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MEMORANDUM TO: James J. Jochum
Assistant Secretary
for Import Administration

FROM: Jeffrey A. May
Deputy Assistant Secretary
for Import Administration

SUBJECT: Issues and Decision Memorandum for the Final Results of the
Antidumping Duty New Shipper Review on Certain Preserved
Mushrooms from the People's Republic of China – February 1,
2003, through July 31, 2003

Summary

We have analyzed the comments of the interested parties in the new shipper review of the antidumping duty order covering certain preserved mushrooms from the People's Republic of China ("PRC"). 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 review for which we received comments from parties:

Issue 1: Surrogate Value for Tin Cans and Tin Lids
Issue 2: Distance for Tin Cans
Issue 2: Miscellaneous Corrections

Background

On July 28, 2004, the Department of Commerce ("the Department") published in the Federal Register the preliminary results of the seventh new shipper review of the antidumping duty order on certain preserved mushrooms from the People's Republic of China ("PRC"). See Certain Preserved Mushrooms from the People's Republic of China: Preliminary Results of the Seventh New Shipper Review, 69 FR 45012 (July 28, 2004) ("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 July 31, 2003. We provided parties with an opportunity to comment on our Preliminary Results.

Margin Calculations

We calculated export price and normal value (“NV”) using the same methodology stated in the preliminary results, except as follows:

1. In the Preliminary Results, we included a surrogate cost amount for leasing land in the total cost of manufacture based on the assumption that the 2002-2003 financial reports of the two surrogate Indian producers (i.e., Agro Dutch Foods Ltd. (“Agro Dutch”) and Flex Foods Ltd. (“Flex Foods”)) which we used to derive our surrogate financial ratios did not include this expense. However, after further considering this same issue in a recently completed administrative review, where we used the same financial data to derive surrogate financial ratios, we concluded that the 2002-2003 financial reports of Agro Dutch and Flex Foods should include any and/or all additional costs associated with producing fresh mushrooms (i.e., land lease costs and/or mushroom shed usage) even if these Indian producers do not in fact own the land used to grow fresh mushrooms. (See Certain Preserved Mushrooms from the People’s Republic of China: Final Results of Sixth Antidumping Duty New Shipper Review and Final Results and Partial Rescission of the Fourth Antidumping Duty Administrative Review, 69 FR 54635 (September 9, 2004) and its accompanying Issues and Decision Memorandum at Comment 3) (“PRC Mushrooms 4th AR/6th NSR”). In PRC Mushrooms 4th AR/6th NSR, we found that the land lease expense was included in the financial data of the Indian surrogate producers that we used to derive surrogate financial ratios and, as such, it was inappropriate to separately value the cost of the land lease. Therefore, in order to avoid double-counting in the final results of this new shipper review, we have removed the surrogate value amount for land lease from the total cost of manufacturing accordingly.
2. In the Preliminary Results, we included in the selling, general, and administrative expense (“SG&A”) calculation the expenses noted in line item 4 of Schedule 15 of Agro Dutch’s 2002-2003 financial report (i.e., “selling expenses-customs duties and others”). However, after further considering this same issue in PRC Mushrooms 4th AR/6th NSR, where we used the same financial data of Agro Dutch in our SG&A calculation, we concluded that the above-mentioned line item included customs duties, antidumping duty deposits and assessments paid by Agro Dutch, and/or freight/movement expenses because the context in which these expenses were reported in Agro Dutch’s financial report sufficiently identified them as non-selling expenses (see PRC Mushrooms 4th AR/6th NSR at Comment 9). Therefore, in the final results of this review, we have also removed from the calculation of Agro Dutch’s SG&A percentage the expenses included in the above-mentioned line item because these expenses are associated with customs duties and/or freight/movement expenses and, therefore, should not be considered as selling expenses.
3. We corrected the surrogate value for citric acid based on publicly available information submitted in the petitioner’s March 3, 2004, publicly available information submission.

