A	Final consumer	1,350.0	2.78
A	**Trading company**	2,550.0	2.82
B	Final consumer	990.0	2.97
B	**Trading company**	690.0	3.03

Table 5.12: Weighted Average Export Price per CODIP and Customer Category

CODIP	Customer category	Exported quantity (kg)	**ex-factory** export price (US$/kg)
A	**Trading company**	24,000.0	2.61
B	**Trading company**	33,000.0	2.97
B	Final consumer	1,500.0	3.00

It is noticed that, in this case, there are two CODIP and two customer categories. For this reason, the final margin of dumping shall be resulted from the weighting, by the exported quantity of each CODIP and to each customer category, of each one of the earned margins of dumping for each one of these segments.

It is emphasizing that the calculation of the margin of dumping shall be made taking into consideration all exports to Brazil.[83] The same could not be said regarding the transactions in the domestic market. Only transactions in the domestic market will take into consideration, which were considered in the ordinary course of trade, and in counterpart, which had exports to Brazil with the same CODIP and destined to the same customer category. Thus, the sales of Fictitious Company of CODIP A to the final consumer destined to the domestic market shall not be used to calculate the margin of dumping, since there was not export to Brazil of this CODIP, to such customer category, during the period of investigation.

For each weighed price of assessed **ex-factory** export, per CODIP and customer category, the corresponding **ex-factory** normal values shall be found, also considering the respective CODIP and customer category.

To Fictitious Company case, there are exports to Brazil of CODIP A, to **trading company** and CODIP B, to final consumer and **trading company**.

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83 Paragraph 1 of art. 26 of Decree No. 8,058, of 2013.

For CODIP A - **trading company**, there are sales in the corresponding domestic market, that is, there are also of CODIP A to **trading company**. The same occurs to CODIP B - final customer. Now to CODIP B-**trading company**, there are not sufficient sales in the domestic market, as appointed in item 1.1.1.5, thus, the comparison shall be made between the export price and the constructed normal value for the same CODIP and customer category.

Table 5.13: Comparison between the Export Price and the Normal Value per CODIP and Customer Category

CODIP	Customer category	ex-factory export price (US$/kg)	Volume of export to Brazil (kg)	Normal value (US$/kg)
A	**Trading company**	2.61	24,000.0	2.82
B	Final consumer	3.00	1,500.0	2.97
B	**Trading company**	2.97	33,000.0	3.03

Thus, for CODIP A-**trading company**, the margin of dumping is:

*Absolute Margin of Dumping CODIP A – **trading company***

*= Weighted Average Normal Value CODIP A – **trading company***

*– Weighted Average Export Price CODIP A –, **trading company***

*Absolute Margin of Dumping CODIP A – **trading company** = 2.82 – 2.61*

*Absolute Margin of Dumping CODIP A – **trading company** = US$0.21/t*

The calculations of the margin of dumping to CODIP B - final customer are as follows:

Absolute Margin of Dumping CODIP B – final consumer

= Weighted Average Normal Value CODIP B – final consumer

– Weighted Average Export Price CODIP B

– final consumer

Absolute Margin of Dumping CODIP B – final consumer = 2.97 – 3.00

Absolute Margin of Dumping CODIP B – final consumer = US$0.03/t

The calculations of the margin of dumping to CODIP B - **trading company** are as follows:

*Absolute Margin of Dumping CODIP B – **trading company***

= Weighted Average Normal Value CODIP B

*– **trading company***

– Weighted Average Export Price CODIP B

*– **trading company***

*Absolute Margin of Dumping CODIP B – **trading company** = 3.03 – 2.97*

*Absolute Margin of Dumping CODIP B – **trading company** = US$0.06/t*

These intermediary results could be summarized as follows:

Table 5.14: Intermediary Results

CODIP	Customer category	ex-factory export price (US$/kg)	Volume of export to Brazil (kg)	ormal value (US$/kg)	Absolute margin of dumping (US$/kg)
A	**Trading company**	2.61	4,000.0	2.82	.21
B	Final consumer	3.00	,500.0	2.97	).03
B	**Trading company**	2.97	3,000.0	3.03	.06

To achieve this final margin of dumping, it is necessary to make the weighting of the margins of dumping calculated for each combination of CODIP and customer category to which there was export to Brazil in the investigated period. It is emphasizes that this weighting is made take into consideration the exported quantity of each CODIP and customer category.

Thus, for each CODIP – customer category combination, the absolute margin of dumping is multiplied by the exported quantity to Brazil of that combination. The ratio between the sum of these values by the total quantity exported to Brazil during the POI represents the final margin of dumping.

Absolute Margin of Dumping

= (∑ Margin of Dumping Combination i

x Exported Quantity Combination i)

÷ Total exported quantity to Brazil

Absolute Margin of Dumping

*= (Margin of Dumping CODIP A – **trading company***

*X Exported Quantity CODIP A – **trading company***

+ Margin of Dumping CODIP B – final consumer

X Exported Quantity CODIP B – final consumer

*+ Margin of Dumping CODIP B – **trading company***

*X Exported Quantity CODIP B – **trading company**)*

÷ Total exported quantity to Brazil

Absolute Margin of Dumping

= (0.21 X 24,000 + –0.03 X 1,500 + 0.06 X 33,000) ÷ (24,000 + 1,500 + 33,000)

Absolute Margin of Dumping = (5,040 – 45 + 1,980) ÷ 58,500

Absolute Margin of Dumping =US$0.12/t

To achieve the relative margin of dumping, it shall divide the amount of the absolute margin of dumping by the weighted average export price of the investigated period, considering the exported volume of each CODIP – customer category combination.

Weighted Average Export Price

= (∑ Export Price Combination i

x Exported Quantity Combination i)

÷ Total exported quantity to Brazil

Weighted Average Export Price

= (Export Price CODIP A – **trading company**

X Exported Quantity CODIP A – **trading company**

+ Export Price CODIP B – final consumer

X Exported Quantity CODIP B – final consumer

+ Export Price CODIP B – **trading company**

X Exported Quantity CODIP B – **trading company***)*

÷ Total exported quantity to Brazil

Weighted Average Export Price

= (2.61 X 24,000 + 3.00 X 1,500 + 2.97 X 33,000) ÷ (24,000 + 1,500 + 33,000)

Weighted Average Export Price = (62,640 + 4,500 + 98,010) ÷ 58,500

Weighted Average Export Price = 165,150/58,500

Weighted Average Export Price = US$2.82/t

With the weighted average export price, we can calculate the relative margin of dumping:

Relative Margin of Dumping

= Absolute Margin of Dumping

÷ Weighted Average Export Price POI

Relative Margin of Dumping POI = 0.1192 ÷ 2.82

Relative Margin of Dumping POI = 0.0422 ÷ 4.22%

With this information, we could achieve the weighted average normal value by the exported quantity, which is represented by the sum of the export price with the absolute margin of dumping.

Weighted Average Normal Value POI

      = Absolute Margin of Dumping

      + Weighted Average Export Price of POI

Weighted Average Normal Value POI = 2.82 + 0.12

Weighted Average Normal Value POI = US$2.94/t

5.3 Individual and selection margin of dumping

The first sentence of ADA's Article 6.10 determines that the investigative authority shall calculate the individual margins of dumping for each known exporter or producer known of the product under consideration.

> **"6.10 The authorities shall, as a rule, determine an individual margin of dumping for each known exporter or producer concerned of the subject product".**

The second sentence of the same Article, however, relaxes the obligation imposed, allowing that the investigative authority does not comply with this general rule in determined situations.

> **"In cases where the number of exporters, producers, importers or types of products involved is so large as to make such a determination impracticable, the authorities may limit their examination either to a reasonable number of interested parties or products by using samples which are statistically valid on the basis of information available to the authorities at the time of the selection, or to the largest percentage of the volume of the exports from the country in question which can reasonably be investigated".**

These situations are those where the number of exporters, producers, importers, or types of products is so large that would become the individualized determination impracticable. In these cases, the authorities are not authorized to limit their analysis to a reasonable number of interested parties or products using valid statistical samples, or to conform to the higher investigable reasonably percentage of the volume of exports of said country.

The Brazilian law provides on the preference for the calculation of the individualized margin of dumping:84

> "Art. 27. Preferably, it will be determined the individual margin of dumping for each one of the known producers or exporters of the subject product".

It is also said on the use of selection in the anti-dumping investigations:85

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84 Art. 27 of Decree No. 8,058, of 2013.
85 **Introductory paragraph** and items I and II of art. 28 of Decree No. 8,058, of 2013.

"Art. 28 If the excessive number of exporters, producers, importers or models of subject product become the determination impracticable as set forth in art. 27, the individual determination could be limited to:

I - sample statistically valid including a reasonable number of interested parties or model of products, based on available information in the moment of the selection; or

II - selection of the responsible producers or exporters for the higher inquiry reasonable percentage of the volume of exportation of the exporting country.

Paragraph 1 The selection set forth in item II of the **introductory paragraph** shall include producers or exporters that, listed in a descending order of volume, were responsible for the larger volumes of export to Brazil.

Paragraph 2 In case of item II of the **introductory paragraph**, the producers or exporters requesting their exclusion of the selection after they had confirmed their attendance, or they do not answer to the application could have the margin of dumping assessed according to the best available information."

Besides already provided in ADA's Article 6.10, the Brazilian Regulation also determines that SDCOM could include at its sole discretion other producer or exporter in the selection.[86]

The discretion for the selection usually adopted by SDCOM consists in that related to the higher investigable reasonably percentage of the volume of exports of said country. Such selection shall include producers or exporters that, listed in a descending order of volume, were responsible for the larger volumes of export to Brazil.[87]

Using or not the selection, and, if it is used, the number of selected producers/exporters vary case-by-case, since it depends on the factors as number of investigated origins, number of producers in each origin and the delivery of the volume of export among the producers of each country. In addition, it should be considered if there is high volume of work restrictions of personal in the Department in the moment of selection.

In fact, if the investigation analyzes an origin where there is only a producer, there will not be selection, if the producer appropriately answer its application, it shall have its margin calculated according to its answers. Otherwise, if the investigation analyzes several origins and there are several producers/exporters considering individual or jointly the origins, a selection of these is indispensable to enable the investigation.

The scenarios abovementioned deal with of borderline cases, and which appears in SDCOM's daily routine are singular cases located between these extremes, in order

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86 Paragraph 3 of item II of art. 28 of Decree No. 8,058 of 2013.
87 Paragraph 1 of item II of art. 28 of Decree No. 8,058, of 2013.

that the fact to have a selection or not is something to be analyzed in each situation. In any case, we made a cost-benefit analysis, comparing the embedded costs when one more producer/exporter is selected, and the gain of representativity of this producer/exporter.

On the number of selected producers/exporters, this analysis will depend on, among other factors, how the percentage of the exported volume is distributed among the exporters of the same origin. For instance, if two producers having exported the highest volume of the subject product were responsible for more than 95% of the exports to Brazil, the selection only two exporters could be sufficient to the analysis. However, if any, in the top of the list, several exporters with closer volumes, it will be required the selection of a higher number of exporters to achieve the highest investigable reasonably percentage of the volume of exports of said country.

An important topic to be emphasized is that the application of the producer/exporter sent by SDCOM is oriented to producers that had their exported products, and not to **trading companies** or simply exporting companies. In this sense, the Brazilian Regulation establishes88 that the government of the exporting country could express itself on the selection with the purpose to clarify if the selected companies are exporters, **trading companies** or producers of the subject product.89

It is worth emphasizing that the fact to have a selection does not preclude producers/exporters to voluntarily send their answers to the applications. That is, if authorities had selected and limited its examination, notwithstanding, they shall determine the individual margin of dumping for each exporter or producer that have not initially been included in the selection, but it comes to present the timely required information and that it has been considered during the process of investigation.90

However, it is making an exception, for situations where this analysis of individual cases results in an unreasonable burden to the authorities and precluding the conclusion of the investigation within the established terms.91 These applications are in the MDIC's website, and they could be accessed through the electronic address available in the notices that are sent to each exporter when the investigation begins.

If there is a selection, the anti-dumping right is collected from the producers/exporters that SDCOM identifies but those that were not included in the selection will be limited by the weighted average of the margins of dumping calculated to producers selected.92 However, the margins of dumping zero and **de minimis93** are excluded of this average.

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88 Paragraph 5 of item II of art. 28 of Decree No. 8,058 of 2013.

89 Within ten days from the awareness date of notice on the beginning of the investigation according to Paragraph 5 of art. 28 of Decree No. 8,058, of 2013.

90 Paragraph 6 of art. 28 of Decree No. 8,058, of 2013.

91 Paragraph 7 of art. 28 of Decree No. 8,058, of 2013.

92 Paragraph 1 of art. 80 of Decree No. 8,058, of 2013.

93 Paragraph 3 of art. 80 of Decree No. 8,058, of 2013.

Note 5.1: Example of selection.

