

70 FR 37757, June 30, 2005

A-533-813  
AR: 2003-2004  
Public Document  
ADCVD/2: PLS

MEMORANDUM TO: Joseph A. Spetrini  
Acting Assistant Secretary  
for Import Administration

FROM: Barbara E. Tillman  
Acting Deputy Assistant Secretary  
for Import Administration

SUBJECT: Issues and Decision Memorandum for Final Results of the  
Antidumping Duty Administrative Review on Certain Preserved  
Mushroom from India - February 1, 2003, through January 31,  
2004

DATE: June 24, 2005

### **Summary**

We have analyzed the comments of the interested parties in the 2003-2004 administrative review of the antidumping duty order covering certain preserved mushrooms from India. As a result of our analysis of these comments, we have made changes in the margin calculations as discussed in the "Margin Calculations" section of this memorandum. We recommend that you approve the positions we have developed in the "Discussion of the Issues" section of this memorandum. Below is the complete list of the issues in this administrative review for which we received comments from parties:

### **Company-Specific Comments:**

#### **Agro Dutch**

- Comment 1: *Currency Identification of Agro Dutch's Transportation Insurance Expenses*
- Comment 2: *Currency Conversions in Agro Dutch's Comparison Market Computer Program*
- Comment 3: *Agro Dutch's Third-Country Billing Adjustment*
- Comment 4: *Omission of Third-Country Imputed Credit Expense in Normal Value Calculation*

#### **Flex Foods**

- Comment 5: *Calculation of Flex Foods' Fresh Mushroom Costs*
- Comment 6: *Calculation of Flex Foods' Financial Expense Ratio*

## **Background**

On March 4, 2005, the Department of Commerce published the preliminary results of the fifth administrative review of the antidumping duty order on certain preserved mushrooms from India. See Certain Preserved Mushrooms from India: Preliminary Results of Antidumping Duty Administrative Review, 70 FR 10579 (Preliminary Results). The products covered by this order are certain preserved mushrooms, whether imported whole, sliced, diced or as stems and pieces. The period of review (POR) is February 1, 2003, through January 31, 2004. We invited parties to comment on our preliminary results of review. On March 2, 2005, the Department issued a final supplemental questionnaire to Flex Foods Limited (Flex Foods), to which Flex Foods responded on March 22, 2005. Flex Foods filed a case brief on April 19, 2005. Agro Dutch Foods Ltd. (Agro Dutch) filed a case brief on April 20, 2005. The petitioner filed a rebuttal brief on April 27, 2005. On May 11, 2005, the Department issued a letter to Agro Dutch requesting additional information on its reporting of transportation insurance expenses. Agro Dutch submitted this information on May 18, 2005. The petitioner did not file comments on this submission.

## **Margin Calculations: Changes from the Preliminary Results**

We calculated export price (EP), normal value (NV), and cost of production (COP) using the same methodology described in the preliminary results, except as explained below:

### **Agro Dutch**

- We incorporated the transportation insurance expense data from Agro Dutch's original questionnaire response in our calculation in order to properly account for the expenses incurred on U.S. and Israeli sales. See Comment 1.
- We corrected programming errors in our preliminary results calculation affecting the currency conversions of certain expenses in the comparison market program. See Comment 2.
- We revised the third-country net price calculation in the comparison market program to subtract, rather than add, Agro Dutch's billing adjustment on certain third-country sales. See Comment 3.
- We corrected Agro Dutch's NV calculation to deduct third-country imputed credit expense in the margin calculation program. See Comment 4.
- We corrected an error in the calculation of NV where, in the preliminary results, we had inadvertently applied the currency conversion factor to the third-country billing adjustment that was already in U.S. dollars. See Memorandum to the File: Final Results Calculation Memorandum for Agro Dutch, June 24, 2005 (Final Results Calculation Memorandum for Agro Dutch).

