



Australian Government
Department of Industry, Science,
Energy and Resources

Anti-Dumping Commission

Exporter Verification Report

Verification & Case Details

Initiation Date	20/08/2020	ADN:	2020/093
Case Number	565		
The goods under consideration	Ammonium Nitrate		
Case type	Continuation Inquiry		
Exporter	JSC Nevinnomysky Azot (Nevinka)		
Location	Remote verification		
Verification from	9/11/2020	to	23/02/2021
Inquiry Period	1/07/2019	to	30/06/2020

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Nevinka is a privately owned, joint stock company and manufacturing enterprise incorporated in Nevinnomyssk, Stavropol region, Russia. It is part of the EuroChem Group of companies and is 100% owned by MCC EuroChem, JSC¹ (MCCEC). Nevinka is a sister company to JSC Novomoskovsky Azot (NAK Azot), a cooperating exporter participating in this Continuation Inquiry.

1.2 Related Parties

The verification team examined the relationships between Nevinka and parties involved in the manufacture and sale of the goods.

1.2.1 Related customers

During the verification process, the team identified that all sales are made to related parties.

1.3 Accounting records

Nevinka's audited financial statement were audited by Finansovye and Buhgalterskie Konsultanty, LLC (Financial and Accounting Consultants, Limited Liability Company) (FBK Grant Thornton) and includes a statement that the financial accounts comply with the rules of preparing accounting statements established in the Russian Federation.

Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Russia.

¹ In Exhibit A-1 EuroChem corporate structure, MMC is spelt out in full as Mineral and Chemical Company EuroChem, JSC.

2 THE GOODS AND LIKE GOODS

2.1 Model Control Codes (MCCs)

Nevinka provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/093.

Nevinka did not propose changes to the MCC structure for ammonium nitrate and did not provide optional categories. Nevinka provided all mandatory sales data.

2.1.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considers it is not necessary to make amendments to the MCC structure.

2.2 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Density	Based on the description and product code on the invoice, addendums to contracts, quality certificate and delivery note. Table 2 shows how the standard is mapped to density.
Form	Based on the shop from which the product was produced.

Table 1 MCC sub-category determination

Table 2 below displays the relationship between the standard and MCC density categories.

Standard	MCC density category
International Standard GOST 2-2013	High
TU 2143-073-05761643-2013	Low

Table 2 MCC mapping

2.3 The goods exported to Australia

The verification team was satisfied that Nevinka did not export the goods to Australia during the inquiry period.

2.4 Like goods sold on the domestic market

The verification team was satisfied that Nevinka sold like goods in the domestic market.

PUBLIC RECORD

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods subject to measures, as they:

- **Physical likeness** – are not distinguished from the goods subject to measures during production. The goods subject to measures and the goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same;
- **Production likeness** – are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- **Commercial likeness** – the goods compete in the similar market sectors, are interchangeable and use similar distribution channels; and
- **Functional likeness** – can be considered functionally alike, as they have similar end uses.

Nevinka sold like goods on the domestic market with the following MCCs during the period:

- H-G

2.5 Like goods – assessment

The verification team considers that the goods produced by Nevinka for domestic sale have characteristics closely resembling those of the goods subject to measures in Australia and are therefore 'like goods' in accordance with section 269T(1) of the Act.

3 VERIFICATION

The verification team verified the reliability of Nevinka’s domestic sales and cost data provided in the response to the exporter questionnaire (REQ) by benchmarking the data against other verified data.

This involved comparing the data to following exporters that were subject to full onsite verification visits:

- NAK Azot

The verification team found that Nevinka’s domestic sales appear consistent with the other verified data. However, the verification team identified an issue outlined below in relation to the cost data.

No.	Exception	Resolution
#1	After comparing unit CTM to that of the benchmark company, the verification team identified that certain costs had not been included in the original submission.	<p>The company provided an updated CTM listing that included certain costs associated to manufacturing overheads.</p> <p>The materiality of further differences between the cost data of the two exporters after this amendment was considered negligible.</p>

Table 3 Exceptions during verification

Details of the benchmark verification assessment is contained in **Confidential Attachment 1**.

3.1 Verification finding

The verification team is satisfied that the domestic sales and cost data provided by Nevinka, including any required amendments as outlined in the exception table above, are reasonable and can be considered reliable for the purpose of ascertaining variable factors for Nevinka.

4 EXPORT PRICE

Nevinka did not export the goods under consideration to Australia during the inquiry period.

5 DOMESTIC SALES

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the ordinary course of trade (OCOT).

5.1 Arms length

5.1.1 Related party customers

In respect of Nevinka's domestic sales of like goods to its related customer during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.²

The verification team therefore considers that all domestic sales made by Nevinka to its related customer during the period were arms length transactions.

The verification team made a selection of transactions made by the related customer for which it identified profitability. The transactions were also verified for accuracy by evaluating source documents.

5.2 Ordinary course of trade

The verification team have collected the necessary data to conduct an OCOT assessment, based on the reported costs and sales at the time of verification. The application has claimed that Nevinka's records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods. The Commission is currently considering this claim. Therefore, the assessment of whether domestic sales are in the OCOT has been referred to the case management team for consideration.

5.3 Volume of relevant sales

The verification team have collected the necessary data to conduct a volume analysis, based on the reported costs and sales at the time of verification. The application has claimed that the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). The application has also claimed that

² Section 269TAA of the Act refers.

PUBLIC RECORD

Nevinka's records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods.

The Commission is currently considering these claims. Therefore, the verification team has referred consideration of the volume of relevant sales to the case management team.

6 ADJUSTMENTS

The verification team has considered the following adjustments in accordance with section 269TAC(9).

6.1 Rationale and method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic inland transport	<p>Nevinka incurred inland transport expenses for domestic sales sold on CPT terms.</p> <p>The verification team identified that a number of expenses were also driven by the delivery of goods and these have been allocated to transportation costs.</p>	Inland transport costs were identified for the like goods and allocated based on production levels.	Yes	Yes
Domestic packaging	The verification team understands that there is no difference in packaging costs for third country sales and domestic sales.	Evidence on how packaging costs were allocated to the like goods was gathered by the verification team in conducting a verification from which the benchmark was based, identifying that there are no differences on the type of packaging used between domestic and export sales.	No	No

Table 4 Assessment of adjustments

6.2 Adjustments

The verification team considers the following adjustments under section 269TAC(9) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic inland transport	Deduct an amount for domestic inland transport

Table 5 Summary of adjustments

PUBLIC RECORD

7 NORMAL VALUE

As stated, the application has claimed that the situation in the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). Where section 269TAC(2)(a)(ii) is satisfied, normal value may be constructed under section 269TAC(2)(c).

The verification team has not considered whether section 269TAC(2)(a)(ii) is satisfied. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that, in the event the normal value is determined under section 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9) are necessary to ensure that normal values are properly comparable with export prices.

8 DUMPING MARGIN

Normal values were not determined as part of the verification process. The verification team also notes that Nevinka has not exported the goods to Australia.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 2	Cost to make and sell
Confidential Attachment 1	Verification work program