Supposes that the volume exported to Brazil in the period of investigation is distributed as follows:

Table 5.15: Volume Exported to Brazil

Producer	Volume (t)
Company 1	20.0
Company 2	18.0
Company 3	17.0
Company 4	16.0
Company 5	13.0
Company 6	11.0
Company 7	10.0
Company 8	9.0
Company 9	4.0
Company 10	4.0
Company 11	3.0

Thus, the total volume exported by 11 different companies was 125 tons. Due to the great number of exporters, the Department could appeal to the selection to calculate the margin of dumping of the investigated companies. As explained above, usually Brazil uses a method of selection and by other investigative authorities in the world is on the largest exported volume.

Thus, the exporters available in a decreasing order regarding its volume exported to Brazil, and they are selected in this order. The selection of companies is made through an analysis of marginal benefit-cost in relation to each producer/exporter. That is, which would be the costs embedded in to select one more producer/exporter, and the gain in representativity arising from this increase?

Table 5.16: Analysis of the Volume Exported to Brazil			
Producer	Volume (t)	Volume (%)	Accumulated volume (%)
Company 1	20.0	16.0%	16.0%
Company 2	18.0	14.4%	30.4%
Company 3	17.0	13.6%	44.0%
Company 4	16.0	12.8%	56.8%
Company 5	13.0	10.4%	67.2%
Company 6	11.0	8.8%	76.0%
Company 7	10.0	8.0%	84.0%
Company 8	9.0	7.2%	91.2%
Company 9	4.0	3.2%	94.4%
Company 10	4.0	3.2%	97.6%
Company 11	3.0	2.4%	100.0%

Bearing in mind the factors mentioned above, in this example, we considered that the selection of the first five companies representing 67.2% of the volume exported to Brazil would be appropriate.

Thus, these 5 companies would have their margins of dumping individually calculated according to these data provided in their answers to the application of the producer/producer. However, it is emphasized that if there is no answer by any of these selected producers/exporters or it is not possible to use the submitted answer, the margin of dumping could be calculated according to the available factors.

Supposes the margin of dumping individually calculated to the selected companies, as shown in the following table:

Table 5.17: Margins of Dumping of the Selected Companies

Company	Volume (t)	Absolute margin of dumping (US$/t)	Relative margin of dumping
Company 1	20.0	10.00	33.0%
Company 2	18.0	0.50	1.5%
Company 3	17.0	8.00	16.0%
Company 4	16.0	0.00	0.0%
Company 5	13.0	15.00	40.0%

To calculate of the anti-dumping right of the non-selected companies, it shall be made a weighted average of the margins of dumping of the selected companies by the exported quantity for each company, excluding those that resulted on

margins of dumping de minimis or null.94 By this reason, only the margins of companies 1, 3, and 5 would be used.

Anti-Dumping Right of the non-selected companies

= Weighted Average of MD companies 1, 3, and 5

Anti-Dumping Right of the non-selected companies

= (20 x 1017 x 8 + 13 x 15) ÷ (20 + 17 + 13)

Anti-Dumping Right of the non-selected companies

= (200 + 136 + 195) ÷ 50

Anti-Dumping Right of the non-selected companies = 531 ÷ 50

= US$10.62/t

Thus, the maximum anti-dumping right that could be collected of the non-selected companies would be US$10.62/t.

Considering that the anti-dumping right is limited by the margin of dumping calculated to the selected producers/exporters, the table below summarizes which would be the maximum anti-dumping right that could be collected in the imports of products of each producer.

Table 5.18: Maximum Anti-Dumping Right

Producer	Anti-Dumping Right (US$/t)
Company 1	10.00
Company 2	0.00
Company 3	8.00
Company 4	0.00
Company 5	15.00
Company 6	13.42
Company 7	13.42
Company 8	13.42
Company 9	13.42
Company 10	13.42
Company 11	13.42

5.4 De minimis margin of dumping

When the margin of dumping of a producer/exporter conveys as a percentage of its export price is lower than 2.0%, this will be considered **de minimis**.95 To the

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94 Paragraph 3 of art. 80 of Decree No. 8,058 of 2013.
95 Paragraph 1 of art. 31 of Decree No. 8,058 of 2013.

producers/exporters presenting a **de minimis** margin of dumping, we shall close the investigation, without to apply the right.96

Besides to close the investigation to this producer/exporter, its exported volume shall be excluded of the analysis of the import that are causing injuries.

5.5 Ad valorem adjust rate

The anti-dumping right shall be applied in the way of **ad valorem** or specific rates, fixed or variable, or combination of both.97 The usually way adopted in Brazil is the specific rate, but it could have cases where the **ad valorem** rate is most appropriate.

Note 5.2: Types of rates

The specific rate is expressed by a determined amount, in view of the unit of quantification of the imported product. Thus, the right shall correspond to a determined amount of the monetary unit for each meter, kilogram, or other unit of measure of the product. For instance, US$2.00 per kilogram, US$10.00 per square meter etc.

The **ad valorem** rate is express as a percentage on the amount of the imported good. For instance, 15.0% of the CIF value of the imported product.

Also, there is the possibility to use the anti-dumping right with a mixed rate between specific and **ad valorem**. For example: US$15.00 per ton + 15.0% of the CIF value.

However, this **ad valorem** rate will be applied on the customs value of the merchandise, based on **Cost, Insurance, and Freight** – CIF.98 [97] For this reason, while the amounts of the absolute margin of dumping and the maximum specific anti-dumping right are equal, the maximum **ad valorem** anti-dumping right is slightly lower than the relative margin of dumping, since usually the **ad valorem** right represents a percentage of the CIF price, while the relative margin of dumping of the **ex-factory** export price.

Considering a situation with the following export prices, normal value, and international freight and insurance:

Table 5.19: Data to Ad valorem adjust

Export price	US$ 20.00/t
CIF Price	US$ 26.00/t
Normal Value	US$ 28.00/t

In the case above, the absolute and relative margins of dumping would be as follows:

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96 Item II of art. 74 of Decree No. 8,058.
97 Paragraph 4 of art. 78 of Decree No. 8,058 of 2013.
98 Paragraph 5 of art. 78 of Decree No. 8,058 of 2013.

Absolute Margin of Dumping = Normal Value – Export Price

Absolute Margin of Dumping = 28 – 20

Absolute Margin of Dumping = US$8.00/t

Relative Margin of Dumping = 8 ÷ 20 = 40.0%

Thus, the maximum value that the specific anti-dumping right can assume is the same of the absolute margin of dumping, that is, US$8.00/t.

Besides, the margin of dumping limits the **ad valorem** anti-dumping right. However, as it is collected in a CIF basis, an adjust shall be made to its correct representation.

Ad valorem *right = Absolute Margin of Dumping ÷ CIF Price99*

Ad valorem *right = US$8.00 ÷ US$26.00 = 0.30 = 30%*

It could be noticed as the **ad valorem** right represents a percentage of the CIF price, which is higher than the **ex-factory** export price, its percentage is lower than that of the relative margin of dumping.

5.6 Margin of dumping for economic groups

An innovation that the Brazilian law brings regarding that is provided in ADA is the forecast of that, for the purposes of determination of individual margin of dumping and the use of the anti-dumping rights, distinct legal entitles could be treated as one single producer or exporter when shown that the structural and commercial relationship of the entities between themselves, or with a third entity, is sufficient closer.100

Note 5.2: Example of weighting of the margin of dumping for an economic group

Using the example explained in the Note 5.1, and if the Companies 1 and 3 were considered as the only producer, the margin of dumping for these companies could be determined according to the weighted average of the two margins of dumping calculated to each one of them. The calculation would be made as follows:

Table 5.20: Margin of Dumping of Economic Group

Company	Absolute margin of dumping (US$/t)	Volume exported to Brazil (t)
Company 1	10.00	0.0
Company 3	8.00	7.0

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99 It is emphasized that the CIF price used in the adjustment is calculated using the data of the producer/exporter submitted in its answer to the application.
100 Paragraph 9 of art. 28 of Decree No. 8,058 of 2013.

> *Margin of Dumping of the Group = Weighted Average of MD Companies 1 and 3*
>
> *Margin of Dumping of the Group = (10 x 20 + 8 x 17) ÷ (20 + 17)*
>
> *Margin of Dumping of the Group =(200 + 136) ÷ 37*
>
> *Margin of Dumping of the Group = 336 ÷ 37 = 9.08*
>
> Thus, both the Company 1 and the Company 3 would have a single margin of dumping of US$9.08/t.

5.7 Exchange rate

In cases where sales in the domestic market and exports of a producer are made in different currencies, the Department shall make currency translation, to make available the comparison between the normal value and the export price in the same monetary basis. In this sense, the second sentence of Article 2.4.1 provides the guidance on the currency translation in case where the exchange rate suffers fluctuation:

> **"2.4.1When the comparison under paragraph 4 requires a conversion of currencies, such conversion should be made using the rate of exchange on the date of sale, provided that when a sale of foreign currency on forward markets is directly linked to the export sale involved, the rate of exchange in the forward sale shall be used. Fluctuations in exchange rates shall be ignored and in an investigation the authorities shall allow exporters at least 60 days to have adjusted their export prices to reflect sustained movements in exchange rates during the period of investigation."**

That is, this rule defines that: (1) "fluctuations" in the exchange rate shall be disregarded; and (2) exporters shall have at least 60 days to adjust their export prices to answer the "sustained movements" in the exchange rate.

Despite the multilateral law does not specify the terms "fluctuation" and "sustained movement", the Brazilian law presented the most accurate definition in this sense:101

> "Art. 23. In the event of comparison of prices provided in the introductory paragraph of art. 22 requires the currency translation, it will be used the official exchange rate, published by the Central Bank of Brazil, in force in the date of sale.
>
> Paragraph 1 When occurs the sale of foreign currency in futures markets, directly connected to the export under investigation, it will be used the exchange rate adopted in the future sale.

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101 Art. 23 of Decree No. 8,058 of 2013.

Paragraph 2 If the official exchange rate in force in the date of the sale is out of a range of fluctuation of more or less two percent in relation to the average of the daily official exchange rates of the sixty days before - reference exchange rate, it shall be used the average of the daily official exchange rate of the sixty days before.

Paragraph 3 If the weekly average of the daily official exchange rate is higher or lower than the weekly average of the reference exchange rates in five percent or most during eight consecutive weeks, it will be considered that there is a sustained movement of the exchange rate.

Paragraph 4 After the movement mentioned in paragraph 3 is characterized, the reference exchange rate of the last day before to characterize the sustained movement shall be used for a period of sixty days.

Preferably, the date of the sale will be the date of the contract, purchase order or acceptance of the order or issuance of the invoice, using, among these documents, that is establishing the conditions of the transaction."

That is, the source of the exchange rate used by the Department is the Central Bank of Brazil. In addition, the variation that shall be disregarded is that that occurs in cases where the exchange rate of the day is 2.0% higher or lower to the reference exchange rate. This reference exchange rate is defined as the average of the daily official exchange rates of the sixty days before. And the case of the exchange rate to be disregarded, the authority uses the reference rate in its place.

Regarding the sustained movement, its assessment is made through the comparison between the weekly average of the daily official exchange rate and the weekly average of the reference exchange rate. In the situation where the first is, by eight consecutive weeks, 5.0% higher or lower than the second, it is considered that there is a sustained movement on the exchange rate. It is emphasized that how is requires eight consecutive weeks to the setting of the sustained movement, this only could occur as of the nine-week analyzed.