### **Flex Foods**

Based on Flex Foods' March 22, 2005, response to the Department's March 2, 2005, post-preliminary results supplemental questionnaire, we made the following changes:

- We subtracted the raw material expense incurred for research and development from Flex Foods' reported total raw material costs, and added this item to the total of general and administrative (G&A) expenses used to calculate Flex Foods' G&A expense ratio. See Comment 5 below and Memorandum to the File: Flex Foods Limited Final Results Calculation Memorandum, June 24, 2005 (Flex Foods Final Results Calculation Memorandum).
- We subtracted the cost of raw materials consumed in the manufacturing of spawn sold to outside buyers from Flex Foods' total raw material costs. See Flex Foods Final Results Calculation Memorandum.
- We recalculated Flex Foods' farming costs, which were reported as part of Flex Foods' total material costs, to coincide with the POR by using the previously reported costs from Flex Foods' 2003-2004 financial statement period, then adding the data reported for February and March 2003, and deducting the data reported for February and March 2004. See Flex Foods Final Results Calculation Memorandum.

### **Discussion of the Issues**

#### **Comment 1:** *Currency Identification of Agro Dutch's Transportation Insurance Expenses*

In its case brief, Agro Dutch states that in its supplemental response submitted on August 23, 2004, it incorrectly reported the currency denomination of the transportation insurance expenses incurred on certain U.S. sales in dollars while they were actually reported in Indian rupees. Agro Dutch states that the obvious difference in the magnitude of the U.S. transportation insurance expenses reported between the first 99 sales in the U.S. sales listing and the remainder of the U.S. sales clearly demonstrates the currency denomination error. Agro Dutch asserts that the Department should correct this error in the final results, according to the information provided in Agro Dutch's case brief.

The petitioner responds in its rebuttal brief that Agro Dutch's purported correction to its U.S. insurance expenses should not be allowed because it is not supported by information on the record. While the petitioner acknowledges that there are considerable differences in the amount of insurance expenses reported on certain sales, the petitioner states that there is no supporting evidence that a currency reporting error accounts for the difference. The petitioner contends that the Department has previously differentiated between claims with and without evidentiary

support and should apply the same reasoning in this case. See Final Results of the Antidumping Duty New Shipper and Administrative Reviews on Certain Preserved Mushrooms from the People's Republic of China, 67 FR 46173, and attached Issues and Decision Memorandum at Comment 3 (July 12, 2002).

After reviewing the transportation insurance expense data on the record and the parties' comments, we observed that the same difference in magnitude existed between the transportation insurance expenses reported for certain third-country sales, which were all reportedly denominated in Indian rupees. Therefore, in order to obtain accurate information for the final results, on May 11, 2005, we issued a letter to Agro Dutch requesting that it provide additional information and documentation regarding the reporting of U.S. and third-country transportation insurance expenses. Agro Dutch submitted this information on May 18, 2005. Agro Dutch's submission provided the requested supporting documentation and additional information to indicate that it reported in its supplemental response some U.S. and third-country insurance expenses in U.S. dollars, and some in Indian rupees. In addition, Agro Dutch stated that its original U.S. and Israel sales listings submitted on June 4, 2004, reported all transportation insurance amounts correctly in Indian rupees. Thus, it points out, the correct figures are on the record for this review. As a result, Agro Dutch contends that the Department should rely on the transportation insurance expense data reported in the June 4, 2004, sales listings for the final results calculations.

The petitioner did not respond to Agro Dutch's May 18, 2005, submission.

DOC Position:

Based on our review of the data on the record, including the original and supplemental questionnaire response sales listings, and the May 18, 2005, submission by Agro Dutch, we concur with Agro Dutch that it incorrectly identified the currency for some of the transportation insurance expenses in the sales listings submitted with its supplemental questionnaire responses. As the transportation insurance expenses were reported correctly in the original sales listings submitted on June 4, 2004, we have revised our calculations to incorporate the transportation insurance expense data from these listings in order to properly account for this expense in our calculations of NV and EP.

Comment 2: *Currency Conversions in Agro Dutch's Comparison Market Computer Program*

Agro Dutch contends that the Department incorrectly applied currency conversions in portions of the net third-country price calculations in the comparison market program. To properly calculate the net third-country price in the comparison market program, Agro Dutch asserts that the Department should apply the computer program instructions contained in its brief.

The petitioner agrees with most of the currency conversions proposed by Agro Dutch; however, its analysis differs on how to apply the corrections properly in the computer program. The

petitioner suggests that the Department apply its programming recommendations for converting currencies in the comparison market program.

