Certain Preserved Mushrooms from Chile, China, India, and Indonesia

Investigations Nos. 731-TA-776 - 779 (Preliminary)

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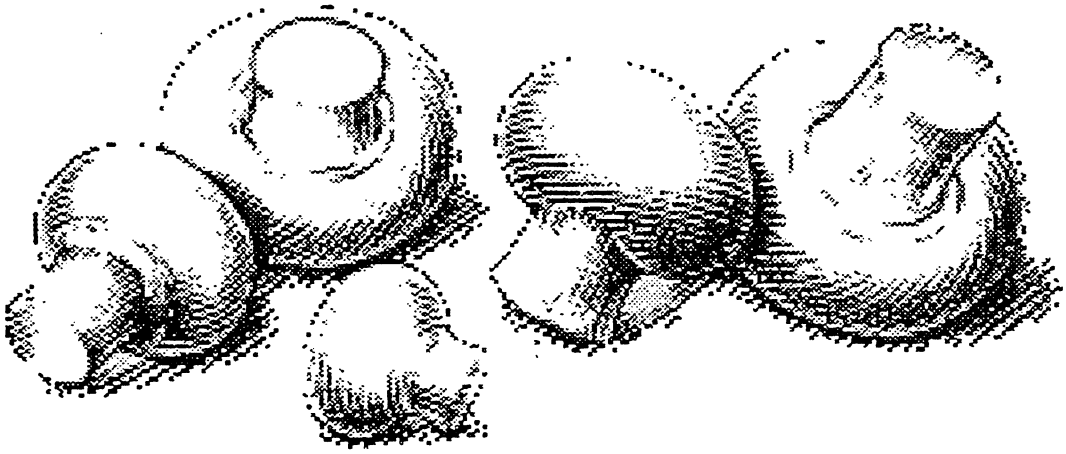
U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-776-779 (Preliminary)

CERTAIN PRESERVED MUSHROOMS FROM
CHILE, CHINA, INDIA, AND INDONESIA

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Chile, China, India, and Indonesia of certain preserved mushrooms,[2] provided for in subheadings 0711.90.40, 2003.10.27, 2003.10.31, 2003.10.37, 2003.10.43, 2003.10.47, and 2003.10.53 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules upon notice from the Department of Commerce (Commerce) of an affirmative preliminary determination in any of the investigations under section 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of an affirmative final determination in any of the investigations under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

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[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] For purposes of these investigations, certain prepared mushrooms are of the species *Agaricus bisporus* and *Agaricus bitorquis*, whether imported whole, sliced, diced, or as stems and pieces. "Preserved mushrooms" refers to mushrooms that have been prepared or preserved by cleaning, blanching, and sometimes slicing or cutting. These mushrooms are then packed and heated in containers, including but not limited to cans or glass jars, in a suitable medium that may include, but is not limited to, water, brine, or butter (or butter sauce). Included within the scope of the investigations are "brined" mushrooms, which are presalted and packed in a heavy salt solution to provisionally preserve them for further processing. Excluded from the scope of the investigations are: (1) all other species of mushroom, including straw mushrooms; (2) all fresh and chilled mushrooms, including "refrigerated" or "quick blanched" mushrooms; (3) dried mushrooms; (4) frozen mushrooms; and (5) "marinated," "acidified," or "pickled" mushrooms, which are prepared or preserved by means of vinegar or acetic acid, but may contain oil or other additives.

BACKGROUND

On January 6, 1998, a petition was filed with the Commission and the Department of Commerce by the Coalition for Fair Preserved Mushroom Trade,[3] alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of certain preserved mushrooms from Chile, China, India, and Indonesia. Accordingly, effective January 6, 1998, the Commission instituted antidumping investigations Nos. 731-TA-776-779 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of January 16, 1998 (63 FR 2693). The conference was held in Washington, DC, on January 27, 1998, and all persons who requested the opportunity were permitted to appear in person or by counsel.

[3] The Coalition's member firms are L.K. Bowman, Inc., Nottingham, PA; Modern Mushroom Farms, Inc., Toughkenamon, PA; Monterey Mushrooms, Inc., Watsonville, CA; Mount Laurel Canning Corp., Temple, PA; Mushroom Canning Co., Kennett Square, PA; Sunny Dell Foods, Inc., Oxford, PA; and United Canning Corp., North Lima, OH.

VIEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain preserved mushrooms from Chile, China, India, and Indonesia that allegedly are sold in the United States at less than fair value ("LTFV").

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, or threatened with material injury, by reason of the allegedly LTFV imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission first defines the "domestic like product" and the "industry."[3] Section 771(4)(A) of the Tariff Act of 1930 as amended ("the Act") defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[4] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[5]

Our decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[6] No single factor is dispositive, and the Commission

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[1] 19 U.S.C. § 1673b(a); *see also* American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986); Calabrian Corp. v. United States, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

[2] American Lamb, 785 F.2d at 1001; *see also* Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] 19 U.S.C. § 1677(4)(A).

[4] *Id.*

[5] *Id.* at § 1677(10).

[6] *See, e.g.*, Nippon Steel Corp. v. United States, 19 CIT __, Slip Op. 95-57 at 11 (Apr. 3, 1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. *See* Nippon Steel at 11, n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

may consider other factors it deems relevant based on the facts of a particular investigation.[7] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[8] Although the Commission must accept the determination of Commerce as to the scope of the imported merchandise allegedly sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[9]

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations, as:

> [C]ertain preserved mushrooms whether imported whole, sliced, diced, or as stems and pieces. The preserved mushrooms covered by the scope of this investigation are the species *Agaricus bisporus* and *Agaricus bitorquis*. "Preserved mushrooms" refer to mushrooms that have been prepared or preserved by cleaning, blanching, and sometimes slicing or cutting. These mushrooms are then packed and heated in containers including but not limited to cans or glass jars, in a suitable liquid medium that may include but is not limited to water, brine, butter or butter sauce. Preserved mushrooms may be imported whole, sliced, diced, or as stems and pieces. Included within the scope of the investigation are "brined" mushrooms, which are presalted and packed in a heavy salt solution to provisionally preserve them for further processing.[10]

Commerce also excluded the following products from the scope of these investigations:

> (1) all other species of mushroom including straw mushrooms; (2) all fresh and chilled mushrooms, including "refrigerated" or "quick blanched"; (3) dried mushrooms; (4) frozen mushrooms; and (5) "marinated," "acidified" or "pickled" mushrooms, which are prepared or preserved by means of vinegar or acetic acid, but may contain oil or other additives.[11]

The imported products covered by these investigations are preserved mushrooms packed in a suitable liquid medium and sold in glass jars or, more commonly, in cans.[12] Preserved mushrooms are produced from harvested fresh mushrooms by washing, blanching, sometimes slicing, packing and heating

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[7] *See, e.g.*, S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[8] Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991).

[9] Hosiden Corp. v. Advanced Display Manufacturers, 85 F.3d 1561 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

[10] 63 Fed. Reg. 5360, 5361 (February 2, 1998). Commerce also stated that "[t]he merchandise subject to these investigations is classifiable under subheadings 2003.10.27, 2003.10.31, 2003.10.37, 2003.10.43, 2003.10.47, 2003.10.53, and 0711.90.4000 of the Harmonized Tariff Schedule of the United States ("HTS"). Although the HTS subheadings are provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive."