For instance, supposes an investigation where the sales to the domestic market of the producer/exporter, performed from October 2011 to September 2012, were expressed in Mexican peso and its exports, performed in the same period, were negotiated in US dollars. The exchange rate of the day, reference and used are shown in the chart below:

Comparison among the exchange
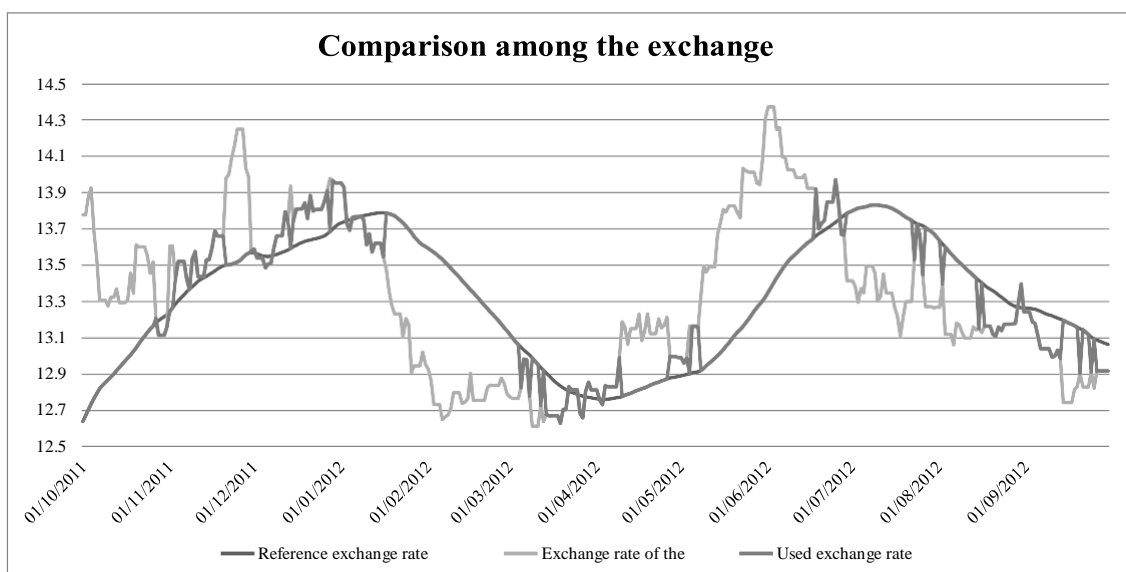
In relation to the exchange rate of the day and the used exchange rate, it could notice that the most part of the days, these two rates are different. Thus, there was a variation and it was used the reference exchange rate in the place of the exchange rate of the day. This situation is better visualized in the chart below:

Comparison between the exchange rate of the day and the used exchange rate
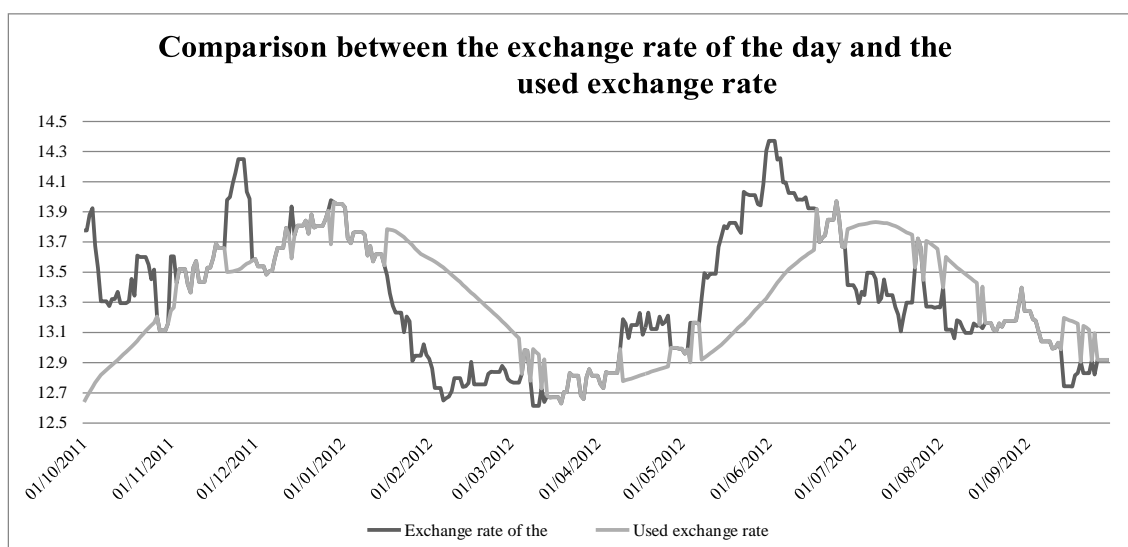
In order to illustrate, it was made a comparison between the margin of dumping achieved when, in its calculation, only the daily exchange rates were used with the earned margin proceeding to the adjustments in the exchange rate as provided in the Brazilian Regulation. Thus, it is determined that despite the large quantity of days where the absolute fluctuation was higher than 2.0%, without the adjust, the margin of dumping corresponded to 42.1% while the calculation considering the provision in the art. 23 of the Brazilian law achieved 40.3% (that is, the difference of 1.75 p.p. between the two methods). It is emphasized that it was not constituted a sustained movement in this situation and the difference found is exclusively arising from the fact that the use of the reference rate rather than the daily rate in days where these shown differences higher than 2.0%.

To explain a situation where the sustained movement described in the paragraph 3 of art. 23 is shown, it could be evaluated the data of the exchange rate of the Hungarian forint (the Hungary's currency) in relation to the US dollar in the year of 2009, soon after the financial crises that impacted in an expressive way in this currency, contributing to its abrupt devaluation before the US currency.

In this case, the exchange rates of the Hungarian forint regarding the US dollar are shown as follows:
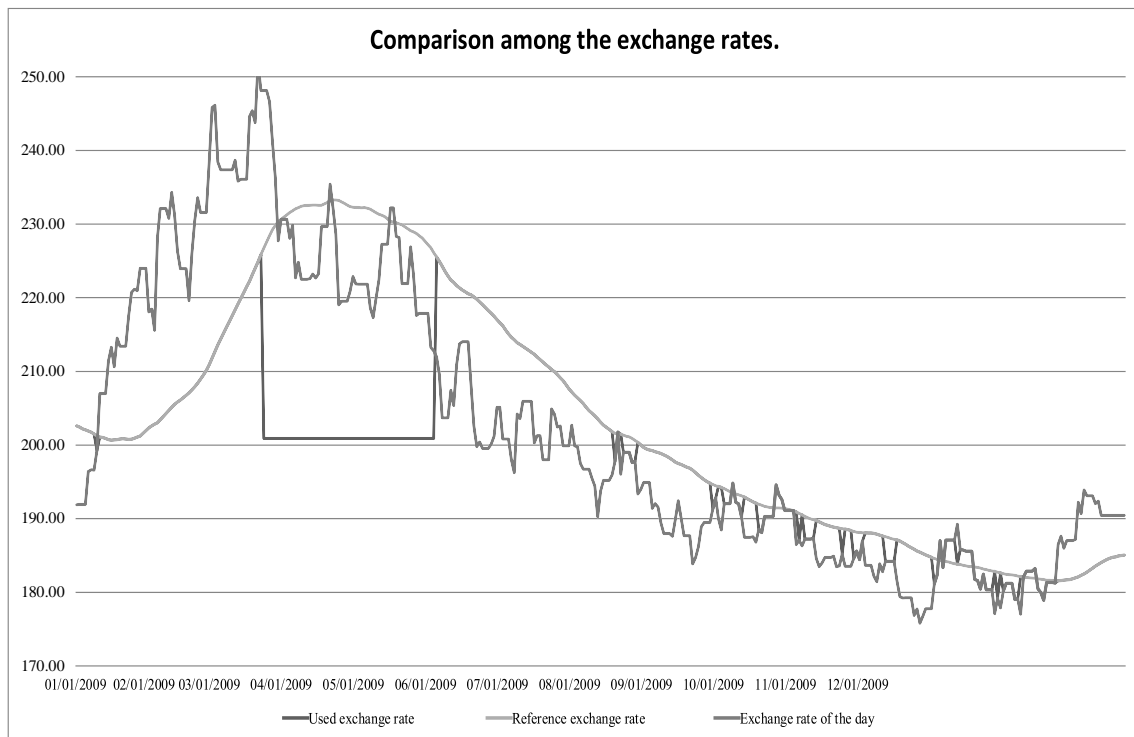
The daily exchange rate and the used exchange rate would present a higher difference than that appointed in the previous case referring to the Mexican peso.

Comparison between the exchange rate of the day and the used exchange rate

Used exchange rate — Exchange rate of the day
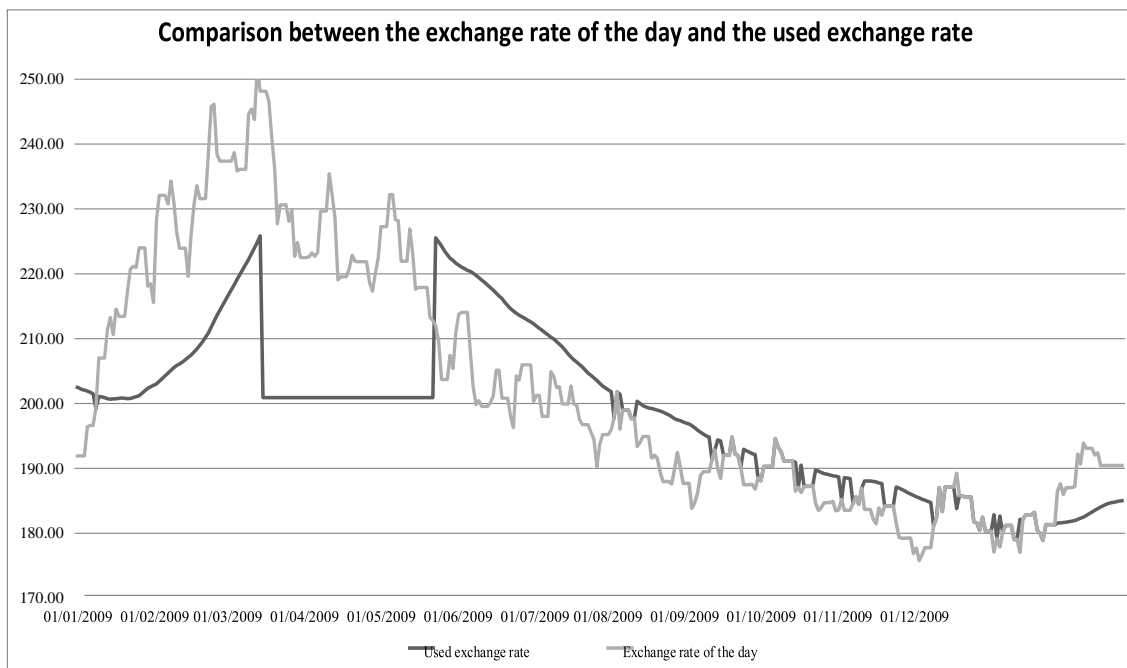
Thus, it is concluded in general that the consideration of the variation in the exchange rate does not generate substantial changes in the assessment of the margin of dumping. However, due to have a legal forecast in the Multilateral and Brazilian laws, the said variation shall be taking into consideration in the calculations made by SDCOM. With regards to the sustained movement, its narrow definition makes that this is only occurs in extreme situations, such as the case of the intense exchange effects suffered by Hungary due to the financial crises of 2008. Despite the rare, the occurrence of "sustained movements" shall also be tested in all the cases, to ensure that the exporters have 60 days at least to adjust their export prices as answer of such behavior in the exchange rate, as provided in the Brazilian Regulation.

CONCLUSION

The purpose of this Brochure was to clarify the practices of the Brazilian investigative authority of commercial defense — SDCOM, in relation to the core of an anti-dumping investigation: the calculation of the margin of dumping.

It is emphasized, however, that the examples shown in the course of this work refers to a hypothetical investigation "excellent", where the producers/exporters answered sufficiently good the requirements of data of SDCOM, and in concrete cases, where frequently neither all required information is available to the Department, decisions based in distinct methodologies those evidenced herein could be taken, in order to its peculiarities are correctly approached.

Besides, we emphasize that this Brochure is a landscape prepared by its authors of the practices that SDCOM currently adopts. These where constructed and developed during these 20 years of existence and, considering the perennial wish of improvement by the investigative authority of Brazil, they are in constant evolution.

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EXHIBIT I: COSTS

The cost of production is an essential information to calculate the margin of dumping of a producer/exporter company. This information could be required in up to three moments of this calculation: in the test of sales below the cost, to assist in the classification of sales as the ordinary course of trades and in the consequent determination of the method to be used in the assessment of the normal value made to the sales in the domestic market; in the calculation of the cost of maintenance of inventories; and in the eventual construction of the normal value. Despite the used value is marginally different in each one of these situations, its source remains constant: the data submitted in the answer to the application of the producer/exporter.

It is called the total cost of production the sum of the cost of manufacturing with general and administrative expenses, the financial expenses, and other expenses. It is emphasized that SDCOM requests that a producer/exporter company informs the costs of the product of own manufacturing and thus irrelevant any cost of resold cost of product.

The cost of manufacturing is constituted by the costs of: raw material, utilities (as power, gas, water), labor (direct and indirect) and fixed costs (including depreciation and other expenses of the plant). The direct and indirect costs are different due to refer to a specific product. In contradiction, the indirect costs are attributed to the plan. For this reason, for the purposes of anti-dumping investigation, the indirect costs shall be allocated to the investigated product through an assessment.

The general, administrative, financial expenses and other expenses are usually represented by specific items in the financial statements of the companies. Thus, these tend to be an amount easily identifiable in the financial statement of the producer/exporter as it refers to the company as a whole, and it shall be allocated to the product also through an assessment.

I) General considerations on the cost

I.I) Actual cost

The costs shall be actual and effectively incurred, not estimated costs neither hypothetical costs. In general, this means that the cost shall be that represented by that was paid and recorded in the accounting system of the producer/exporter.

