

silicon content between 15% and 20%, and 16/20 has a silicon content between 16% and 20%.

We have preliminarily determined that there is no significant difference between the products reported as 15/20 and 16/20 and have treated merchandise reported by SIBRA/CPFL as grade 15/20 to be grade 16/20. As such, we weight-averaged the reported manufacturing costs for these two grades. For more information on this topic, see "Antidumping Administrative Review of Silicomanganese from Brazil: Preliminary Results Analysis Memorandum of SIBRA/CPFL" dated October 17, 2003, ("Preliminary Results Analysis Memo") at page 5 and the Sales Verification Report at pages 7–8.

Export Price

For sales to the United States, we used EP, as defined in section 772(a) of the Act, because the subject merchandise was sold directly to the first unaffiliated purchaser in the United States prior to the date of importation. We based EP on the price to the first unaffiliated purchaser in the United States. We made deductions, where appropriate, consistent with section 772(c)(2)(a) of the Act, for movement expense.

Normal Value

A. Home Market Viability

In order to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating NV, we compared SIBRA/CPFL's volume of home-market sales of the foreign like product to the volume of U.S. sales of the subject merchandise in accordance with section 773(a)(1)(C) of the Act. Since SIBRA/CPFL's aggregate volume of home-market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise, we determined that the home market is viable. Therefore, we examined home-market sales for purposes of calculating NV.

B. Arm's-Length Sales

SIBRA/CPFL made sales in the home market to affiliated and unaffiliated customers. To test whether the sales to affiliates were made at arm's length prices, we compared the starting prices of sales to affiliated and unaffiliated customers net of all direct selling expenses, movement expenses, and taxes. Where the price to the affiliated party was, on average, within a range of 98 to 102 percent of the price of the same or comparable merchandise to the unaffiliated parties, we determined that

the sales made to the affiliated party were at arm's length. See *Modification Concerning Affiliated Party Sales in the Comparison Market*, 67 FR 69186 (November 15, 2002). In accordance with the Department's practice, we only included in our margin analysis those sales to affiliated parties that were made at arm's length.

C. Cost of Production Analysis

Because the Department disregarded all of SIBRA/CPFL's home-market sales that failed the cost test in the most recently completed administrative review, pursuant to section 773(b)(2)(A)(ii) of the Act, we had reasonable grounds to believe or suspect that sales in this POR were made at prices below the cost of production ("COP"). Therefore, the Department initiated a COP investigation for SIBRA/CPFL. Based on the respondent's request, we adjusted the cost-reporting period to correspond with the 2002 calendar year. See letter from Laurie Parkhill, Office Director to SIBRA/CPFL dated March 21, 2003. Upon initial evaluation of inflation in Brazil during the POR, we determined that we would use a high-inflation methodology to calculate COP and issued to the respondent a high-inflation questionnaire.

Before making any fair-value comparisons, we conducted the COP analysis described below.

1. Calculation of COP

We calculated COP, in accordance with section 773(b)(3) of the Act, based on the sum of the costs of materials and fabrication employed in producing the foreign like product, plus amounts for home-market selling, general, and administrative ("SG&A") expenses. As specified above, we determined that the Brazilian economy experienced significant inflation during the POR. Therefore, in order to avoid the distortive effect of inflation in our comparison of costs and prices, we requested that SIBRA/CPFL submit the product-specific cost of manufacturing ("COM") incurred during each month of the period for which it reported home-market sales. We then calculated an average COM for each product after indexing the reported monthly costs to an equivalent currency level using the Brazilian IGP-M inflation index. We then restated the average COM in the currency value of each respective month.

For the preliminary results of review, we relied on COP information submitted by SIBRA/CPFL in its questionnaire responses, except, as noted below, in specific instances where the submitted

costs were not appropriately quantified or valued:

a. We weight-averaged the reported manufacturing costs for grade 16/20 silicomanganese and grade 15/20 silicomanganese in accordance with the revised grade classifications described in the "Merchandise" section above.

b. We adjusted SIBRA/CPFL's reported COM to account for purchases of manganese ore from affiliated parties at non-arm's length prices. See "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results" dated October 17, 2003, ("Calculation Memo") on file in CRU.

c. We adjusted SIBRA/CPFL's reported COM to reflect the actual depreciation costs recorded in the financial accounting system. See Calculation Memo.

d. We adjusted SIBRA/CPFL's submitted general and administrative expenses to exclude double-counted depreciation expenses and income and expense items related to ICMS taxes, PIS/COFINS taxes, and investments. We also redistributed charcoal forest exhaustion costs in order to properly index these costs for inflation. See Calculation Memo.

e. We recalculated SIBRA/CPFL's submitted financial expense ratio based on CVRD's 2002 consolidated financial statements prepared in accordance with Brazilian GAAP. Due to the significant devaluation of the Brazilian Real during the fiscal year, CVRD experienced a large net foreign exchange loss in 2002. We therefore adjusted the financial expense ratio to reflect a normalized net foreign exchange loss based on CVRD's average experience over the five-year period from 1998 to 2002. In addition, we adjusted SIBRA/CPFL's financial income offset to exclude interest income from accounts receivable and interest income from long-term interest sources. See Calculation Memo.

2. Test of Home Market Prices

In determining whether to disregard home-market sales made at prices below the COP, we examined whether: (1) within an extended period of time, such sales were made in substantial quantities, and (2) such sales were made at prices which permitted recovery of all costs within a reasonable period of time in accordance with section 773(b)(1)(A) and (B) of the Act. We compared model-specific COPs to the reported home-