[11] *Id.*

[12] Petition at 11-12. Confidential Staff Report ("CR") at I-2. Public Staff Report ("PR") at I-2.

to commercial sterility.[13] This process imparts the shelf life desired, but also alters the color, texture, smell, and mutes the flavor of the mushrooms as compared to the fresh product.[14] Preserved mushrooms require no refrigeration and have a shelf-life of up to three years.[15] Preserved mushrooms are used generally as ingredients in prepared foods such as soups, gravies, sauces, pizzas and entrees.[16]

C. Domestic Like Product Issues In These Investigations

At issue in these investigations is whether we should include within the domestic like product certain categories of domestically produced merchandise in addition to those included by Commerce in the scope of its investigations. Although petitioners contend that the like product should be coextensive with the scope, respondents have argued that the like product should also include fresh mushrooms and marinated, acidified and pickled mushrooms, as well as the preserved mushrooms described in Commerce's scope language. Consequently in the following sections we consider the issues of whether the like product should include: 1) fresh and chilled mushrooms; and 2) marinated, acidified, and pickled mushrooms.[17]

For the reasons discussed below, we find a single domestic like product, certain preserved mushrooms, consisting of all products corresponding to the scope description.

1. Whether Fresh and Chilled Mushrooms Should be Included in the Same Like Product as Certain Preserved Mushrooms

a. Physical Characteristics and Uses

Preserved mushrooms have substantially different physical characteristics from fresh and chilled mushrooms. Whereas fresh and chilled mushrooms are white to light tan in color, preserved mushrooms are a darker brown to grey.[18] The preserving process also imparts a different texture to preserved mushrooms.[19] Fresh mushrooms are almost exclusively sold as whole mushrooms. Although preserved mushrooms may be sold as whole mushrooms, most are sold as stems and pieces.[20] Indeed, a fresh mushroom may be identified for preserving, rather than for sale as a fresh mushroom, precisely because it is broken, for example, in the picking process.[21] Fresh and chilled mushrooms have a different flavor both from each other and from preserved mushrooms. The distinct acid taste of chilled mushrooms greatly

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[13] Transcript of Preliminary Conference ("Conf. Tr.") at 13-15. CR at I-3-I-4; PR at I-2-I-3.

[14] Petition at 11-12.

[15] Conf. Tr. at 15. CR at I-2; PR at I-2.

[16] Conf. Tr. at 15-16. CR at I-2; PR at I-2.

[17] In general, when making a like product determination, Vice Chairman Bragg first attempts to identify a domestic product that is "like" the merchandise subject to the scope of the investigation as identified by Commerce, and only in the absence of a product that is "like" the subject merchandise does she attempt to identify a product that is "most similar in characteristics and uses." For purposes of these preliminary determinations, Vice Chairman Bragg joins the majority in finding that the domestic like product is limited to certain preserved mushrooms.

[18] CR at I-4-I-5; PR at I-3-I-4; Conf. Tr. at 13 and 15.

[19] CR at I-5; PR at I-3; Conf. Tr. at 15.

[20] CR at I-2; PR at I-2. 75 percent of preserved mushrooms, and 95 percent of those sold to food service and industrial customers, are sold as stems and pieces. CR at II-1; PR at II-1.

[21] Conf. Tr. at 58.

limits their end use to an ingredient in a tomato-based product.[22] Finally, the preserving process gives preserved mushrooms a shelf-life of up to three years, as compared to a few days for fresh mushrooms, or a few months for chilled mushrooms.[23] This difference in shelf-life, in turn, influences other factors in the Commission's analysis, as discussed below.

b. Interchangeability

There appears to be some interchangeability between fresh, chilled and preserved mushrooms as evidenced by an instance of a large pizza chain which recently switched from purchasing preserved to fresh mushrooms.[24] Pillsbury has also supplied a telephone marketing survey in which household consumers indicated that there was some overlap in uses between fresh and "canned" mushrooms.[25] Additionally, 13 of 23 responding importers cited fresh mushrooms as a substitute for certain preserved mushrooms, although none of the responding U.S. producers held this view.[26] Because of the distinctive acid flavor imparted by the packing solution, there appears to be little interchangeability between chilled mushrooms and certain preserved mushrooms, as chilled mushrooms are only useful as an ingredient in tomato based products.[27]

c. Channels of Distribution

Fresh mushrooms are distributed largely to supermarkets through the retail produce channel of distribution. Other fresh mushrooms are sent to repackers for eventual sale in the produce section of supermarkets.[28] Preserved mushrooms, on the other hand, are sold in supermarkets as dry goods, and are also sold to food service distributors and directly to industrial food processors.[29] These differing channels of distribution are largely a result of the differing perishability of the two products.[30] There does appear to be some overlap between the channels of distribution for chilled and preserved mushrooms in that chilled mushrooms are mainly sold to food service distributors, which is also a major channel of distribution for preserved mushrooms.[31]

d. Common Manufacturing Facilities, Employees and Methods

Fresh, chilled and preserved mushrooms are produced using different manufacturing facilities, employees and methods.[32] While manufacturers may produce both chilled and preserved mushrooms, those

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[22] *Id.* at 18.
[23] *Id.* at 17-18.
[24] Nature's Farm Postconference Brief at 10; Conf. Tr. at 81.
[25] Pillsbury Postconference Brief, exhibit 1.
[26] CR at II-5; PR at II-4.
[27] CR at I-5; PR at I-4; Petitioners' Postconference Brief at 6-7; Conf. Tr. at 18.
[28] CR at I-5; PR at I-3; Petitioners' Postconference Brief at 7.
[29] CR at I-2-I-3; PR at I-2.
[30] Conf. Tr. at 16-17.
[31] CR at I-5-I-6; PR at I-4; Petitioners' Postconference Brief at 7. However, chilled mushrooms must be distributed in refrigerated conditions. *Id.*
[32] CR at I-5; PR at I-4; Conf. Tr. at 18-19.

operations are separated from each other, at the latest, after the blanching procedure. After this stage, separate lines and processes are used to produce chilled and preserved mushrooms.[33]

e. Producer and Customer Perceptions

Customers and producers perceive significant differences between fresh and preserved mushrooms.[34] The switch from preserved to fresh mushrooms by a major pizza maker, which respondents cite as an indication of interchangeability, was driven largely by a consumer perception that fresh mushrooms are better than preserved mushrooms.[35] The significant differences in physical characteristics discussed above also contribute to differing customer and producer perceptions. Finally, the differences in perishability between fresh and preserved mushrooms also lead to different perceptions of the two products.[36] Customers also perceive chilled mushrooms to be distinct from certain preserved mushrooms, and are mindful of the necessary refrigeration of chilled mushrooms.[37]

f. Price

Finally, parties agree that the prices of these products differ substantially, with the fresh produce being much more expensive than the preserved mushrooms.[38]

g. Semi-Finished Products Analysis

We also considered whether fresh mushrooms are the same like product as preserved mushrooms, viewing fresh mushrooms as a "semi-finished" version of preserved mushrooms. We employ a semifinished product analysis rather than our traditional analysis when analyzing whether a product at an earlier stage of its production process is "like" a finished or further processed product. Under this analysis, the Commission examines: (1) whether the upstream article is dedicated to the production of the downstream article, or has independent uses; (2) whether there are perceived to be separate markets for the upstream and downstream articles; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) differences in the costs or value of the vertically differentiated articles; and (5) significance and extent of the processes used to transform the upstream into the downstream articles.[39]

The record indicates that the upstream article, fresh mushrooms, is not dedicated to the production of canned mushrooms. Rather, as respondents themselves indicate, fresh mushrooms are sold in substantial quantities as a fresh product,[40] and are also used in making products other than certain preserved

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[33] CR at I-5-I-6; PR at I-4; Petitioners' Postconference Brief at 8. Conf. Tr. at 19.
[34] Conf. Tr. at 16-17.
[35] CR at II-4-II-5; PR at II-3; Conf. Tr. at 78.
[36] Conf. Tr. at 17.
[37] CR at I-6; PR at I-4.
[38] Nature's Farm Postconference Brief at 13.
[39] Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan, Inv. No. 731-TA 736 and 737 (Final), USITC Pub. 2988 (Aug. 1996) at 6 n.23.
[40] Nature's Farm Postconference Brief at exhibit 14.

mushrooms.[41] The record indicates that only 28.7 percent of fresh mushrooms is used for processing of any type, and that percentage has been shrinking.[42]

As discussed above, there are also different markets for fresh mushrooms and for certain preserved mushrooms. Fresh mushrooms are sold largely as fresh produce in supermarkets, while preserved mushrooms are sold in supermarkets as dry goods, and are sold to food service distributors and industrial food processors.[43] There are also significant differences in the physical characteristics between the two products, as discussed under the six-factor analysis, above.