4. We corrected Guangxi Hengxian's per-unit consumption factor for coal and the distances reported for salt and tape based on the Department's verification findings.
5. We corrected a calculation error by including the total surrogate cost for tin cans and tin lids in Guangxi Hengxian's total material costs.

Discussion of the Issues

Comment 1: Surrogate Value for Tin Cans and Tin Lids

The petitioner claims that the Department should have used a tin can and lid surrogate value calculated on a piece basis rather than on a kilogram basis to determine Guangxi Hengxian's tin can and lid material costs in the preliminary results. Specifically, because Guangxi Hengxian reported its consumption of 68-ounce cans in units of "kilograms of cans used" per kilogram net drained-weight content, the petitioner alleges that the Department should have used a tin can and lid surrogate value calculated on a piece basis to determine Guangxi Hengxian's tin can and lid costs.

Guangxi Hengxian maintains that the Department used the correct tin can and lid surrogate value (calculated on a kilogram basis) to determine its tin can and lid costs in the preliminary results.

Department's Position:

We disagree with the petitioner. Based on our verification findings, Guangxi Hengxian derived a kilogram weight of cans used in production (by multiplying the number of cans used by the weight of an empty can) and then divided that figure by the total kilogram drained-weight of 68-ounce canned mushrooms during the POR for purposes of reporting a per-kilogram amount for the cans and lids used to process 68-ounce canned mushrooms during the POR in its questionnaire response (see page 7 of exhibit 8D and page 21 of exhibit 8E of the Department's verification report for Guangxi Hengxian). Therefore, we do not find it appropriate to multiply the respondent's reported per-kilogram amount for the cans and lids used to process 68-ounce canned mushrooms by a piece-specific surrogate can/lid value. Rather, we find that in the preliminary results we correctly multiplied the respondent's per kilogram amount for cans and lids by a kilogram-specific surrogate can/lid value and have continued to do so in the final results.

Comment 2: Distance for Tin Cans

The petitioner alleges that in the preliminary results the Department used the incorrect distance for tin cans to determine Guangxi Hengxian's freight costs for this input based on data contained in the respondent's questionnaire response. Specifically, the petitioner asserts that the Department should have used the weighted-average distance which Guangxi Hengxian reported for all of its tin can suppliers, instead of the distance which Guangxi Hengxian reported for its

supplier of 68-ounce tin cans, to determine the respondent's freight costs for this input.

Guangxi Hengxian did not comment on this issue.

Department's Position:

We disagree with the petitioner that we used the incorrect tin can supplier distance to determine Guangxi Hengxian's freight costs for this input in the preliminary results. Specifically, Guangxi Hengxian reported the distances for this input on a supplier-specific and can-size-specific basis in its questionnaire response. At verification, the Department confirmed that Guangxi Hengxian only sold subject merchandise contained in 68-ounce can sizes to the United States during the POR. Because Guangxi Hengxian was able to demonstrate at verification that it sold only 68-ounce canned mushrooms to the United States during the POR, we continue to find it appropriate to use only the supplier distance which it reported for 68-ounce cans, instead of the weighted-average distance which it reported for all of its can suppliers, to derive the freight costs for this input in the final results.

Comment 3: *Miscellaneous Corrections*

The petitioner alleges certain clerical errors with respect to the calculation of specific surrogate values (*i.e.*, citric acid) used by the Department in the Preliminary Results. In addition, the petitioner alleges clerical errors with respect to the amounts the Department used for certain factors (*i.e.*, coal) and distances (*i.e.*, salt and tape) to derive the respondent's NV in the Preliminary Results. Finally, the petitioner alleges clerical errors with respect to the Department not including tin can and tin lid costs in total material costs to derive the respondent's NV in the Preliminary Results.

Department's Position:

With respect to the clerical errors noted above by the petitioner, we agree and have corrected them accordingly in the final results margin calculation. See "Margin Calculations" section above.

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 this review and the final weighted-average dumping margin for the reviewed firm in the Federal Register.

Agree _____

Disagree _____

Joseph A. Spetrini
Acting Assistant Secretary
for Import Administration

(Date)