I.II) Specific cost to the product

The Department requires the data of cost submitted are specific to the investigated product. Information of general cost to all line of product is not accepted. Possibly, the company will not have, in its control system, information of cost specific to each product, but, in any way, these shall be allocated in a way to reflect the costs of the specific products, when the company is answering to the application of the producer/exporter. It is emphasized that information of cost shall be reported for each CODIP of the analyzed product.

In addition, it shall be reported the costs related to the product as a whole, without segmentation of costs of products destined to the domestic market and

exportation.

I.III) Standard Cost

Many companies use the standard cost as the system of expenditure. The Department accepts the cost of production based on this system since the company adjusts its standard cost to reflect the cost of actual production.

In this system, the company usually will have the standard cost for each product, based on a combination of (1) estimated cost and (2) actual cost. The company calculates the variation between the standard cost and the actual cost. One way to consider these variations is through centers of cost of the company.[102] Regardless how the costs are calculated, the variations are applied to the standard cost of the specific product to obtain the actual cost of production.

I.IV) Other systems of expenditure

To any other system of expenditure, the company also needs to develop a way to allocate the general costs to the specific products. There are no rules to the allocation of costs, since the allocation complies with two criteria: (1) all costs shall be prorated; and (e) the prorate does not distort the costs related to production.

I.V) Period of time

The Department requires that the companies submit their information of cost to the period of investigation in a monthly basis and consolidated to the period. That is, in the investigation that includes the Fictitious Company, the period of investigation is from April 2014 to March 2015. Thus, the company had to provide the monthly costs for all months from April to December 2014, and January to March of 2015 where there was the manufacturing of the product.

I.VI) Multiple units of production

When the exporter manufactures the product in more than one plant, the Department requests the cost of each productivity unit, as well as an additional sheet having the average total cost of the several productivity units.

I.VII) Settlement with the audited financial statements

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102 Centers of cost are accounting conventions to determine the best way to organize the date of cost of a company. These vary from company to company. It could be that an entire plant is represented by a cost center or there is a specific cost center to the investigated product.

Despite the information of cost of production is closer to the management accounting than the financial accounting, the latter is usually an object of a detailed analysis by the auditors, thus, it is important to prove that the same transactions were considered in both systems.

Thus, it is necessary to bear in mind, in the moment of the filling of the application that, during the verification **in loco**, the accounting records and other sources used in the elaboration of the answer to the cost of production shall be at disposal, with the purpose to make the settlement of the accounting system of cost of the company with its system of financial accounting.

I.XIX) Weighted average cost

With the information submitted by the producer/exporter, the Department calculates the weighted average cost to each CODIP for each month of the period and the full period. The monthly weighted average cost will be used in the first step of the test of sales below the cost (comparison between the net price and the monthly weighted average cost)103, and the weighted average cost will be used in the second step of said test (comparison between the net price and the weighted average cost of the investigated period).104 The calculation of the cos of maintenance of inventories, in turn, could make use of the monthly weighted average cost or the period of investigation.

II) Submission of data of cost of production

II.I) Introduction

In the application of the producer/exporter, SDCOM requests to the company to fill its data of cost of production to the product. It is emphasized that the cost of production shall refer to the analyzed product regardless of destination (domestic market, export to third countries or export to Brazil), during the investigated period.

For each month of the period of investigation where the product was manufactured, considering the classification per CODIP, the exporter shall fill the following data: quantity manufactured, variable costs (including raw materials, utilities, and other variable costs) labor (divided in direct and indirect) and fixed costs (including, among others, the depreciation).

SDCOM provides a spreadsheet model as follows.105

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103 Paragraph 1 of art. 14 of Decree No. 8,058 of 2013.
104 Paragraph 2 of item III of art. 14 of Decree No. 8,058 of 2013.
105 It is emphasizing that deals with only a model and the sheet that follows the application of the producer/exporter takes into consideration the peculiarities of each case.

Table I.I: Exhibit - Costs of Production

Product Identification Code (CODIP)	Month	Quantity Manufactured (unit of merchandising)	A - Variable Costs (A.1 + A.2 + A.3 + A.4) [1]	A.1 - Raw materials / main inputs 2	Per unit consumption: raw materials / main inputs 3	A.2 - Other raw materials and inputs

A.3 - Utilities2	Per unit consumption: utilities3	A.4 - Other variable costs2	B - Labor (B.1 + B.2)1	B.1 - Direct labor	Per unit consumption: direct labor4	B.2 - Indirect labor	C - Fixed Costs (C.1 + C.2) [1]

C.1 - Depreciation	C.2 - Other fixed costs2	D - Manufacturing Cost (A + B + C) [1]	E – General and administrative expenses	F – Financial expenses (revenues)	G – Other expenses (incomes) [2]	H – Total Cost (D + E + F + G)1

Legend

1: Local currency

2: Discriminate

3: Inform Unit

4: In work hours

In relation to the quantity, this shall be in traded units (units, kilograms, square meter, etc.) However, depending on the investigated product and the need of the Department, also could be requested, the quantity in unit of weight (kilogram or ton).

It is emphasized that the columns of per unit consumptions shall appoint which is the unit for each item. To labor, it is pre-established that this shall be in work hours.

The reported monetary amounts shall be in the local currency of the producer/exporter.

The items of variable costs and fixed costs shall be discriminated in a way that the completed spreadsheet will present more columns than that shown as model.

Thus, as shown below, as an example, the filling of the spreadsheet of cost to the production of wooden table by the Fictitious Company. The producer/exporter shall use the model of spreadsheet provided by SDCOM to make the structure of cost, making the adaptations that consider necessary in the specific case of its industry.

Table I.II: cost of production

Product Identification Code (CODIP)	Month	Quantity Manufactured (units)	Quantity Manufactured (kg)	A - Variable Costs (A.1.1 + A.2 + A.3 + A.4) [in US$]	A.1.1 - Raw material 1: solid wood	Per unit consumption: raw material 1: solid wood (kg)	A.1.2 - Raw material 2: compact wood	Per unit consumption: raw material 2: compact wood (kg)
A	1	10.0	300.0	381.16	335.66	22.5	22.00	7.5
A	6	15.0	450.0	570.63	502.38	34.1	33.45	7.3
B	1	7.0	210.0	314.76	278.11	15.8	19.85	7.5
B	8	12.0	360.0	421.39	356.59	26.7	33.80	7.8

A.2 - Other raw materials and inputs	A.3 - Utility 1: Power	Per unit consumption: unit 1 (power) (Kwh)	A.4.1 – Other variable cost: screws	A.4.2 – Other non-relevant variable costs	B - Labor (B.1 + B.2) [in US$]	B.1 - Direct labor	Per unit consumption: direct labor (in work hours)	B.2 - Indirect labor
4.50	15.00	50.0	3.00	1.00	50.00	32.00	2.0	18.00
10.80	18.00	40.0	4.00	2.00	75.00	48.00	2.0	27.00
5.40	8.40	40.0	2.00	1.00	58.80	33.60	3.0	25.20
7.20	19.80	55.0	3.00	1.00	100.80	57.60	3.0	43.20

Per unit consumption: indirect labor (in work hours)	C – Fixed Costs (C.1 + C.2) [in US$]	C.1 - Depreciation	C.2 - Other fixed cost 1: rent of the plant	C.2 - Other non-relevant fixed costs	D – Manufacturing Cost (A + B + C) [in US$]	E – General and administrative expenses	F – Financial expenses (revenues)	G – Other expenses (revenues)	H – Total Cost (D + E + F + G) [in US$]
1.0	53.50	9.00	40.00	4.50	484.66	124.75	99.80	62.38	785.93
1.0	80.25	13.50	60.00	6.75	725.88	183.38	146.70	91.69	1155.26
2.0	37.45	6.30	28.00	3.15	411.01	105.73	84.58	52.86	666.07
2.0	64.20	10.80	48.00	5.40	586.39	150.45	120.36	75.23	947.84

II.II) CODIP

With regards to the column CODIP, the producer/exporter shall inform which is the type of product that data of cost of that line will refer. As Fictitious Company presents two types of products (A and B), at least two lines should be completed. However, how shall have the filling of this line per month where there was production, the number of lines to be completed shall be the quantity of months where there was production of CODIP A (2) plus to the quantity of months where there was the production of CODIP B (2). For this reason, the spreadsheet presents 4 lines completed with data of cost of production.

II.III) Month

In the column entitled "month", the company shall answer to which month the data of cost of production completed in that line refer.

II.IV) Quantity Manufactured)

In this column, it shall inform the quantity that was manufactured of that CODIP and in the said month.

II.V) A - Variable Costs (A.1.1 + A.2 + A.3 + A.4)

This column shall be completed with the sum of the values of reported variable costs. In this case, these variable costs shall be as follows: raw material, other raw materials, and inputs, utilities and other variable costs (screws and non-relevant).

It is emphasized that, for each raw material/input, utility, other reported variable cost, as well as to direct and indirect labor, the exporter shall add a column in the spreadsheet having the effective per unit consumption referring to that raw material/principal input and the unit where this information is provided. For this purpose, the unit consumption shall be understood as the quantity of determined raw material/principal input necessary to the manufacturing of a unit of the product.

II.VI) Raw material

In relation to the raw material cost, the exporter shall discriminate the cost for each raw material used in the manufacturing of the product, and not only to report a general amount referring to the raw material in an only item. Thus, the main raw materials shall be discriminated through the insertion of new columns in the spreadsheet. Thus, the total cost incurred with each one of the main raw materials and inputs used in the manufacturing of the product shall be informed. It is emphasized that the cost of raw material shall include the expenses of transport, tariffs of import and other expenses usually associated to the acquisition of the product, as the accounting principles generally accepted of the country of the producer/exporter.

In the item "Other raw materials and inputs", it shall be informed the total cost incurred with other raw materials and inputs, less relevant, used in the manufacturing of the product.

It is emphasized that in the case where the productive process of the product presents some by-product that is resold or if there is the formation of scrap to the end of the production, which is subsequently resold, this income of sale of scrap or by-product shall be informed in the raw material cost with a negative sign, that is, decreasing the cost of production.

In the presented practical case (Fictitious Company), the only relevant raw material used in the manufacturing of the tables is the solid wood, besides other less relevant reported in "other raw materials and inputs".

II.VII) Utilities

With regards to the "Utilities", the Department requests that the total cost with utilities incurred in the manufacturing of the product is informed. It shall be informed the costs incurred with utilities as water, electric power, or any other power source (e.g. thermal, steam or gas), among others. Each item shall be discriminated through the insertion of a new column in the spreadsheet.

In the practical case, the company only uses electric power as utility in its productive process.

II.VIII) Other variable costs

In the field "other variable costs", it shall be informed the other variables costs incurred in the manufacturing of the product. In this field, it shall be discriminated the other variable costs considered relevant regarding the manufacturing cost. Each item shall be discriminated through the insertion of a new column in the spreadsheet. The final column could have the sum of the non-relevant variable costs, that is, the variable costs that did not are individually discriminated, in order that it will not be necessary to specify these costs.

In the practical case, the company presented, as other variable costs, only the cost with screws and other non-relevant variable costs.

II.IX) B - Labor (B.1 + B.2)

With regards to the direct labor, SDCOM requests that the total cost incurred with all employees directly involved in the manufacturing of the product shall be informed. Now to the indirect labor, the total cost incurred with all employees indirect involved in the manufacturing of the product shall be informed. In both cases, the amounts incurred with salaries, bonuses, overtime, vacations, insurance, sick pay and other benefits shall be included in this item.

II.X) C - Fixed Costs (C.1 + C.2)

Regarding the fixed costs, the producer/exporter shall report its cost with depreciation and discriminate the other fixed costs. For depreciation, the total cost incurred allocated to the product shall be informed. To the other fixed costs, the other fixed costs considered relevant regarding the manufacturing cost shall be discriminated. Each cost shall be discriminated through the insertion of a new column in the spreadsheet. The final column could have the sum of the non-relevant fixed costs, that is, the fixed costs that did not are individually discriminated, in order that it will not be necessary to specify these amounts. To all the fixed costs, the exporter shall explain the methodology of calculation used in its allocation, and nis necessary to settle the amounts reported with the respective financial statements.

In the practical case, the company presented, as other fixed costs, only the cost with the rent of the plant and other non-relevant fixed costs.

II.X.I) Allocation of fixed costs

Usually, the companies have an internal system of allocation of fixed costs to the different lines of products, in view of item as number of worked hours, quantity produced, number of hour-machine, area of the plant, and others. The company could use this system to allocate the fixed cost to the product, but the methodology of calculation shall be proved.

II.X.II) Depreciation

From an accounting point of view, the invested amount in a productive asset is gradually "paid" in the course of time through depreciation. This means that when an equipment is purchased, its cost of acquisition is not absorbed in a single amount, since the benefits arising from its use are distributed in the course of a certain period of time. Thus, this expenditure is transformed in cost in the course of time where this equipment is used. The period of depreciation corresponds, as a rule, to the equipment's useful life.