Parties disagree with regard to the amount of value added to canned mushrooms by the canning process. Although respondents alleged that the canning process only added between 9 and 15 percent to the value of the canned mushrooms,[44] this statement conflicts with information provided by petitioners, and confirmed by questionnaire responses, showing that the fresh mushrooms account for a much smaller percentage of producers' total manufacturing costs.[45]

Finally, production of processed mushrooms from fresh mushrooms requires significant and extensive additional operations.[46] This production requires the additional steps of washing, blanching, adding solution, canning sealing, retorting and labeling. All of these steps require specialized equipment and separate employees.[47]

h. Conclusion

While there may be some interchangeability between the two products, fresh mushrooms and preserved mushrooms have substantially different physical characteristics, channels of distribution and customer perceptions. Further, fresh mushrooms are not dedicated to the production of certain preserved mushrooms. Therefore, applying both the traditional six-factor analysis and the semi-finished product analysis, we find that fresh mushrooms are not included within the like product of these investigations.

2. Whether Marinated, Acidified and Pickled Mushrooms Should be Included in the Same Like Product as Certain Preserved Mushrooms

Marinated, acidified and pickled mushrooms ("marinated mushrooms") have been included in prior investigations of preserved mushrooms, including the prior antidumping investigation.[48] Commerce, however, has excluded these products from the scope of its investigation.[49]

a. Physical Characteristics and Uses

Although there is conflicting information on this issue, there is some overlap of physical characteristics between marinated, acidified and pickled mushrooms, and certain preserved mushrooms.

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[41] CR at I-3; PR at I-2.

[42] CR at I-3; PR at I-2; Petition, Exhibit G-1; Nature's Farm Postconference Brief at 10.

[43] Petitioners' Postconference br, at 7.

[44] Conf. Tr. at 88.

[45] CR at I-5, n. 13.; PR at I-3, n. 13; *See also*, Petition, exhibits A-6-A-11.

[46] CR at I-3-I-4; PR at I-2-I-3.

[47] CR at I-3-I-4; PR at I-2-I-3.

[48] *See*, Canned Mushrooms from the People's Republic of China, Inv. No. 731-TA-115 (Preliminary), USITC Pub. 1089, at A-3 (1982).

[49] 63 Fed. Reg. at 5361.

The products are produced through a similar procedure.[50] Petitioners themselves have argued that it is this procedure that is responsible for the color and texture of preserved mushrooms.[51] Additionally, both certain preserved mushrooms and marinated mushrooms have extended shelf lives, compared to fresh and chilled mushrooms.[52] On the other hand, marinated mushrooms have a distinctive flavor imparted by the marinade that may limit their use in certain applications.[53] However, while this flavor difference may limit use of marinated mushrooms in cooking, other preserved mushrooms within the like product, such as mushrooms in butter sauce, also have a unique flavor that may limit their uses.[54] Further, whole preserved mushrooms, particularly those sold in jars, are marketed based upon their attractive appearance, and may, like marinated mushrooms, also be used as appetizers, side dishes or garnishes.[55] While marinated mushrooms are usually sold whole, rather than the stems and pieces typical of preserved mushrooms, the highest quality preserved mushrooms are also sold as whole mushrooms.[56]

b. Interchangeability

The distinctive flavor of marinated mushrooms limits their interchangeability with most preserved mushrooms used as an ingredient in prepared foods.[57] However, whole preserved mushrooms may be used for many of the same applications as marinated mushrooms: *e.g.*, as appetizers, side dishes or garnishes.[58]

c. Channels of Distribution

There is an overlap in the channels of distribution for certain preserved mushrooms and marinated mushrooms in that both are sold to supermarkets for resale as dry goods. Additionally, both are sold to food service distributors.[59] However, marinated mushrooms are not sold to industrial food processors, as are certain preserved mushrooms.[60]

d. Common Manufacturing Facilities, Employees and Methods

There is little overlap between the producers of marinated mushrooms and certain preserved mushrooms. ***.[61] However, the production equipment and methods are identical for both products. Both products must undergo cleaning, blanching, adding of solution, sealing and retorting.[62] Although marinated mushrooms are most often packed in glass jars rather than cans, certain preserved mushrooms may also be

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[50] CR at I-7; PR at I-4-I-5; Pillsbury Postconference Brief at 3.
[51] Petition at 68; Conf. Tr. at 15.
[52] CR at I-7; PR at I-4.
[53] CR at I-6; PR at I-4; Conf. Tr. at 20.
[54] Pillsbury Postconference Brief at 4.
[55] CR at II-1; PR at II-1.
[56] CR at II-1; PR at II-1; Pillsbury Postconference Brief at 5.
[57] CR at II-5; PR at II-4. No responding party cited marinated, acidified or pickled mushrooms as a substitute for certain preserved mushrooms.
[58] Additionally, Pillsbury has presented evidence that indicates some perceived interchangeability between preserved and marinated mushrooms among consumers. Pillsbury Postconference Brief at exhibit 1.
[59] Petitioners' Postconference Brief at 16.
[60] *Id. See also*, Pillsbury Postconference Brief at 5.
[61] CR at I-7; PR at I-4; Petitioners' Postconference Brief at 17.
[62] CR at I-7; PR at I-4-I-5.

packed in jars.[63] Finally, the retorting process may not be as extensive for marinated mushrooms because the marinade acts as a preservative.[64]

e. Producer and Customer Perceptions

As with interchangeability, while producers and customers do not perceive the bulk of preserved mushrooms as being similar to marinated mushrooms, there may be similar perceptions for the highest grades of certain preserved mushrooms.[65]

f. Price

The record contains no information on the relative price of marinated, acidified or pickled mushrooms compared to the price of certain preserved mushrooms.

g. Conclusion

Some physical characteristics of marinated, acidified and pickled mushrooms are similar to those of certain preserved mushrooms. Additionally, the manufacturing process is very similar for these two products, and there is some overlap in the channels of distribution. However, on the whole there is little interchangeability, with consumers perceiving the two products differently. There are also differences in physical characteristics, particularly taste, between the two products. Consequently, for purposes of these preliminary determinations we find that marinated, acidified and pickled mushrooms are not within the like product subject to these investigations. However, during any final investigations we intend to gather more information on this issue.

D. Domestic Industry

The Commission is directed to consider the effect of the subject imports on the domestic industry, defined as "the producers as a [w]hole of a domestic like product."[66] In defining the domestic industry, the Commission's general practice has been to include in the industry all of the domestic production of the like product, whether toll produced, captively consumed, or sold in the domestic merchant market.[67]

Petitioners contend that the domestic industry should be limited to domestic producers of certain preserved mushrooms. Respondents have asserted that the special provision for processed agricultural products contained in section 771(4)(E) of the Act applies, and that growers of fresh mushrooms should be included within the industry producing certain preserved mushrooms. In cases involving processed agricultural products, section 771(4)(E) of the Act authorizes the Commission to include growers of a raw agricultural input within the domestic industry producing the processed agricultural product if the processed agricultural product is produced from the raw product[68] through a single continuous line of

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[63] CR at I-2; PR at I-2.

[64] CR at I-6; PR at I-4.

[65] Pillsbury Postconference Brief at exhibit 1; *but see* CR at II-5; PR at II-4.

[66] 19 U.S.C. § 1677(4)(A).