DOC Position:

We agree with Agro Dutch that we made certain currency conversion errors in the comparison market program. We have taken into consideration the programming recommendations of both Agro Dutch and the petitioner and have made the appropriate corrections to the comparison market program. For details, See Final Results Calculation Memorandum for Agro Dutch.

Comment 3: *Agro Dutch's Third-Country Billing Adjustment*

Agro Dutch contends that the Department incorrectly added, rather than subtracted, billing adjustments to calculate the third-country net sales price. To correctly account for these adjustments, Agro Dutch states that the Department should instead subtract them from the gross third-country price in its calculation of the net third-country price in the comparison market program.

The petitioner agrees with Agro Dutch's assertion.

DOC Position:

We agree that we erred in this instance by adding the third-country billing adjustments to calculate the net third-country sales price. In the standard comparison market computer program, the Department normally adds billing adjustments to the gross third-country price. After reviewing Agro Dutch's data, we determined that, due to the nature of the billing adjustments, as reported by the respondent, the amounts should be subtracted from the gross price in order to properly calculate the third-country net sales price. We have corrected the comparison market program accordingly, as described in Final Results Calculation Memorandum for Agro Dutch.

Comment 4: *Omission of Third-Country Imputed Credit Expense in Normal Value Calculation*

Agro Dutch alleges that the Department failed to deduct the imputed third-country credit expense in calculating the third-country price used for NV in the margin calculation program. For the final results, Agro Dutch contends that the Department should correct this error in its margin calculation.

The petitioner did not comment on this issue.

DOC Position:

We agree with Agro Dutch and have corrected the margin program accordingly, as described in Final Results Calculation Memorandum for Agro Dutch.

Comment 5: *Calculation of Flex Foods' Fresh Mushroom Costs*

In its February 8, 2005, response, while Flex Foods reported the cost to produce fresh mushrooms sold as preserved whole or sliced mushrooms in the home market using a weight-based methodology, it reported the cost of fresh mushrooms consumed to produce preserved mushroom "stems and pieces" sold to the United States as only ten percent of its reported costs to produce preserved whole or sliced mushrooms. Further, we were unable to reconcile the reported fresh mushroom costs to Flex Foods' 2003-2004 financial statement. Therefore, for the preliminary results, in accordance with our normal practice in this proceeding, we recalculated the fresh mushroom cost to reflect a single weight-based allocated cost for all mushrooms consumed to produce preserved mushrooms (i.e., regardless of mushroom style or market destination) based on Flex Foods' 2003 - 2004 financial statement data and other information in the response that we were able to reconcile with the financial statement. See Preliminary Results, 70 FR 10579, 10601. Subsequent to the preliminary results, in response to our request, on March 22, 2005, Flex Foods submitted additional information regarding the COP. Contrary to the Department's request, Flex Foods did not change its fresh mushroom cost allocation methodology and continued to allocate only ten percent of its total fresh mushroom costs to its U.S. sales of preserved mushroom "stems and pieces."

For the final results, Flex Foods argues that the Department should use its cost data as reported in its questionnaire responses, including its allocation of fresh mushroom costs for U.S. preserved mushroom "stems and pieces" sales. Flex Foods asserts that it responded to all of the Department's questionnaires as requested and explained the logic behind its fresh mushroom cost allocation methodology which values fresh mushrooms used to produce whole/sliced preserved mushrooms differently from those used to produce preserved mushroom "stems and pieces." Flex Foods maintains that the mushrooms used to produce the preserved mushroom "stems and pieces" sold to the United States, unlike those used to produce the whole/sliced preserved mushrooms sold in the home market, are low grade mushrooms that have no other use but as canned "stems and pieces" for the U.S. market.

The petitioner contends that the Department should continue to use a single cost for fresh mushrooms in accordance with the Department's established practice for relying on mushroom costs derived from a weight-based allocation methodology, as articulated in Notice of Final Determination of Sales at Less Than Fair Value: Certain Preserved Mushrooms from India, 63 FR 72246, 72249 (December 31, 1998) (LTFV Final Determination). The petitioner claims that, contrary to Flex Foods' assertion, Flex Foods has not followed the Department's instructions in the questionnaire and supplemental questionnaires to report one cost for growing a mushroom, whether it is sold as fresh, frozen, or canned. Further, the petitioner contends that, should the Department rely on Flex Foods' cost data reported in the March 22, 2005, response, it should recalculate the fresh mushroom costs using the raw material data in Annexure 2 of the March 22, 2005, response, which includes the research and development costs. The petitioner concludes that no other revisions to the Department's preliminary fresh mushroom cost calculation should be made because the remainder of the information in the March 22, 2005, submission is incomplete and cannot be relied upon.