The annual values of depreciation could be calculated in several ways. For instance, the depreciation could be straight-line (in this case, the amounts of depreciation will be equal), or accelerated in the beginning of its useful life (thus, larger values of depreciation occur in the beginning of its useful life). Bear in mind the answer of the application of the producer/exporter, preferably, the depreciation for the accounting purposes shall be reported. However, if there is the risk of distortions, the tax depreciation could also be considering by the Department.

II.XI) D - Manufacturing Cost (A + B + C)

To the sum of the items explained above it is settled to call as Manufacturing Cost. However, to obtain the Total Cost, the company shall also report the values referring to the General and Administrative Expenses, Financial Expenses or

(Revenues), and Other Expenses (Revenues). These expenses, however, shall be reported in a way different to the manufacturing cost.

II.XII) E — General and administrative Expenses, F – Financial expenses (revenues), and G – Other expenses (revenues)

"General and administrative expenses" include a variety of expenses that are not related with the productive process, as rent of the office, salaries of executives, etc. "Financial expenses" include revenues and expenses with interests and commissions related to financial transactions, and "Other expenses" include expenses of equity method, expenses of adjustment of market value, among others. Due to its generality, these expenses are not recorded by product, but to the entire company and, therefore, they shall be allocated to the product through a pro rata distribution.

In the application of the producer/exporter, the Department requests that the ratio between these expenses and CPV shall be calculated, as discriminated in the financial statement of the company, and this ratio shall be applied on the Manufacturing Cost informed above. Also, it is requested to each one of these expenses, it is presented the calculation memory of the ratio abovementioned, which shall have the names and total values of each accounting account classified by the company as general and administrative expense, financial expense, and other expenses.

Thus, as from the Income Statement of the company, the calculation of the General and Administrative Expenses, Financial (Revenues) Expenses, and Other Expenses (Revenues) to the practical case, it was made as follows:

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Thus, as from the Income Statement of the company, the calculation of the General and Administrative Expenses, Financial (Revenues) Expenses, and Other

Expenses (Revenues) to the practical case, it was made as follows:

Table I.III: Financial Statement of the Year (in US$)

1 - Gross operational income	**100,000.00**
2 - Deductions of the gross revenue	**5,000.00**
3 - Net operating income (1-2)	**95,000.00**
4 - Costs of Sold Products	40,000.00
5 - Gross income (3-4)	**55,000.00**
6-Operating expenses/incomes	**30,000.00**
6.1-General and administrative expenses	10,000.00
6.2-Expenses with sales	7,000.00
6.3-Financial expenses (revenues)	8,000.00
6.4-Other operating expenses (incomes)	5,000.00
7.Operating income (5-6)	**25,000.00**

Calculation of the percentage of each expense related to the CPV of the company:

$$\frac{\text{General and Administrative Costs}}{\text{Cost of the Product Sold}} = \frac{10,000}{40,000} = 0.25 = 25\%$$

$$\frac{\text{Financial Costs}}{\text{Cost of the Product Sold}} = \frac{8,000}{40,000} = 0.20 = 20\%$$

$$\frac{\text{Other Costs}}{\text{Cost of the Product Sold}} = \frac{5{,}000}{40{,}000} = 0.13 = 13\%$$

Use of the percentage of each expense in the manufacturing cost:

To CODIP A, Month 1:

General and Administrative Costs CODIP A, Month 1

$\qquad$ *= 25% x Manufacturing Cost CODIP A, Month 1*

General and Administrative Costs CODIP A, Month 1 = 25% x 499

General and Administrative Costs CODIP A, Month 1 = US$124.75

Financial Costs CODIP A, Month 1

$\qquad$ *= 20% x Manufacturing Cost CODIP A, Month 1*

Financial Costs CODIP A, Month 1 = 20% x 499

Financial Costs CODIP A, Month 1 = US$99.80

Other Costs CODIP A, Month 1

$\qquad$ *= 13% x Manufacturing Cost CODIP A, Month 1*

Other Costs CODIP A, Month 1 = 13% x 499

Other Costs CODIP A, Month 1 = US$62.38

To CODIP A, Month 6:

General and Administrative Costs CODIP A, Month 6

$\qquad$ *= 25% x Manufacturing Cost CODIP A, Month 6*

General and Administrative Costs CODIP A, Month 6 = 25% x 733.50

General and Administrative Costs CODIP A, Month 6 = US$183.38

Financial Costs CODIP A, Month 6

$\qquad$ *= 20% x Manufacturing Cost CODIP A, Month 6*

Financial Costs CODIP A, Month 6 = 20% x 733.50

Financial Costs CODIP A, Month 6 = US$146.70

Other Costs CODIP A, Month 6

$\qquad$ *= 13% x Manufacturing Cost CODIP A, Month 6*

Other Costs CODIP A, Month 6 = 13% x 733.50

Other Costs CODIP A, Month 6 = US$91.69

To CODIP B, Month 1:

General and Administrative Costs CODIP B, Month 1

$\qquad$ *= 25% x Manufacturing Cost CODIP B, Month 1*

General and Administrative Costs CODIP B, Month 1 = 25% x 422.90

General and Administrative Costs CODIP B, Month 1 = US$105.73

Financial Costs CODIP B, Month 1

$\qquad$ *= 20% x Manufacturing Cost CODIP B, Month 1*

Financial Costs CODIP B, Month 1 = 20% x 422.90

Financial Costs CODIP B, Month 1 = US$52.86

Other Costs CODIP B, Month 1

$\qquad$ *= 13% x Manufacturing Cost CODIP B, Month 1*

Other Costs CODIP B, Month 1 = 13% x 422.90

Other Costs CODIP B, Month 1 = US$52.86

To CODIP B, Month 8:

General and Administrative Costs CODIP B, Month 8

$\qquad$ *= 25% x Manufacturing Cost CODIP B, Month 8*

General and Administrative Costs CODIP B, Month 8 = 25% x 601.80

General and Administrative Costs CODIP B, Month 8 = US$150.45

Financial Costs CODIP B, Month 8

$$= 20\% \ x \ Manufacturing \ Cost \ CODIP \ B, \ Month \ 8$$

Financial Costs CODIP B, Month 8 = 20% x 601.80

Financial Costs CODIP B, Month 8 = US$120.36

Other Costs CODIP B, Month 8

$$= 13\% \ x \ Manufacturing \ Cost \ CODIP \ B, \ Month \ 8$$

Other Costs CODIP B, Month 8 = 13% x 601.80

Other Costs CODIP B, Month 8 = US$75.23

II.XIV) H - Total Cost (D + E + F + G)

Adding the General and Administrative Expenses, Financial Expenses (or Revenues), and Other Expenses (Revenues) to the Manufacturing Cost, the Total Cost is obtained.

II.XV) Productive Process with attendance of related parties

The producer/exporter shall inform if purchase raw material, inputs, services, or utilities of related parties. If SDCOM verifies that the prices of these raw materials do not reflect the ordinary condition of market, an adjustment of the cost of these inputs could be made.

This finding is made through the comparison of the prices of the inputs purchased of related parties with those prices when purchased from independent suppliers. In the application of the producer/exporter, SDCOM requests that are related all factors received of each part related and used in the production, specifying, for each one of the inputs described, the value and volume of factors purchased of the related parties and the unit price of transference collected in these transactions. The model to be filled is presented below.

Table I.IV: Exhibit - Factors Received from Related Parties

Factors received from related parties	Volume (unit)	Value (unit)	Unit price of Transfer
TOTAL			

It is emphasized that the table shall be filled for each one of the units of production where the company manufactures the product. In addition, if the supplier related party sells the same product or service to other non-related purchasers, it is requested to attach documents that prove the price paid by the non-related parties.

For instance, supposes that the Fictitious Company purchases a solid wood and electric power of related companies. In this case, the producer/exporter shall complete the table providing information of volume and price that were purchased from its related parties in the period of investigation.

Table I.V: Example - Electric Power Purchased of Related Parties

Factors received from related parties	Volume	Value	Unit Price of transfer
Electric Power of the Related Company 2	500 kWh	US$14.50	US$0.0296/ kWh

Table I.VI: Example - Solid Wood Purchased of Related Parties

Factors received from related parties	Volume	Value	Unit Price of transfer
Wood of the Related Company 1	1,400 kg	US$1,300.00	US$1.076/kg

Thus, the monthly prices of acquisition of each one of these raw materials when purchased from related companies and when purchased from independent companies shall be compared with.

Table I.VII: Comparison of Average Prices of Purchased Power of Independent Related and Suppliers

Month	Average of price of the related company (US$/kWh)	Average of price of non-related company (US$/kWh)	Variation
1	0.0295	0.0320	-7.8%
2	0.0271	0.0272	-0.4%
3	0.0280	0.0300	-6.7%
4	0,0300	0.0310	-3.2%
5	0.0310	0.0295	5.1%
6	0.0301	0.0310	-2.9%
7	0.0304	0.0310	-1.9%
8	0.0298	0.0290	2.8%
9	0.0300	0.0294	2.0%
10	0.0297	0.0294	1.0%
11	0.0299	0.0301	-0.7%
12	0.0300	0.0304	-1.3%
POI	**0.0296**	**0.0300**	**-1.2%**

Table I.VIII: Comparison of the Average Prices of Solid Wood Purchased from Related and Independent Suppliers

Month	Average of price of non-related company (US$/kg)	Average of price of non-related company (US$/kg)	Variation
1	1.07	1.17	-8.5%
2	1.05	1.18	-11.0%
3	1.05	1.20	-12.5%
4	1.08	1.17	-7.7%
5	1.07	1.18	-9.3%
6	1.10	1.13	-2.7%
7	1.09	1.18	-7.6%
8	1.02	1.08	-5.6%
9	1.08	1.17	-7.7%
10	1.10	1.19	-7.6%
11	1.11	1.25	-11.2%
12	1.09	1.18	-7.6%
POI	**1.08**	**1.17**	**-8.2%**

Analyzing the monthly comparisons, it is noticed that the average variation of the investigated period was 1%, in the case of electric power, and 8.2% to the acquisition of wood. Thus, supposing that if the Department consider that the wood was purchased in circumstances that do not reflect the market conditions, an adjustment could be made.

Thus, considering the quantities purchased from related and independent suppliers, the unit price of acquisition of wood in months where the adjust will be necessary (months where there are production of wooden tables) are as follows:

Table I.IX: Average Price of Purchase of Solid Wood

Month	Average Price of related company (US$/kg)	Volume purchased of related companies	Average Price of non-related company (US$/kg)	Volume purchased of non-related companies	Difference between average prices
1	1.07	500.0	1.17	500.0	-8.5%
6	1.10	400.0	1.13	300.0	-2.7%
8	1.02	700.0	1.08	200.0	-5.6%

In the months where there was production of wooden tables, the percentage differences between the average price of the related company and the average price of the independent supplier were, respectively, 8.5%, 2.7%, and 5.6%. This value shall be contemplated in the cost of the solid wood item, considering the ratio existing between the solid wood purchased from the related party (for which the adjust is required) and the wood arising from the independent supplier (which prescind of any adjust).

In this way, to estimate the percentage that shall be applied to the item of solid wood, the total difference calculated before shall be applied in the same existing proportion between the volume purchased of the related companies and the total volume purchased of both companies, as shown in the table below.