[67] *See*, United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), *aff'd*, 96 F.3d 1352 (Fed. Cir. 1996).

[68] "Raw agricultural product" is defined as any farm or fishery product. 19 U.S.C. §1677(40(E)(iv).

production, and there is a substantial coincidence of economic interest between the growers and producers of the processed product based upon relevant economic factors.[69] The processed product shall be considered to be processed from the raw product in a single continuous line of production if the raw agricultural product is substantially or completely devoted to the production of the processed agricultural product, and the processed agricultural product is produced substantially or completely from the raw product.[70]

The information obtained in these preliminary investigations indicates that the processed agricultural product is not produced from the raw product through a single continuous line of production. Specifically, less than 30 percent of fresh mushrooms was processed in any manner.[71] The remaining 70 percent of fresh mushrooms was sold as fresh mushrooms. Thus, the raw agricultural product, fresh mushrooms, is not substantially or completely devoted to the production of the processed agricultural product, certain preserved mushrooms.[72] Consequently, we decline to include fresh mushroom growers in the domestic industry producing certain preserved mushrooms.[73]

E. Related Parties

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B).

In these investigations, ***.[74] Because ***, it meets the definition of a related party. Accordingly, the Commission must consider whether appropriate circumstances exist to exclude *** from the domestic industry.[75]

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[69] 19 U.S.C. §1677(4)(E)(i).

[70] 19 U.S.C. § 1677(4)(E)(ii).

[71] CR at I-3; PR at I-2.

[72] The Commission must determine whether the portion of the raw agricultural product destined for processing is "substantial" on a case-by-case basis. We note, however, that in Canned Pineapple Fruit from Thailand, Inv. No. 731-TA-706 (Final), USITC Pub. 2907, at II-4, n. 10, cited by many of the parties here, the Commission found that section 771(4)(E) was not satisfied even though 65 percent of fresh pineapple was used for processing. However, in that case information on the record indicated that much of the pineapple destined for processing was processed into products other than canned pineapple, *e.g.* pineapple juice. Therefore, in concluding that the amount of pineapple processed into canned pineapple was not "substantial," the Commission was considering a figure lower than 65 percent.

[73] Pillsbury also raised the issue of whether manufacturers who import mushrooms which have been provisionally preserved in heavy brine ("brined mushrooms") and use them to produce the domestic like product should be considered a part of the domestic industry. Pillsbury Postconference Brief at 7-14. However, information gathered in these preliminary investigations indicates that there were no imports of brined mushrooms during the period of investigation, and thus no manufacturers engaged in the activity referred to by Pillsbury. CR at I-8, n. 34; PR at I-5, n. 34. Consequently this issue is moot.

[74] CR at III-2; PR at III-1.

[75] 19 U.S.C. § 1677(4)(B). Factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the percentage of domestic production attributable to the importing producer; the reason the U.S. producer has decided to import the product subject to investigation; whether inclusion or exclusion of the related party will skew the data for the rest of the industry; the ratio of import shipments to U.S. production for related producers; and whether the primary interest of the related producer lies in domestic production or importation. *See, e.g.*, Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). *See also* Engineered Process Gas Turbo-Compressor

(continued...)

In 1996, *** of domestic production of certain preserved mushrooms.[76] Further, ***.[77] [78] While the financial data obtained in these preliminary investigations indicate that *** and does not skew the overall industry data.[79] Moreover, ***.[80] This, in turn, suggests that *** primary interest lies in domestic production. On balance we find that appropriate circumstances do not exist for excluding this producer from the domestic industry.

III. CUMULATION

Section 771(7)(G)(i) requires the Commission to cumulate imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the United States market.[81] There is no dispute that the petitions on all four countries were filed on the same day. The only cumulation issue is whether the subject imports compete with each other and with the domestic like product. In assessing whether imports compete with each other and with the domestic like product,[82] the Commission has generally considered four factors, including:

(1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
(2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
(3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
(4) whether the imports are simultaneously present in the market.[83]

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[75] (...continued)
Systems from Japan, Inv. No. 731-TA-748 (Final), USITC Pub. 3042 (June 1997) at 10 n.26.

[76] CR at VI-3; PR at VI-1.

[77] CR at III-2; PR at III-1.

[78] Based on this information, Commissioner Crawford finds that *** primary interest lies in production, not importation, and thus should not be excluded from the domestic industry.

[79] CR at VI-3 and table VI-2; PR at VI-1.

[80] CR at III-2; PR at III-1.

[81] 19 U.S.C. § 1677(7)(G)(i). There are four exceptions to the cumulation provision, none of which applies to these investigations. *See id.* at 1677(7)(G)(ii).

[82] The Statement of Administrative Action submitted to Congress in connection with the Uruguay Round Agreements Act (P.L. 103-465, approved Dec. 8, 1994) expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." Uruguay Round Agreements Act, Statement of Administrative Action, H.R. Doc. 316, Vol. 1, 103d Cong., 2d Sess. (1994)("SAA") at 848 *citing* Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), *aff'd* 859 F.2d 915 (Fed. Cir. 1988).

[83] *See* Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), *aff'd*, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.[84] Only a "reasonable overlap" of competition is required.[85] [86]

For purposes of these preliminary determinations we find a sufficient degree of fungibility among subject imports from all four countries. The record at this stage reveals little physical differentiation among certain preserved mushrooms from the four subject countries. Although there have been historical quality-control problems at the facilities of both domestic and foreign producers, such problems largely appear to be a thing of the past.[87] All of the domestic producers and a majority of the responding importers stated in their responses that certain preserved mushrooms were interchangeable regardless of whether they were sourced from domestic producers or from any of the subject countries.[88] In any final phase investigations, however, parties are invited to provide further evidence to support their allegations of physical and quality differences, as well as further evidence of customers' perceptions of differences between imports from the various subject countries.

Channels of distribution for imports from the various subject countries differ somewhat. The market for certain preserved mushroom in the United States is divided among three distinct channels of distribution: retail, food service and industrial users. While, contrary to arguments by the respondents, the record for these investigations indicates that imports from all countries were sold to customers in the food service sector, evidence reveals that only *** percent of imports from India and 7.4 percent of imports from Indonesia were sold to this sector, which was the predominant focus of imports from Chile. Imports from China largely are sold to the food service and retail sectors, while the U.S. producers sold in all three sectors.[89] In any final phase investigations we intend to review the significance of this pattern of differing channels of distribution for imports from the subject countries. In particular, parties are invited to address the issues of: the appropriate threshold for finding the existence of "common or similar channels of distribution" in these investigations; whether the Commission may find a reasonable overlap of competition among four countries based upon one country's (in this case China's) overlap with the other three; and whether the Commission should find a reasonable overlap of competition, despite limited overlap in channels of distribution, where the other three criteria for analyzing the competition requirement are met.

The parties do not dispute that imports from the subject countries have been present in the U.S. market throughout the period of investigation.[90] They also agree that subject imports from all four countries were sold in the same geographic markets.

Based on the indication in the record at this time of the general fungibility among the subject imports and the domestic like product, sales in the same geographical market, at least limited overlap in channels of distribution, and simultaneous presence of all the subject imports in the U.S. market during the period of investigation, we find a reasonable overlap of competition among imports from Chile, China, India, and Indonesia and the domestic like product for purposes of these preliminary determinations.

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[84] *See, e.g.*, Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[85] *See* Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685-86 (Ct. Int'l Trade 1994), *aff'd*, 96 F.3d 1352 (Fed. Cir. 1996).

[86] Commissioner Crawford finds that there is no reasonable overlap of competition between subject imports from Chile and subject imports from India or Indonesia. Consequently, she does not cumulate subject imports from these countries. *See*, Views of Commissioner Carol T. Crawford, *infra*.