DOC Position:

In the mushroom proceedings, the Department has consistently applied a weight-based methodology to allocate fresh mushroom growing costs, assigning the same cost to the fresh mushrooms grown by a respondent and used in the production of preserved mushrooms without regard to mushroom style (i.e., whole, sliced or “stems and pieces”). See LTFV Final Determination, 63 FR 72246, 72249 and Notice of Final Determination of Sales at Less Than Fair Value: Certain Preserved Mushrooms from Indonesia, 63 FR 72268, and attached Issues and Decision Memorandum at Comment 7 (December 31, 1998) (Mushrooms from Indonesia LTFV Final Determination). Flex Foods provided no evidence sufficient to warrant departure from this longstanding practice. Therefore, consistent with this longstanding practice, we have continued to calculate a single weighted-average cost of the grown fresh mushrooms used to produce the subject merchandise irrespective of mushroom style in the final results of this review. Furthermore, we have continued to value fresh mushrooms based on the preliminary results recalculation, adjusted to reflect certain additional information reported in Flex Foods’ March 22, 2005, submission where appropriate. Specifically, with respect to the research and development costs identified by the petitioner, we have subtracted these costs from the material cost calculation and included them in the calculation of the G&A expense ratio in accordance with our normal classification of these costs. See e.g. Notice of Final Determination of Sales at Not Less Than Fair Value: Low Enriched Uranium from the United Kingdom, Germany and the Netherlands, 66 FR 65886, and attached Issues and Decision Memorandum at Comment 19 (December 21, 2001). In addition, we have recalculated Flex Foods’ farming costs to coincide with the POR and subtracted the cost of spawn sold to outside buyers from the raw material cost because we consider the production and sale of spawn to outside buyers as a separate line of business not related to the production and sale of preserved mushrooms. See Mushrooms from Indonesia LTFV Final Determination at Comment 12. For a detailed description of the Department’s calculation of Flex Food’s total fresh mushroom material costs, see Flex Foods Final Results Calculation Memorandum.

Comment 6: *Calculation of Flex Foods’ Financial Expense Ratio*

In the preliminary results, the Department recalculated Flex Foods’ financial expense ratio to exclude the financial statement line items “Interest from Bank” and “Interest from Others,” which appeared to be short-term interest income items that may be used to offset financial expenses incurred during the POR.

The petitioner argues that line item “Interest from Others” may be income pertaining to long-term investments in commercial activities, and not short-term current accounts. As a result, the petitioner contends that “Interest from Others” should be classified as long-term interest income. As long-term interest income cannot be used to offset POR financial expenses (which reflect short-term financial expenses), the petitioner argues that the line item “Interest from Others” should be excluded from Flex Foods’ financial expense ratio calculation.

Flex Foods did not comment on this issue.

DOC Position:

The Department's practice is to offset financial expenses by short-term interest income generated from a company's working capital (i.e., cash and cash equivalent). See, e.g. Notice of Final Determination of Sales at Less Than Fair Value: Live Swine from Canada, 70 FR 12181 (March 11, 2005). There is no evidence in Flex Foods' 2003-2004 financial statement that the line item "Interest from Others" was earned from long-term, rather than short-term, assets. However, we observed that Flex Foods' financial statement includes significant cash and cash equivalents, which, in turn, would likely generate the short-term interest income reported under "Interest from Others." Accordingly, we find it reasonable to assume that "Interest from Others" is short-term interest income and, therefore, have not excluded it from the financial interest expense ratio calculation.

Recommendation

Based on our analysis of the comments received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the final results of review and the final weighted-average dumping margins for the reviewed firms in the Federal Register.

Agree \_\_\_\_

Disagree \_\_\_\_

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Joseph A. Spetrini  
Acting Assistant Secretary  
for Import Administration

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(Date)