Table I.X: Calculation of the Adjust in the Wood Cost

Month	Difference between average prices	Volume purchased of related companies	Volume purchased of non-related companies	Difference to be applied in the solid wood cost
1	8.5%	500.0	500.0	4.3%
6	2.7%	400.0	300.0	1.5%
8	5.6%	700.0	200.0	4.3%

Thus, the unit cost of purchase of wood in these months shall be as follows:

Table I.XI: Calculation of the Cost of the Adjusted Solid Wood

Month	Cost of Solid Wood (US$)	Adjust	Cost of Adjusted Solid Wood (US$) (US$)
1	613.77	4.3%	640.00
6	502.38	1.5%	510.00
8	356.59	4.3%	372.00

With this adjust, the monthly cost with raw material and the total monthly cost per CODIP shall be as follows:

Table I.XII: Costs of Adjusted Solid Wood and Production

Product Identification Code (CODIP)	Month	A - Variable Costs (A.1.1 + A.2 + A.3 + A.4) [in US$]	A.1.1 - Raw material 1: solid wood	H – Total Cost (D + E + F + G) [in US$]
A	1	395.50	350.00	785.93
A	6	578.25	510.00	1,155.26
B	1	326.65	290.00	666.07
B	8	436.80	372.00	947.84

We will present below the exhibit of cost changed after the adjustments mentioned above:

Table I.XIII: Adjusted cost of production

Product Identification Code (CODIP)	Month	Quantity Manufactured (units)	Quantity Manufactured (kg)	A - Variable Costs (A.1.1 + A.2 + A.3 + A.4) [in US$]	A.1.1 - Raw material 1: solid wood	Per unit consumption: raw material 1: solid wood (kg)	A.1.2 - Raw material 2: compact wood	Per unit consumption: raw material 2: compact wood (kg)
A	1	10.0	300.0	**395.50**	**350.00**	22.5	22.00	7.5
A	6	15.0	450.0	**578.25**	**510.00**	34.1	33.45	7.3
B	1	7.0	210.0	**326.65**	**290.00**	15.8	19.85	7.5
B	8	12.0	360.0	**436.80**	**372.00**	26.7	33.80	7.8

A.2 - Other raw materials and inputs	A.3 - Utility 1: Power	Per unit consumption: unit 1 (power) (Kwh)	A.4.1 – Other variable cost: screws	A.4.2 – Other non-relevant variable costs	B - Labor (B.1 + B.2) [in US$]	B.1 - Direct labor	Per unit consumption: direct labor (in work hours)	B.2 - Indirect labor
4.50	15.00	50.0	3.00	1.00	50.00	32.00	2.0	18.00
10.80	18.00	40.0	4.00	2.00	75.00	48.00	2.0	27.00
5.40	8.40	40.0	2.00	1.00	58.80	33.60	3.0	25.20
7.20	19.80	55.0	3.00	1.00	100.80	57.60	3.0	43.20

Per unit consumption: indirect labor (in work hours)	C – Fixed Costs (C.1 + C.2) [in US$]	C.1 - Depreciation	C.2 - Other fixed cost 1: rent of the plant	C.2 - Other non-relevant fixed costs	D – Manufacturing Cost (A + B + C) [in US$]	E – General and administrative expenses	F – Financial expenses (revenues)	G – Other expenses (revenues)	H – Total Cost (D + E + F + G) [in US$]
1.0	53.50	9.00	40.00	4.50	**499.00**	**124.75**	**99.80**	**62.38**	**785.93**
1.0	80.25	13.50	60.00	6.75	**733.50**	**183.38**	**146.70**	**91.69**	**1,155.26**
2.0	37.45	6.30	28.00	3.15	**422.90**	**105.73**	**84.58**	**52.86**	**666.07**
2.0	64.20	10.80	48.00	5.40	**601.80**	**150.45**	**120.36**	**75.23**	**947.84**

EXHIBIT II: SALES OF THE FICTITIOUS COMPANY IN THE DOMESTIC MARKET

2.0	3.0	4.0	4.1	5.0	7.0	8.0	9.1	10.0	11.0	11.1	12.0
Identification Code - CODIP	Invoice Number	Invoice Date	Date of Sales	Shipment Date	Relationship with the costumer	Customer category	Payment receiving date	Delivery terms	Quantity sold (kg)	Quantity sold (units)	Gross per unit price (US$/kg)
DCODIP	DFAT	DDATAFAT	DVENDT	DDATAEMB	DRELCLI	DCATCLI	DPAGDT	DTERENT	DQTDVEND	DQTDCOM	DPRBRUTO
B	TPH-003	04/30/2014	04/30/2014	05/02/2014	2	3	06/02/2014	1	300.0	10	3.98
A	TPH-003	04/30/2014	04/30/2014	05/02/2014	2	3	06/02/2014	1	450.0	15	3.97
A	NYC-256	06/02/2014	06/02/2014	06/02/2014	2	3	06/02/2014	1	900.0	30	2.82
A	DLW-423	08/01/2014	08/01/2014	08/01/2014	1	2	08/01/2014	1	1,350.0	45	3.49
A	FLD-669	09/17/2014	09/17/2014	09/17/2014	2	3	08/30/2014	3	330.0	11	3.30
B	WSC-1592	11/20/2014	11/20/2014	11/20/2014	4	3	10/28/2014	1	660.0	22	3.43
B	MSC-1704	01/07/2015	01/07/2015	01/07/2015	2	3	03/30/2015	1	210.0	7	-
A	ATL-111	02/02/2015	02/02/2015	02/02/2015	2	3	02/02/2015	1	2,100.0	70	3.87
B	SHC-09	03/08/2015	03/08/2015	03/08/2015	1	2	03/08/2015	1	990.0	33	3.75
B	DVC-315	03/10/2015	03/10/2015	03/10/2015	2	3	05/17/2015	1	390.0	13	4.17

12.1	13.1	13.2	13.(3 up to n)	14.(1 up to n)	15.0	16.0	17.0	19.0	21.0	22.0	23.0
Gross per unit price (US$/unit)	Per unit discount for prepayment (US$/kg)	Per unit discount related to the quantity (US$/kg)	Other discounts (US$/kg)	Allowances (US$/kg)	Per unit financial cost of the trade (US$/kg)	Per unit revenue of interests of the transaction (US$/kg)	Taxes incurring on the trade (US$/kg)	Delivery channel	Adjusts related to the trade level (US$/kg)	Domestic unit freight - unit of production to the warehouse places (US$/kg)	Unit storage expense - pre-sale (US$/kg)
DPRBRUTO2	DDESPANT	DDESQTD	DOUTDES	DABAT	DCUSTFIN	DRECJUR	DIMPOSTO	DCANDISTR	DNCAJUST	DFRETINT	DDARMPV
119.25	-	-	-	-	0.05	0.04	0.17	1	-	-	-
119.17	-	-	-	-	0.05	0.04	0.16	1	-	-	-
84.65	-	-	-	0.07	-	-	0.14	1	-	-	-
104.70	-	-	-	-	-	-	0.17	2	-	-	-
99.10	0.02	-	-	-	0.02	-	0.16	1	-	-	-
102.85	0.03	-	-	-	0.03	-	0.17	1	-	-	-
-	-	-	-	-	-	-	-	1	-	-	-
116.15	-	-	-	-	-	-	0.19	1	-	-	-
112.51	-	-	-	-	-	-	0.18	2	-	-	-
125.24	-	-	-	-	0.11	0.09	0.20	1	-	-	-

24.0	25.0	27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.n	35.0	36.0
Domestic unit freight - unit of production/storage to the customer (US$/kg)	Domestic unit insurance (US$/kg)	Commissions (US$/kg)	Agent of sales	Relationship with the agent of sales	Unit storage expense - post-sale (US$/kg)	Per unit expense of marketing (US$/kg)	Unit expense of technical assistance (US$/kg)	Other direct unit costs of sales (US$/kg)	Indirect per unit expense of sales (US$/kg)	Unit expense of maintenance of inventories (US$/kg)	Per unit cost of packaging (US$/kg)
DFRETINTCLI	D	DCOMIS	DAGENT	DRELAG	DDESPARMPS	DDESPROP	DDESPASS	DDESPODIR	DDESPIND	DDESPEST	DCUSTEMB
0.45	-	-	Not applicable	Not applicable	-	0.05	002	0.01	0.09	0.04	0.08
0.18	-	-	Not applicable	Not applicable	-	0.05	0.02	0.01	0.09	0.04	0.08
0.68	-	-	Not applicable	Not applicable	-	0.03	0.02	0.01	0.07	0.04	0.08
0.36	-	-	Not applicable	Not applicable	-	0.04	0.02	0.01	0.08	0.04	0.08
0.41	-	-	Not applicable	Not applicable	-	0.04	0.02	0.01	0.08	0.04	0.08
0.16	-	-	Not applicable	Not applicable	-	0.04	0.02	0.01	0.08	0.04	0.08
0.53	-	-	Not applicable	Not applicable	-	-	-	-	-	0.05	0.08
0.80	-	-	Not applicable	Not applicable	-	0.04	0.02	0.01	0.09	0.04	0.08
0.40	-	-	Not applicable	Not applicable	-	0.04	0.02	0.01	0.09	0.04	0.08
0.77	-	-	Not applicable	Not applicable	-	0.05	0.02	0.01	0.10	0.04	0.08

37.0	38.0	39.0	40.0	41.0	42.0	43.0	44.0	45.0
Total per unit cost (US$/kg)	International per unit freight (US$/kg)	International per unit insurance (US$/kg)	Domestic per unit freight in the third country - port to warehouse (US$/kg)	Domestic per unit freight in the third country - place of storage to the independent customer (US$/kg)	Domestic per unit insurance in the third country (US$/kg)	Handling of cargo and brokerage (US$/kg)	Tax of import in the third country (US$/kg)	Reimbursement of tax (US$/kg)
DCUSTTOT	DFRETINTL	DSEGINTL	DFRET3ARM	DFRET3CLI	DSEGINT3	DMCARCORR	DII3	DREMBIMP
2.83	-	-	-	-	-	-	-	-
2.59	-	-	-	-	-	-	-	-
2.57	-	-	-	-	-	-	-	-
2.59	-	-	-	-	-	-	-	-
2.59	-	-	-	-	-	-	-	-
2.83	-	-	-	-	-	-	-	-
3.17	-	-	-	-	-	-	-	-
2.62	-	-	-	-	-	-	-	-
2.83	-	-	-	-	-	-	-	-
2.83	-	-	-	-	-	-	-	-

EXHIBIT III: SALES OF THE FICTITIOUS COMPANY TO BRAZIL

2.0	3.0	4.0	4.1	5.0	7.0	8.0	9.(1 up to n)	10.0
Product Identification Code	Invoice Number	Invoice Date	Date of Sales	Shipment Date	Relationship with the costumer	Customer category	Payment receiving date	Terms of trade
ECODIP	EFAT	EDATAFAT	EVENDT	EDATAEMB	ERELCLI	ECATCLI	EPAGDT	ETERCOM
B	BRA-038	06/02/2014	06/02/2014	06/12/2014	2	2	08/11/2014	1 - CIF
A	BRA-057	08/26/2014	08/26/2014	09/08/2014	2	3	10/23/2014	1 - CIF
B	BRA-113	12/15/2014	12/15/2014	12/23/2014	2	3	03/11/2015	1 - CIF
A	BRA-556	01/14/2015	01/14/2015	01/14/2015	2	3	03/18/2015	1 - CIF
B	BRA-907	03/10/2015	03/08/2015	03/08/2015	2	3	04/29/2015	1 - CIF

11.0	11.1	12.0			13.1	13.2	13.(3 up to n)	14.(1 up to n)	15.0
Quantity sold (kg)	Quantity sold (units)	Gross per unit price (US$/kg)	Gross per unit price (US$/unit)	Total Gross Value (R$)	Per unit discount for prepayment (US$/kg)	Per unit discount related to the quantity (US$/kg)	Other discounts (US$/kg)	Allowances (US$/kg)	Per unit financial cost of the trade (US$/kg)
EQTDVEND	EQTDCOM	EPRBRUTO	EPRBRUTO	Total Gross Value (R$)	EDESPANT	EDESQTD	EOUTDESC	EABAT	ECUSTFIN
1,500.0	50	4.83	145.00	7,250.00	-	-	-	-	0.12
7,500.0	250	4.70	14.,00	35,250.00	-	-	-	-	0.08
18,000.0	600	4.87	146.00	87,600.00	-	-	-	-	0.15
16,500.0	550	4.30	129.00	70,950.00	-	-	-	-	0.11
15,000.0	500	4.93	148.00	74,000.00	-	-	-	-	0.10

16.0	17.0	19.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0
Per unit revenue of interests of the transaction (US$/kg)	Taxes incurring on the trade (US$/kg)	Delivery channel	Domestic unit freight - unit of production to the warehouse places (US$/kg)	Unit storage expense - pre-sale (US$/kg)	Domestic per unit freight - unit of manufacturing/storage to the shipping port (US$/kg)	Domestic per unit insurance (US$/unit)	Handling of cargo and brokerage (US$/unit)	International per unit freight (US$/kg)	International per unit insurance (US$/kg)
ERECJUR	EIMPOSTO	ECANDISTR	EFRETINT	EDARMPV	EFRETINTEMB	ESEGINT	EMCARCORR	EFRETINTL	ESEGINTL
-	-	2	-	-	0.58	-	0.10	0.73	-
-	-	1	-	-	0.58	-	0.09	0.81	-
-	-	1	-	-	0.58	-	0.10	0.79	-
-	-	1	-	-	0.58	-	0.09	0.72	-
-	-	1	-	-	0.58	-	0.10	0.85	-

28.0	29.0	30.0	31.0	32.0	33.0	34.0	35,0	36.0	37.0
Domestic per unit freight in Brazil - from port to warehouse (US$/kg)	Domestic per unit freight in Brazil - from the place of storage to the independent customer (US$/kg)	Others per unit expense of transport in Brazil (US$/kg)	Domestic unit insurance in Brazil (US$/kg)	Import tax in Brazil (US$/kg)	Reimbursement of tax (US$/kg)	Commissions (US$/kg)	Agent of sales	Relationship with the agent of sales	Unit storage expense - post-sale (US$/kg)
EFRETINTPOAR	EFRETINTCLI	EOUDESPTRANSP	ESEGINTBRA	EIIBRA	EREMBIMP	ECOMIS	EAGENT	ERELAG	EDESPARMPS
-	-	-	-	-	0.01	-	Not applicable	Not applicable	-
-	-	-	-	-	0.01	-	Not applicable	Not applicable	-
-	-	-	-	-	0.02	-	Not applicable	Not applicable	-
-	-	-	-	-	0.01	-	Not applicable	Not applicable	-
-	-	-	-	-	0.03	-	Not applicable	Not applicable	-