[87] CR at I-8; PR at I-5. However, because of contamination found in imports from China in 1990, such imports are subject to inspection by the FDA.

[88] CR at I-8-I-9; PR at I-6.

[89] CR and PR at table I-1.

[90] CR and PR at table I-2.

Consequently, we cumulate the subject imports from Chile, China, India, and Indonesia for purposes of analyzing whether there is a reasonable indication that the domestic industry is materially injured by reason of the LTFV imports from these countries.[91]

IV. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

In preliminary antidumping investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the allegedly LTFV imports under investigation.[92] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[93] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[94] Although the Commission may consider causes of injury to the industry other than the allegedly LTFV imports,[95] it is not to weigh causes.[96] [97]

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[91] Although determining to cumulate the subject imports for purposes of these preliminary investigations, Chairman Miller takes particular note that prices for subject imports from Chile, India, and Indonesia are generally higher than prices for preserved mushrooms from China. She also notes the level and frequency of overselling by the imports from Chile, India, and Indonesia vis-a-vis the domestic product. Finally, she takes note of the decline in import volume and market share for Chile. In any final investigation, Chairman Miller requests the parties to address the appropriateness of cumulation in light of these economic factors.

[92] 19 U.S.C. § 1673b(a).

[93] 19 U.S.C. § 1677(7)(A).

[94] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination," but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[95] Alternative causes may include the following:

> [T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

[96] *See, e.g.,* Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

[97] Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of LTFV imports, not by reason of the LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider. information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979). However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. *Id.* at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 96-249 at 74 (1979). Rather, it is to determine whether any injury "by reason of" the LTFV imports is material. That is, the Commission must determine if the

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In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of allegedly LTFV imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[98] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[99] [100]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing certain preserved mushrooms is materially injured by reason of allegedly LTFV imports from Chile, China, India, and Indonesia.

A. Conditions of Competition[101]

As noted above, a significant condition of competition for this industry is the division of the market for certain preserved mushrooms among three segments: retail, food service and industrial users.[102] Retail customers (*e.g.* supermarkets and grocery distributors) purchase certain preserved mushrooms primarily in 4- and 8-ounce cans or jars, while food service and industrial users purchase 1-pound and "number 10" cans that contain between 62 and 68 ounces.[103] During 1996, the retail, food service, and industrial users consumed 42.6, 36.7 and 20.7 percent, respectively, of domestic production of certain preserved mushrooms.[104]

Over the past 30 years, the domestic consumption of mushrooms has shifted steadily from preserved to fresh mushrooms, although consumption of both of these products has increased.[105] This shift in consumption from preserved to fresh mushrooms continued, although only modestly, during the period of

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[97] (...continued)
subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added); Gerald Metals v. United States, 132 F.3d 716 (Fed. Cir. 1997).

For a detailed description of Commissioner Crawford's analytical framework, *see* Views of Commissioner Carol T. Crawford, *infra*. Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the "statutory language fits very well" with Commissioner Crawford's mode of analysis, expressly holding that her mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports. United States Steel Group v. United States, 96 F.3d 1352, 1361 (Fed. Cir. 1996), *aff'g* 873 F. Supp. 673, 694-95 (Ct. Int'l Trade 1994).

[98] 19 U.S.C. § 1677(7)(C)(iii).

[99] *Id.*

[100] We have not considered the captive consumption provision, 19 U.S.C. § 1677(7)(C)(iv), in these investigations because there does not appear to be any internal transfers of the domestic like product for further processing into a downstream product.

[101] According to the official import statistics and Commission questionnaire responses, imports of certain preserved mushrooms from Chile, China, India, and Indonesia were *** percent, respectively of the total quantity of U.S. imports of the subject merchandise in 1996. CR and PR at table IV-1. Consequently, we find that imports from none of the subject countries should be deemed negligible.

[102] CR at II-1; PR at II-1.

[103] *Id.*

[104] CR and PR at table I-1.

[105] CR and PR at appendix D.

investigation. Demand for certain preserved mushrooms remained relatively stable throughout the period. Apparent consumption declined from approximately *** million pounds in 1994 to approximately *** million pounds in 1996, and was lower in interim 1997, *** million pounds, compared to apparent consumption of *** million pounds in interim 1996.[106]

The primary input in the manufacture of certain preserved mushrooms is fresh mushrooms, which represent approximately *** percent of the cost of producing the domestic like product.[107] Some producers are partially integrated, and grow a portion of the fresh mushrooms needed for their processing operations.[108] However, even integrated producers purchase a portion of their fresh mushroom needs from unrelated growers, and processors that are not integrated must purchase all of their fresh mushroom requirements from unrelated growers.[109] The ability of the domestic industry to increase its output of certain preserved mushrooms depends partly on its ability to purchase fresh mushrooms. While certain growers have traditionally dedicated their output to the preserved mushroom industry,[110] most growers appear to grow primarily for the fresh mushroom market.[111] The price paid for fresh mushrooms fell from approximately $0.72 per pound in January, 1995, to approximately $0.45 per pound in June, 1996.[112] This drop in price allegedly has prompted growers to try to shift the focus of their sales to the fresh mushroom market, rather than to the preserved mushroom producers.[113]

For purposes of the final determinations we intend to gather further information about the shift in consumer preferences to fresh mushrooms as well as the increasing preference by growers to supply the fresh market, and the effect, if any, such shifts have had on the domestic industry.[114]

B. Volume of Subject Imports

The quantity and value of the subject imports were significant, and increased overall during the period of investigation. By quantity, subject imports increased from *** million pounds in 1994 to *** million pounds in 1996. Subject imports were higher in interim (January to September) 1997, at *** million pounds, than in interim 1996, at *** million pounds.[115] Measured by value, the cumulated subject imports rose from *** million in 1994 to *** million in 1996.[116] The value of subject imports was higher in interim 1997, *** million, than in interim 1996, *** million.[117] The market share held by subject imports, measured by quantity, increased from *** percent in 1994 to *** percent in 1996.[118] While the market

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[106] CR and PR at table IV-3.

[107] CR at I-5, n.13; PR at I-3.

[108] CR at VI-1; PR at VI-1.

[109] *Id.*

[110] CR at III-2; PR at III-2.

[111] Conf. Tr. at 55-56.

[112] CR at II-3; PR at II-2; Conf. Tr. at 31.

[113] Conf. Tr. at 31.

[114] Commissioner Crawford does not join the remainder of this analysis. As noted above, Commissioner Crawford did not cumulate subject imports from Chile with subject imports from India or Indonesia. Consequently, her determinations are based on cumulated imports that differ from those on which her colleagues' determinations are based. *See*, Views of Commissioner Carol T. Crawford, *infra*.

[115] CR and PR at table IV-1.

[116] *Id.*

[117] *Id.*

[118] CR and PR at table IV-3. Measured by value the market share of the subject imports increased from ***

(continued...)

share of the domestic industry also increased during the period from 1994 to 1996, data show that the domestic industry lost market share to the subject imports during interim 1997. The domestic industry's market share was *** percent by quantity in interim 1996 but only *** percent in interim 1997.[119] The market shares of the subject imports was higher in interim 1997, *** percent, compared to interim 1996, *** percent. The market share of imports from non-subject countries was *** percent in interim 1996 and *** percent in interim 1997.

Based on the rising volume and market share of the subject imports over the period of investigation as a whole, as well as their displacement of domestic production in 1997, we find that both the volume of subject imports and the increase in that volume over the period of investigation are significant.

C. Price Effects of Subject Imports

Purchasers view the price of certain preserved mushrooms to be an important factor in purchasing decisions.[120] While there is a difference between the size of cans used in the retail sector and those used in the food service and industrial sectors, within sectors the information available for these preliminary determinations indicates that purchasers view preserved mushrooms as substitutable.[121] Although there were also reports of differences in appearance, quality and lead times as significant considerations, these seemed to be less important than price considerations.[122]

The record reveals a mixed pattern of over- and underselling by the subject imports, with underselling occurring in about half of the comparisons of domestic and subject import prices. Margins of underselling increased, however, towards the end of the period, particularly in 1997.[123] Based on both the frequency of underselling over the period as a whole and the increasing magnitude of the margins of underselling at the end of the period, we find the underselling to be significant for purposes of our determination of whether there is a reasonable indication of material injury.

Prices generally declined during the latter portion of the period investigated.[124] Prices obtained by domestic producers on sales of 4-ounce cans, which are almost exclusively sold to the retail sector, peaked in the second quarter of 1994, and then fell steadily through the rest of the period of investigation.[125] Prices for 68-ounce cans, which are sold to the food service and industrial sectors, followed a similar pattern, peaking in the first quarter of 1995 before falling through the rest of the period.[126] Import prices followed similar patterns.

In light of the evidence of the substitutability of subject imports with the domestic like product, mixed underselling, and declines in prices for both the domestic like product and subject imports, for purposes of our determination of whether there is a reasonable indication of material injury, we find that the imports from Chile, China, India, and Indonesia have depressed prices for the domestic like product to a significant degree.

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[118] (...continued)
percent in 1994 to *** percent in 1996.

[119] *Id.*

[120] CR at V-17-V-19; PR at V-11-V-12.

[121] CR at II-6; PR at II-4.

[122] CR at II-6-II-7 and V-17-V-19; PR at II-4 and V-11-V-12..

[123] CR and PR at table V-3.

[124] CR and PR at tables V-1 and V-2.

[125] CR and PR at table V-1.

[126] CR and PR at table V-2.

D. Impact of Subject Imports[127] [128]

The increased volume, market share, and declining prices of subject imports have adversely affected the domestic industry, particularly during the latter part of the period investigated, from 1996 through interim 1997. Overall, domestic production, employment, and profitability declined over the period, and were lower in interim 1997 relative to interim 1996.[129] The adverse impact of the subject imports is also reflected in the number of confirmed instances of sales and revenues lost to those imports.[130]

As the volume of cumulated subject imports increased and subject import prices declined through the period of investigation, the domestic industry's sales quantities dwindled and its unit sales values declined faster than its costs.[131] The result has been a decrease in net sales value for preserved mushrooms and falling profitability for the domestic industry.[132] Particularly in 1996, when unit sales values declined by $0.18 per pound, and sales quantities decreased by 14 percent from the year before, the profitability of

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[127] As part of its consideration of the impact of imports, the statute as amended by the Uruguay Round Agreements Act (URAA) specifies that the Commission is to consider "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V). The SAA indicates that the amendment "does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive in the Commission's material injury analysis." SAA at 850. New section 771(35)(C), 19 U.S.C. § 1677(35)(C), defines the "margin of dumping" to be used by the Commission in a preliminary determination as the margin or margins published by Commerce in its notice of initiation. In its notice of initiation, Commerce estimated a dumping margin for Chile of 83.30; estimated dumping margins for China ranging from 85.38 to 198.63 percent; estimated dumping margins for India of 31.76 to 274.05 percent; and estimated dumping margins for Indonesia ranging from 35.40 to 42.30 percent. 62 Fed. Reg. at 5362-3.

[128] Vice Chairman Bragg notes that she does not ordinarily consider the margin of dumping to be of particular significance in evaluating the effects of subject imports on domestic producers. *See* Separate and Dissenting views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731(Final), USITC Pub. 2968 (June 1996).

[129] CR at II-3 and VI-3; PR at II-1 and VI-1.

[130] CR at V-13, PR at V-10.

[131] At the same time production fell overall from approximately 92 million pounds in 1994 to approximately 85 million pounds in 1996. CR and PR at table III-1; CR at III-3; PR at III-2. By contrast, the capacity of the domestic industry increased sharply during the period 1994-1996, from approximately 204 million pounds to approximately 220 million pounds. Capacity was lower, however, in interim 1997, at 145.9 million pounds, than in interim 1996, at 166.6 million pounds, as ***. *Id.* As a result of the combination of expanded capacity and declines in production, capacity utilization fell from 45.3 percent in 1994 to 38.5 percent in 1996. *Id.* Industry representatives have explained that they made the decision to increase capacity before the beginning of the price decline. Conf. Tr. at 30 and 62.

[132] Industry profitability declined from 1994 to 1996, and was lower in interim 1997 than in interim 1996. CR and PR at table VI-1. The value of the domestic industry's net sales fell from approximately $137 million in 1994 to approximately $101 million in 1996. Net sales value was lower in interim 1997, $70.5 million than in interim 1996, $92.4 million. Gross profits for the domestic industry fell from $18.7 million in 1994 to $12.6 million in 1996, and followed a similar pattern in the interim periods. Gross profits were higher in interim 1996, $12.2 million, than in interim 1997, $9.5 million. Similarly, operating income fell from $5.7 million in 1994 to $1.1 million in 1996, and was lower in interim 1997, at $1.4 million, than in interim 1996, at $3.1 million. On the other hand , the domestic industry's total domestic shipments rose from approximately 85 million pounds in 1994 to approximately 92 million pounds in 1996. However, domestic shipments were lower in interim 1997, at approximately 59 million pounds, than in interim 1996, at approximately 71 million pounds. CR and PR at table III-1.

the industry declined by all measures.[133] The results are the same in comparisons of interim data for 1996 and 1997; unit sales values were $0.12 lower and sales quantities 16 percent lower in interim 1997 than in interim 1996, resulting in significantly lower net sales values. Although unit costs decreased by $0.10 between the interim periods, reflecting, in part, decreases in prices paid for fresh mushrooms, such declines did not keep pace with decreases in unit sales values, resulting in declining profitability.[134] This declining profitability, in turn, has had an adverse effect on employment.[135]

Given the domestic industry's weak financial performance at a time of generally declining prices and increasing subject imports, and the general substitutability of subject imports for the domestic like product, we find that the subject imports have had a significant adverse impact on the domestic industry producing certain preserved mushrooms.

CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that the domestic industry producing certain preserved mushrooms is materially injured by reason of allegedly LTFV imports from Chile, China, India and Indonesia.

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[133] CR at VI-3; PR at VI-1.

[134] Moreover, the domestic industry's ability to cut costs further is limited because the prices it pays for fresh mushrooms appear to be near the lowest level that mushroom growers can accept. CR at II-3; PR at II-2.

[135] The number of production and related workers in the industry has declined from 503 in 1994 to 488 in 1996. The number of such workers was also lower in interim 1997, at 416 workers, as compared to interim 1996, at 485 workers. Hourly wages have also decreased from $11.33 in 1994 to 10.63 in 1996. Further, hourly wages were lower in interim 1997, $11.19, than in interim 1996, $11.76. CR and PR at table III-4.

VIEWS OF COMMISSIONER CAROL T. CRAWFORD

On the basis of information obtained in these preliminary investigations, I determine that there is a reasonable indication that the industry in the United States producing certain preserved mushrooms is materially injured by reason of imports of certain preserved mushrooms from Chile, China, India, and Indonesia that are allegedly sold in the United States at less-than-fair-value ("LTFV"). I join my colleagues in finding a single like product and in the definition of the domestic industry. I also concur in the determination that there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports. However, I do not concur in my colleagues' decision to cumulate the subject imports from all four countries. Because my findings on cumulation differ from my colleagues, my separate views follow.