38.0	39.0	40.(1 up to n)	41.0	42.0	43.0	44.0	45.0	46.0	47.0
Per unit expense of marketing (US$/kg)	Unit expense of technical assistance (US$/unit)	Other direct unit costs of sales (US$/kg)	Indirect per unit expense of sales incurred in the manufacturing country (US$/kg)	Indirect per unit expense of sales incurred in Brazil (US$/kg)	Per unit expense of maintenance of inventory in the manufacturing country (US$/kg)	Per unit expense of maintenance of inventory in Brazil (US$/unit)	Per unit cost of packaging (US$/unit)	Per unit cost of repackaging in Brazil	Total per unit cost (US$/kg)
EDESPROP	EDESPASS	EDESPODIR	EDESPIND	EDESPINDBRA	EDESPEST	EDESPESTBRA	ECUSTEMB	ECUSTREMBBRA	ECUSTTOT
0.15	-	0.03	0.11	-	0.04	-	0.10	-	2.83
0.14	-	0.03	0.11	-	0.04	-	0.10	-	2.59
0.15	-	0.03	0.12	-	0.04	-	0.10	-	2.83
0.13	-	0.03	0.10	-	0.04	-	0.10	-	2.62
0.15	-	0.03	0.12	-	0.04	-	0.10	-	2.83

48.0	49.0
Per unit value of domestication (US$/unit)	Domestication date
EVALINTER	EDATAINTERN
-	Not applicable
-	Not applicable
-	Not applicable
-	Not applicable
-	Not applicable

EXHIBIT IV: EXPORTS OF THE EXPORTABLES TRADING COMPANY TO BRAZIL

2.0	3.0	4.0	4.1	5.0	7.0	8.0	9.(1 up to n)
Product Identification Code	Invoice Number	Invoice Date	Date of Sales	Shipment Date*	Relationship with the costumer	Customer category	Payment receiving date
A	TBRA-001	06/08/2014	06/08/2014	-	(Independent)	Final consumer	08/07/2014
B	TBRA-002	09/01/2014	09/01/2014	-	(Independent)	Dealer	10/01/2014
A	TBRA-003	12/21/2014	12/21/2014	-	(Independent)	Dealer	01/20/2015
B	TBRA-004	01/20/2015	01/20/2015	-	(Independent)	Final consumer	03/21/2015
A	TBRA-005	03/16/2015	03/16/2015	-	(Independent)	Dealer	03/16/2015
B	TBRA-006	03/13/2015	03/13/2015	-	(Independent)	Dealer	03/13/2015

10.0	11.0	11.1	12.0			13.1	13.2	13.(3 up to n)	14.(1 up to n)
Terms of trade	Quantity sold (kg)	Quantity sold (units)	Gross per unit price (US$/kg)	Gross per unit price (US$/unit)	Total Gross Value (R$)	Per unit discount for prepayment (US$/kg)	Per unit discount related to the quantity (US$/kg)	Other discounts (US$/kg)	Allowances (US$/kg)
CIF	1,050	35	6.64	199.29	6,975.00	-	-	-	-
CIF	6,000	200	5.91	177.43	35,485.71	-	-	-	-
CIF	24,900	830	5.14	154.29	128,057.14	-	-	-	-
CIF	540	18	6.43	192.86	3,471.43	-	-	-	-
CIF	6,000	200	6.07	182.14	36,428.57	-	-	-	-
CIF	500	17	6.57	197.14	3,285.71	-	-	-	-

15.0	16.0	17.0	19.0	21.0	22.0	23.0	24.0	25.0	26.0
Per unit financial cost of the trade (US$/kg)	Per unit revenue of interests of the transaction (US$/kg)	Taxes incurring on the trade (US$/kg)	Delivery channel	Domestic unit freight - unit of production to the warehouse places (US$/kg)	Unit storage expense - pre-sale (US$/kg)	Domestic per unit freight - unit of manufacturing/storage to the shipping port (US$/kg)	Domestic unit insurance (US$/kg)	Handling of cargo and brokerage (US$/unit)	International per unit freight (US$/kg)
0.18	-	-	2	-	-	-	-	-	-
0.08	-	-	2	-	-	-	-	-	-
0.07	-	-	2	-	-	-	-	-	-
0.18	-	-	2	-	-	-	-	-	-
-	-	-	2	-	-	-	-	-	-
-	-	-	2	-	-	-	-	-	-

27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0
International per unit insurance (US$/kg)	Domestic per unit freight in Brazil - from port to warehouse (US$/kg)	Domestic per unit freight in Brazil - from the place of storage to the independent customer (US$/kg)	Others per unit expense of transport in Brazil (US$/kg)	Domestic unit insurance in Brazil (US$/kg)	Import tax in Brazil (US$/kg)	Reimbursement of tax (US$/kg)	Commissions (US$/kg)	Agent of sales	Relationship with the agent of sales
0.18	-	-	-	-	-	-	0.13	Madeira Corretora	1
0.18	-	-	-	-	-	-	0.12	Madeira Corretora	1
0.18	-	-	-	-	-	-	0.10	Madeira Corretora	1
0.18	-	-	-	-	-	-	0.13	Madeira Corretora	1
0.18	-	-	-	-	-	-	0.12	Madeira Corretora	1
0.18	-	-	-	-	-	-	0.13	Madeira Corretora	1

37.0	38.0	39.0	40.(1 up to n)	41.0	42.0	43.0	44.0	45.0	46.0
Unit storage expense - post-sale (US$/kg)	Per unit expense of marketing (US$/kg)	Unit expense of technical assistance (US$/unit)	Other direct unit costs of sales (US$/kg)	Indirect per unit expense of sales incurred in the manufacturing country (US$/kg)**	Indirect per unit expense of sales incurred in Brazil (US$/kg)	Per unit expense of maintenance of inventory in the manufacturing country (US$/kg)	Per unit expense of maintenance of inventory in Brazil (US$/unit)	Per unit cost of packaging (US$/unit)	Per unit cost of repackaging in Brazil
-	-	-	-	0.16	-	-	-	-	-
-	-	-	-	0.14	-	-	-	-	-
-	-	-	-	0.12	-	-	-	-	-
-	-	-	-	0.15	-	-	-	-	-
-	-	-	-	0.14	-	-	-	-	-
-	-	-	-	0.16	-	-	-	-	-

47.0	48.0	49.0	48.0	49.0
Total per unit cost (US$/kg)	Per unit value of domestication (US$/unit)	Domestication date	Per unit value of domestication (US$/unit)	Domestication date
-	-	Not applicable	-	-
-	-	Not applicable	-	-
-	-	Not applicable	-	-
-	-	Not applicable	-	-
-	-	Not applicable	-	-
-	-	Not applicable	-	-

EXHIBIT V: RESALES OF THE IMPORTABLE COMPANY TO THE FIRST INDEPENDENT PURCHASER IN BRAZIL

2.0	3.0	4.0	4.1	5.0	7.0	8.0	9.(1 up to n)	10.0
Product Identification Code	Invoice Number	Invoice Date	Date of Sales	Shipment Date	Relationship with the costumer	Customer category	Payment receiving date	Terms of trade
ECODIP	EFAT	EDATAFAT	EVENDT	EDATAEMB	ERELCLI	ECATCLI	EPAGDT	ETERCOM
B	BRA-038	06/02/2014	06/02/2014	06/12/2014	2	2	08/11/2014	2
A	BRA-057	08/26/2014	08/26/2014	09/08/2014	2	3	10/23/2014	1
B	BRA-113	12/15/2014	12/15/2014	12/23/2014	2	3	03/11/2015	2
A	BRA-556	01/14/2015	01/14/2015	01/14/2015	2	3	03/18/2015	2
B	BRA-907	03/10/2015	03/08/2015	03/08/2015	2	3	04/29/2015	2

11.0	11.1	12.0			13.1	13.2	13.(3 up to n)	14.(1 up to n)	15.0
Quantity sold (kg)	Quantity sold (units)	Gross per unit price (US$/kg)	Gross per unit price (US$/unit)	Total Gross Value (R$)	Per unit discount for prepayment (US$/kg)	Per unit discount related to the quantity (US$/kg)	Other discounts (US$/kg)	Allowances (US$/kg)	Per unit financial cost of the trade (US$/kg)
EQTDVEND	EQTDCOM	EPRBRUTO	EPRBRUTO	Total Gross Value (R$)	EDESPANT	EDESQTD	EOUTDESC	EABAT	ECUSTFIN
1,500.0	50	4.73	142.00	7,100.00	-	-	-	-	0.11
7,500.0	250	4.60	138.00	34,500.00	-	-	-	-	0.08
18,000.0	600	4.77	143.00	85,800.00	-	-	-	-	0.15
16,500.0	550	4.20	126.00	69,300.00	-	-	-	-	0.11
15,000.0	500	4.83	145.00	72,500.00	-	-	-	-	0.10

16.0	17.0	19.0	21.0	22.0	23.0	24.0	25.0	26.0	
Per unit revenue of interests of the transaction (US$/kg)	Taxes incurring on the trade (US$/kg)	Delivery channel	Domestic unit freight - unit of production to the warehouse places (US$/kg)	Unit storage expense - pre-sale (US$/kg)	Domestic per unit freight - unit of manufacturing/storage to the shipping port (US$/kg)	Domestic per unit insurance (US$/unit)	Handling of cargo and brokerage (US$/unit)	International per unit freight (US$/kg)	Total international (US$) [Fictitious Company]
ERECJUR	EIMPOSTO	ECANDISTR	EFRETINT	EDARMPV	EFRETINTEMB	ESEGINT	EMCARCORR	EFRETINTL	
-	-	2	-	-	0.58	-	0.09	0.73	1,095.00
-	-	1	-	-	0.58	-	0.09	0.81	6,075.00
-	-	1	-	-	0.58	-	0.10	0.79	14,220.00
-	-	1	-	-	0.58	-	0.08	0.72	11,880.00
-	-	1	-	-	0.58	-	0.10	0.85	12,750.00

27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35,0	36.0
International per unit insurance (US$/kg)	Domestic per unit freight in Brazil - from port to warehouse (US$/kg)	Domestic per unit freight in Brazil - from the place of storage to the independent customer (US$/kg)	Others per unit expense of transport in Brazil (US$/kg)	Domestic unit insurance in Brazil (US$/kg)	Import tax in Brazil (US$/kg)	Reimbursement of tax (US$/kg)	Commissions (US$/kg)	Agent of sales	Relationship with the agent of sales
ESEGINTL	EFRETINTPOAR	EFRETINTCLI	EOUDESPTRANSP	ESEGINTBRA	EIIBRA	EREMBIMP	ECOMIS	EAGENT	ERELAG
-	-	-	-	-	-	0.01	-	Not applicable	Not applicable
-	-	-	-	-	-	0.01	-	Not applicable	Not applicable
-	-	-	-	-	-	0.02	-	Not applicable	Not applicable
-	-	-	-	-	-	0.01	-	Not applicable	Not applicable
-	-	-	-	-	-	0.03	-	Not applicable	Not applicable

37.0	38.0	39.0	40.(1 up to n)	41.0	42.0	43.0	44.0	45.0	46.0
Unit storage expense - post-sale (US$/kg)	Per unit expense of marketing (US$/kg)	Unit expense of technical assistance (US$/unit)	Other direct unit costs of sales (US$/kg)	Indirect per unit expense of sales incurred in the manufacturing country (US$/kg)	Indirect per unit expense of sales incurred in Brazil (US$/kg)	Per unit expense of maintenance of inventory in the manufacturing country (US$/kg)	Per unit expense of maintenance of inventory in Brazil (US$/unit)	Per unit cost of packaging (US$/unit)	Per unit cost of repackaging in Brazil
EDESPARMPS	EDESPROP	EDESPASS	EDESPODIR	EDESPIND	EDESPINDBRA	EDESPEST	EDESPESTBRA	ECUSTEMB	ECUSTREMBBRA
-	0.14	-	0.03	0.09	49.70	0.04	-	0.10	-
-	0.14	-	0.03	0,09	241.50	0.04	-	0.10	-
-	0.14	-	0.03	0.09	600.60	0.04	-	0.10	-
-	0.13	-	0.03	0.09	485.10	0.04	-	0.10	-
-	0.15	-	0.03	0.09	507.50	0.04	-	0.10	-