I. ANALYTICAL FRAMEWORK

In determining whether there is a reasonable indication that a domestic industry is materially injured by reason of the allegedly LTFV imports, the statute directs the Commission to consider:

> (I) the volume of imports of the merchandise which is the subject of the investigation,
> (II) the effect of imports of that merchandise on prices in the United States for like products, and
> (III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States . . .[1]

In making its determination, the Commission may consider "such other economic factors as are relevant to the determination."[2] In addition, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry . . . within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[3]

The statute directs that we determine whether there is a reasonable indication of "material injury by reason of the dumped imports." Thus we are called upon to evaluate the effect of allegedly dumped imports on the domestic industry and determine if there is a reasonable indication that they are causing material injury. There may be, and often are, other "factors" that are causing injury. These factors may even be causing greater injury than the alleged dumping. However, the statute does not require us to weigh or prioritize the factors that are independently causing material injury. Rather, the Commission is to determine whether there is a reasonable indication that any injury "by reason of" the allegedly dumped imports is material. That is, the Commission must determine if there is a reasonable indication that the subject imports are causing material injury to the domestic industry. "When determining the effects of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry."[4] It is important, therefore, to assess the effects of the allegedly dumped imports in a way that distinguishes those effects from the effects of

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[1] 19 U.S.C. § 1677(7)(B)(i).
[2] 19 U.S.C.§ 1677(7)(B)(ii).
[3] 19 U.S.C. § 1677(7)(C)(iii).
[4] S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987)(emphasis added); Gerald Metals, Inc. v. United States, 132 F.3d 716 (Fed. Cir. 1997).

other factors unrelated to the dumping. To do this, I compare the current condition of the industry to the industry conditions that would have existed without the dumping, that is, had subject imports all been fairly priced. I then determine whether the change in conditions constitutes material injury.[5]

In my analysis of material injury, I evaluate the effects of the alleged dumping[6] on domestic prices, domestic sales, and domestic revenues. To evaluate the effects of the alleged dumping on domestic prices, I compare domestic prices that existed when the imports were allegedly dumped with what domestic prices would have been if the imports had been priced fairly. Similarly, to evaluate the effects of dumping on the quantity of domestic sales,[7] I compare the level of domestic sales that existed when imports were allegedly dumped with what domestic sales would have been if the imports had been priced fairly. The combined price and quantity effects translate into an overall domestic revenue impact. Understanding the impact on the domestic industry's prices, sales, and overall revenues is critical to determining the state of the industry, because the effects on the statutory impact factors[8] (e.g., employment, wages, etc.) are derived from the impact on the domestic industry's prices, sales, and revenues.

I then determine whether the price, sales, and revenue effects of the alleged dumping, either separately or together, demonstrate that there is a reasonable indication that the domestic industry would have been materially better off if the imports had been priced fairly. If so, there is a reasonable indication that the domestic industry is materially injured by reason of the allegedly dumped imports.

For the reasons discussed below, I determine that there is a reasonable indication that the domestic industry producing certain preserved mushrooms is materially injured by reason of allegedly LTFV imports of certain preserved mushrooms from Chile, China, India, and Indonesia.

II. CONDITIONS OF COMPETITION

To understand how an industry is affected by unfair imports, we must examine the conditions of competition in the domestic market. The conditions of competition constitute the commercial environment in which the domestic industry competes with unfair imports, and thus form the foundation for a realistic assessment of the effects of the dumping. This environment includes demand conditions, substitutability among and between products from different sources, and supply conditions in the market.

A. Demand Conditions

An analysis of demand conditions tells us what options are available to purchasers, and how they are likely to respond to changes in market conditions, for example an increase in the general level of prices in the market. Purchasers generally seek to avoid price increases, but their ability to do so varies with conditions in the market. The willingness of purchasers to pay a higher price will depend on the importance

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[5] Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the "statutory language fits very well" with my mode of analysis, expressly holding that my mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports. United States Steel Group v. United States, 96 F.3d 1352, at 1361 (Fed.Cir. 1996), *aff'g* 873 F.Supp. 673, 694-695 (Ct. Int'l Trade 1994).

[6] As part of its consideration of the impact of imports, the statute as amended by the URAA now specifies that the Commission is to consider in an antidumping proceeding, "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V).

[7] In examining the quantity sold, I take into account sales from both existing inventory and new production.

[8] 19 U.S.C. § 1677(7)(C)(iii).

of the product to them (e.g., how large a cost factor), whether they have options that allow them to avoid the price increase, for example by switching to alternative products, or whether they can exercise buying power to negotiate a lower price. An analysis of these demand-side factors tells us whether demand for the product is elastic or inelastic, that is, whether purchasers will reduce the quantity of their purchases if the price of the product increases. For the reasons discussed below, I find that the overall elasticity of demand for certain preserved mushrooms is relatively low.

Importance of the Product and Cost Factor. Key factors that measure the willingness of purchasers to pay higher prices are the importance of the product to purchasers and the significance of its cost. In the case of an intermediate product (e.g., an input), the importance will depend on its cost relative to the total cost of the downstream product in which it is used. When the price of the input is a small portion of the total cost of the downstream product in which it is used, changes in the price of the input are less likely to alter demand for the downstream product, and, by extension, demand for the input.

Certain preserved mushrooms constitute a relatively small cost share of the downstream food products in which they are used, ranging from less than *** percent in most products to *** percent for products in which the mushroom content is the predominant ingredient. For retail purchases, the price of mushrooms is a small share of a consumer's food expenses.[9] This low cost share indicates that demand is quite inelastic.

Alternative Products. Another important factor in determining whether purchasers would be willing to pay higher prices is the availability of viable alternative products. Often purchasers can avoid a price increase by switching to alternative products. If such an option exists, it can impose discipline on producer efforts to increase prices.

Available alternative products that can substitute for certain preserved mushrooms essentially are limited to other types of mushrooms. Fresh mushrooms appear to be a viable substitute, as evidenced by the fact that Pizza Hut and other pizza chains have switched from purchasing canned mushrooms to purchasing fresh mushrooms.[10] The availability of fresh mushrooms as a substitute product indicates that demand is somewhat elastic.

Even though the availability of fresh mushrooms as a substitute product indicates a somewhat elastic demand, the low cost share reduces the elasticity of demand substantially. Therefore, I find that demand for certain preserved mushrooms is relatively inelastic. That is, purchasers will not reduce significantly the amount of certain preserved mushrooms they buy in response to a general increase in the price of certain preserved mushrooms.

B. Substitutability

Simply put, substitutability measures the similarity or dissimilarity of imported versus domestic products from the purchaser's perspective. Substitutability depends upon 1) the extent of product differentiation, measured by product attributes such as physical characteristics, suitability for intended use, design, convenience or difficulty of usage, quality, etc.; 2) differences in other non-price considerations such as reliability of delivery, technical support, and lead times; and 3) differences in terms and conditions of sale. Products are close substitutes and have high substitutability if product attributes, other non-price

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[9] CR at II-5 to II-6; PR at II-4.

[10] CR at II-5; PR at II-3.

considerations, and terms and conditions of sale are similar.

While price is nearly always important in purchasing decisions, non-price factors that differentiate products determine the value that purchasers receive for the price they pay. If products are close substitutes, their value to purchasers is similar, and thus purchasers will respond more readily to relative price changes. On the other hand, if products are not close substitutes, relative price changes are less important and are therefore less likely to induce purchasers to switch from one source to another.

Because demand elasticity for certain preserved mushrooms is relatively low, overall purchases will not decline significantly if the overall prices of certain preserved mushrooms increase. However, purchasers can avoid price increases from one source by seeking other sources of certain preserved mushrooms. In addition to any changes in overall demand, the demand for certain preserved mushrooms from different sources will decrease or increase depending on their relative prices and their substitutability. If certain preserved mushrooms from different sources are substitutable, purchasers are more likely to shift their demand when the price from one source (i.e., subject imports) increases. The magnitude of this shift in demand is determined by the degree of substitutability among the sources.

Purchasers have three potential sources of certain preserved mushrooms: domestically produced certain preserved mushrooms, subject imports, and nonsubject imports. Purchasers are more or less likely to switch from one source to another depending on the similarity, or substitutability, between and among them. I have evaluated the substitutability among certain preserved mushrooms from different sources as follows.