47.0	48.0	49.0
Total per unit cost (US$/kg)	Per unit value of domestication (US$/unit)	Domestication date
ECUSTTOT	EVALINTER	EDATAINTERN
2.83	-	Not applicable
2.59	-	Not applicable
2.83	-	Not applicable
2.62	-	Not applicable
2.83	-	Not applicable

EXHIBIT VI: EXPORTS OF THE FANTASIA CO. COMPANY TO BRAZIL

2.0	3.0	4.0	4.1	5.0	7.0	8.0	9.(1 up to n)	10.0	11.0
Product Identification Code	Invoice Number	Invoice Date	Date of Sales	Shipment Date	Relationship with the costumer	Customer category	Payment receiving date	Terms of trade	Quantity sold (kg)
ECODIP	EFAT	EDATAFAT	EVENDT	EDATAEMB	ERELCLI	ECATCLI	EPAGDT	ETERCOM	EQTDVEND
B	BRA-038	06/02/2014	02/06/2014	06/12/2014	2	2	08/11/2014	1 - CIF	1,500.0
A	BRA-057	08/26/2014	08/26/2014	09/08/2014	2	3	10/23/2014	1 - CIF	7,500.0
B	BRA-113	12/15/2014	12/15/2014	12/23/2014	2	3	03/11/2015	1 - CIF	18,000.0
A	BRA-556	01/14/2015	01/14/2015	01/14/2015	2	3	03/18/2015	1 - CIF	16,500.0
B	BRA-907	03/10/2015	03/08/2015	03/08/2015	2	3	04/29/2015	1 - CIF	15,000.0

11.1	12.0			13.1	13.2	13.(3 up to n)	14.(1 up to n)	15.0	16.0
Quantity sold (units)	Gross per unit price (US$/kg)	Gross per unit price (US$/unit)	Total Gross Value (R$)	Unit discount to prepayment (US$/kg)	Unit discount related to the quantity (US$/kg)	Other discounts (US$/kg)	Allowances (US$/kg)	Financial cost unit of the transaction (US$/kg)	Unit revenue of interests of the transaction (US$/kg)
EQTDCOM	EPRBRUTO	EPRBRUTO	Total gross value (US$)	EDESPANT	EDESQTD	EOUTDESC	EABAT	ECUSTFIN	ERECJUR
50	4.83	145.00	7,250.00	-	-	-	-	0.12	-
250	4.70	141.00	35,250.00	-	-	-	-	0.08	-
600	4.87	146.00	87,600.00	-	-	-	-	0.15	-
550	4.30	129.00	70,950.00	-	-	-	-	0.11	-
500	4.93	148.00	74,000.00	-	-	-	-	0.10	-

17.0	19.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0	28.0
Taxes incurring on the transaction (US$/kg)	Delivery channel	Domestic per unit freight unit of production to the storage places	Unit expense of storage - pre-sale (US$/kg)	Domestic unit freight -unit of production/storage to the shipping port (US$/kg)	Unit domestic insurance (US$/unit)	Handing of cargo and brokerage (US$/unit)	Ingress unit freight (US$/kg)	Ingress per unit insurance (US$/kg)	Domestic per unit freight in Brazil - from the port up to the warehouse
EIMPOSTO	ECANDISTR	EFRETINT	EDARMPV	EFRETINTEMB	ESEGINT	EMCARCORR	EFRETINTL	ESEGINTL	EFRETINTPOAR
-	2	-	-	0.58	-	0.10	0.73	-	-
-	1	-	-	0.58	-	0.09	0.81	-	-
-	1	-	-	0,58	-	0.10	0,79	-	-
-	1	-	-	0.58	-	0.09	0.72	-	-
-	1	-	-	0.58	-	0.10	0.85	-	-

29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0	37.0	38.0
Domestic per unit freight in Brazil - from the warehouse to the customer	Other per unit expenses of transport in Brazil (US$/kg)	Domestic per unit insurance in Brazil (US$/kg)	Import tax in Brazil (US$/kg)	Reimbursement of tax (US$/kg)	Commissions (US$/kg)	Agent of sales	Relationship with the agent of sales	Unit expense of storage - post-sale (US$/kg)	Marketing per unit expense (US$/kg)
EFRETINTCLI	EOUDESPTRANSP	ESEGINTBRA	EIIBRA	EREMBIMP	ECOMIS	EAGENT	ERELAG	EDESPARMPS	EDESPROP
-	-	-	-	-	-	Not applicable	Not applicable	-	0.15
-	-	-	-	-	-	Not applicable	Not applicable	-	0.14
-	-	-	-	-	-	Not applicable	Not applicable	-	0.15
-	-	-	-	-	-	Not applicable	Not applicable	-	0.13
-	-	-	-	-	-	Not applicable	Not applicable	-	0.15

39.0	40.(1 up to n)	41.0	42.0	43.0	44.0	45.0	46.0	47.0	48.0	49.0
Technical assistance per unit expense	Other direct unit costs of sales (US$/kg)	Indirect per unit expense of sales incurred in the manufacturing country (US$/kg)	Indirect per unit expense of sales incurred in Brazil (US$/kg)	Unit expense of maintenance of inventory in the manufacturing country (US$/kg)	Unit expense of maintenance of inventories in Brazil (US$/kg)	Unit cost of packaging (US$/unit)	Unit cost of repackaging in Brazil	Total per unit cost (US$/kg)	Unit value of Domestication (US$/unti)	Domestication date
EDESPASS	EDESPODIR	EDESPIND	EDESPINDBRA	EDESPEST	EDESPESTBRA	ECUSTEMB	ECUSTREMBBRA	ECUSTTOT	EVALINTER	EDATAINTERN
-	0.03	0.11	-	0.04	-	0.10	-	2.83	-	Not applicable
-	0.03	0.11	-	0.04	-	0.10	-	2.59	-	Not applicable
-	0.03	0.12	-	0.04	-	0.10	-	2.83	-	Not applicable
-	0.03	0.10	-	0.04	-	0.10	-	2.62	-	Not applicable
-	0.03	0.12	-	0.04	-	0.10	-	2.83	-	Not applicable

**EXHIBIT VII: EXPORTS OF THE EXPORTABLES
TRADING COMPANY TO BRAZIL**

2.0	3.0	4.0	4.1	5.0	7.0	8.0	9.(1 up to n)		10.0
CODIP	Invoice Number	Invoice Date	Date of Sales	Shipment Date*	Relationship with the costumer	Customer category	Payment receiving date	Payment Conditions	Terms of trade
ECODIP	EFAT	EDATAFAT	EVENDT	EDATAEMB	ERELCLI	ECATCLI	EPAGDT		ETERCOM
A	TBRA-001	06/08/2014	06/08/2014	-	(Independent)	Final consumer	08/07/2014	60 days	CIF
B	TBRA-002	09/01/2014	09/01/2014	-	(Independent)	Dealer	10/01/2014	30 days	CIF
A	TBRA-003	12/21/2014	12/21/2014	-	(Independent)	Dealer	01/20/2015	30 days	CIF
B	TBRA-004	01/20/2015	01/20/2015	-	(Independent)	Final consumer	03/21/2015	60 days	CIF
A	TBRA-005	03/16/2015	03/16/2015	-	(Independent)	Dealer	03/16/2015	in cash	CIF
B	TBRA-006	03/13/2015	03/13/2015	-	(Independent)	Dealer	03/13/2015	in cash	CIF

11.0	11.1	12.0			13.1	13.2	13.(3 up to n)	14.(1 up to n)	15.0
Quantity sold (kg)	Quantity sold (units)	Gross per unit price (US$/kg)	Gross per unit price (US$/unit)	Total Gross Value (R$)	Per unit discount for prepayment (US$/kg)	Per unit discount related to the quantity (US$/kg)	Other discounts (US$/kg)	Allowances (US$/kg)	Per unit financial cost of the trade (US$/kg)
EQTDVEND	EQTDCOM	EPRBRUTO	EPRBRUTO	Total gross value (US$)	EDESPANT	EDESQTD	EOUTDESC	EABAT	ECUSTFIN
1,050	35	6.64	199.29	6,975.00	-	-	-	-	0.18
6,000	200	5.91	177.43	35,485.71	-	-	-	-	0.08
24,900	830	5.14	154.29	128,057.14	-	-	-	-	0.07
540	18	6.43	192.86	3,471.43	-	-	-	-	0.18
6,000	200	6.07	182.14	36,428.57	-	-	-	-	-
500	17	6.57	197.14	3,285.71	-	-	-	-	-

16.0	17.0	19.0	21.0	22.0	23.0	24.0	25.0		27.0
Per unit revenue of interests of the transaction (US$/kg)	Taxes incurring on the trade (US$/kg)	Delivery channel	Domestic unit freight - unit of production to the warehouse places (US$/kg)	Unit storage expense - pre-sale (US$/kg)	Domestic per unit freight - unit of manufacturing/storage to the shipping port (US$/kg)	Domestic unit insurance (US$/kg)	Handling of cargo and brokerage (US$/unit)	International per unit freight [Fantasia Co., Ltd.] (US$/kg)	International per unit insurance [Export Tables Co., Ltd.] (US$/kg)
ERECJUR	EIMPOSTO	ECANDISTR	EFRETINT	EDARMPV	EFRETINTEMB	ESEGINT	EMCARCORR		ESEGINT
-	-	2	-	-	-	-	-	0.79	0.18
-	-	2	-	-	-	-	-	0.79	0.18
-	-	2	-	-	-	-	-	0.79	0.18
-	-	2	-	-	-	-	-	0.79	0.18
-	-	2	-	-	-	-	-	0.79	0.18
-	-	2	-	-	-	-	-	0.79	0.18

					28.0	29.0	30.0	31.0	32.0
FOB export price in the related exporter [Export Tables Co., Ltd.] (US$kg)	Sales expenses [Export Tables Co., Ltd.] (US$/kg)	General and administrative expenses [Export Tables Co., Ltd.] (US$/kg)	Profit margin [Export Tables Co., Ltd] (US$/kg)	**FOB** Export price in the producer [Fantasia Co., Ltd.] (US$/kg)	Domestic per unit freight in Brazil - from port to warehouse (US$/kg)	Domestic per unit freight in Brazil - from the place of storage to the independent customer (US$/kg)	Others per unit expense of transport in Brazil (US$/kg)	Domestic unit insurance in Brazil (US$/kg)	Import tax in Brazil (US$/kg)
(D)					EFRETINTPOAR	EFRETINTCLI	EOUDESPTRANSP	ESEGINTBRA	EIIBRA
5.68	0.29	0.14	0.41	4.83	-	-	-	-	-
4.95	0.25	0.13	0.37	4.20	-	-	-	-	-
4.18	0.22	0.11	0.32	3.52	-	-	-	-	-
5.46	0.28	0.14	0.40	4.65	-	-	-	-	-
5.10	0.26	0.13	0.38	4.33	-	-	-	-	-
5.60	0.28	0.14	0.41	4.77	-	-	-	-	-

33.0	34.0	35,0	36.0	37.0	38.0	39.0	40.(1 up to n)	41.0
Reimbursement of tax (US$/kg)	Commissions (US$/kg)	Agent of sales	Relationship with the agent of sales	Unit storage expense - post-sale (US$/kg)	Per unit expense of marketing (US$/kg)	Unit expense of technical assistance (US$/unit)	Other direct unit costs of sales (US$/kg)	Indirect per unit expense of sales incurred in the manufacturing country (US$/kg)**
EREMBIMP	ECOMIS	EAGENT	ERELAG	EDESPARMPS	EDESPROP	EDESPASS	EDESPODIR	EDESPIND
-	0.13	Madeira Corretora	1	-	-	-	-	0.16
-	0.12	Madeira Corretora	1	-	-	-	-	0.14
-	0.10	Madeira Corretora	1	-	-	-	-	0.12
-	0.13	Madeira Corretora	1	-	-	-	-	0.15
-	0.12	Madeira Corretora	1	-	-	-	-	0.14
-	0.13	Madeira Corretora	1	-	-	-	-	0.16

42.0	43.0	44.0	45.0	46.0	47.0	48.0	49.0
Indirect per unit expense of sales incurred in Brazil (US$/kg)	Per unit expense of maintenance of inventory in the manufacturing country (US$/kg)	Per unit expense of maintenance of inventory in Brazil (US$/unit)	Per unit cost of packaging (US$/unit)	Per unit cost of repackaging in Brazil	Total per unit cost (US$/kg)	Per unit value of domestication (US$/unit)	Domesti cation date
EDESPINDBRA	EDESPEST	EDESPESTBRA	ECUSTEMB	ECUSTREMBBRA	ECUSTTOT	EVALINTER	EDATAINTERN
-	-	-	-	-	-	-	Not applicable
-	-	-	-	-	-	-	Not applicable
-	-	-	-	-	-	-	Not applicable
-	-	-	-	-	-	-	Not applicable
-	-	-	-	-	-	-	Not applicable
-	-	-	-	-	-	-	Not applicable