For purposes of these preliminary determinations, I find that subject imports, nonsubject imports, and the domestic product are, overall, at least moderate substitutes for each other. Thus, a shift in demand away from subject imports likely would increase demand for both nonsubject imports and the domestic product. However, the substitutability among sources of subject imports varies, which, as discussed below, affects the shift in demand among the sources of certain preserved mushrooms.

Overall, there is a basic substitutability among all subject imports and the domestic like product because all must meet USDA and FDA requirements. As a result, there is little or no difference between purchasers' specifications in terms of style and grade.

The substitutability among subject imports and between subject imports and the domestic product is reduced somewhat by nonprice factors. A majority of importers and some producers reported nonprice factors between subject imports and the domestic product. Some nonprice factors include differences in taste and color and differences in terms and lead times that would indicate a preference for the domestic product. On the other hand, a minority of importers reported that their imports were better quality than the domestic product, which would indicate a preference for those imports.[11]

In particular, Pillsbury maintains that it uses Indonesian imports in its "Green Giant" brand because of the quality.[12] Pricing data confirm that purchasers pay a premium for Pillsbury's product.[13] Therefore, I find that subject imports from Indonesia are, at best, moderate substitutes for the domestic product and the subject imports from China and India. As discussed below, I find that subject imports from Indonesia are poor substitutes for subject imports from Chile.

Similarly, the Chilean producer maintains that it has long-term relationships with a small number of customers in the food service and industrial segments that have high quality standards and prefer Chilean

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[11] CR at II-6 to II-7; PR at II-4.

[12] Pillsbury Postconference Brief at 14 - 15.

[13] Table V-1.

imports to the domestic product.[14] Indeed, the fact that one of the Chilean producer's major customers, Pizza Hut, switched to fresh mushrooms[15] indicates that, for this purchaser, subject imports from Chile substitute directly with fresh mushrooms, which reduces their substitutability with certain preserved mushrooms from other sources. Nearly all of the remainder of the subject imports from Chile is sold in the food service and industrial market segments in competition with the domestic product and subject imports from China. Nevertheless, given the substitutability with fresh mushrooms, subject imports from Chile are, at best, moderate substitutes for the domestic product and subject imports from China. On the other hand, subject imports from India and Indonesia *** while subject imports from Chile ***.[16] Thus, subject imports from India and Indonesia are not very good substitutes for subject imports from Chile. Therefore, I find that subject imports from Chile are poor substitutes for subject imports from India and Indonesia and, at best, moderate substitutes for the domestic product and subject imports from China.

There is no specific information to indicate that subject imports from China and India are not good substitutes for each other and the domestic product. All three are sold in substantial proportions ***,[17] which indicates at least a basic degree of substitutability. Therefore, I find that subject imports from China and India are good substitutes for each other and for the domestic product.

In sum, subject imports from Chile are, at best, moderate substitutes for the domestic product and subject imports from China, but poor substitutes for subject imports from India and Indonesia. Subject imports from China are good substitutes for the domestic product and the subject imports from India, and, at best, are moderate substitutes for subject imports from Chile and Indonesia. Subject imports from India are poor substitutes for subject imports from Chile; good substitutes for the domestic product and subject imports from China; and, at best, moderate substitutes for subject imports from Indonesia. Subject imports from Indonesia are, at best, moderate substitutes for the domestic product and the subject imports from China and India, but poor substitutes for the subject imports from Chile. Although the poor substitutability between subject imports from Chile and subject imports from India and Indonesia reduces overall substitutability, the substitutability among subject imports from Indonesia, China and India and with the domestic product increases the overall substitutability. Therefore, I conclude that overall there is at least moderate substitutability among subject imports and the domestic product.

The record contains little information concerning nonsubject imports. Data on apparent consumption and market shares indicate that by quantity the market share of nonsubject imports decreased from *** percent in 1994 to *** percent in 1996. At the same time, the market shares of subject imports from China and the domestic product both increased. Combined, these increases were greater than the decrease in the market share of nonsubject imports, apparently displacing the nonsubject imports.[18] Based on this apparent displacement, I find that nonsubject imports are moderate to good substitutes for subject imports from China and the domestic product. As stated above, subject imports from China are good substitutes for subject imports from India, and, at best, moderate substitutes for subject imports from Chile and Indonesia. Since nonsubject imports and subject imports from China are moderate to good substitutes for each other, I find that nonsubject imports are also good substitutes for subject imports from India, and, at best, moderate substitutes for subject imports from Chile and Indonesia.

For these reasons, I find that subject imports, nonsubject imports, and the domestic product are

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[14] Nature's Farm Postconference Brief at 5 - 6.
[15] Nature's Farm Postconference Brief at 36.
[16] Table I-1.
[17] Table I-1.
[18] Table IV-3.

overall at least moderate substitutes for each other. Therefore, I find that purchasers would have switched from purchases of subject imports to purchases of both nonsubject imports and the domestic product had the subject imports been fairly priced.

C. Supply Conditions

Supply conditions in the market are a third condition of competition. Supply conditions determine how producers would respond to an increase in demand for their product, and also affect whether producers are able to institute price increases and make them stick. Supply conditions include producers' capacity utilization, their ability to increase their capacity readily, the availability of inventories and products for export markets, production alternatives and the level of competition in the market. For the reasons discussed below, I find that the elasticity of supply of certain preserved mushrooms is quite high.

Capacity Utilization and Capacity. Unused capacity can exercise discipline on prices, if there is a competitive market, as no individual producer could make a price increase stick. Any attempt at a price increase by any one producer would be beaten back by its competitors who have the available capacity and are willing to sell more at a lower price. The domestic industry's capacity utilization was *** percent in 1996.[19] Thus, *** percent of capacity was not used and therefore was available to increase production. Unused capacity *** the volume of subject imports in 1996.[20] Consequently, the domestic industry had substantial and sufficient capacity available to supply the demand for subject imports.

Inventories and Exports. The domestic industry had *** million pounds of certain preserved mushrooms in inventories available at the end of 1996 that it could have shipped into the U.S. market.[21] However, the domestic industry's exports are small, and thus do not represent a significant source of supply of certain preserved mushrooms.[22] Notwithstanding its small volume of exports, the domestic industry had large inventories available that could have filled the demand supplied by subject imports.

Level of Competition. The level of competition in the domestic market has a critical effect on producer responses to demand increases. A competitive market is one with a number of suppliers in which no one producer has the power to influence price significantly. In the U.S. market, there are 11 domestic producers of certain preserved mushrooms, and thus there is significant competition within the domestic industry. Nonsubject imports are not a substantial source of competition in this market, accounting for only *** percent of consumption in 1996.[23] Notwithstanding the limited competition from nonsubject imports, there is significant competition among domestic producers. Consequently, I find that there is a significant level of competition in the U.S. market for certain preserved mushrooms.

Based on the level of competition in the U.S. market, and the domestic industry's substantial unused capacity and large inventories, I find that the elasticity of supply is quite high.

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[19] Table III-1.
[20] Table III-1 and Table IV-1.
[21] Table III-3.
[22] Table III-2.
[23] Table IV-3.

III. CUMULATION

The statute requires cumulation only if the subject imports compete with each other and with the domestic like product.[24] In my view, the substitutability between and among the domestic product and the subject imports most accurately reflects the competition requirement of the statute.[25] Based on my evaluation of competition between and among the domestic product and the subject imports, I do not concur in my colleagues' decision to cumulate the subject imports from all four countries.

In my analysis of substitutability, I made the following findings. Subject imports from Chile are, at best, moderate substitutes for the domestic product and subject imports from China. Therefore, these three sources generally compete with each other. Subject imports from China are good substitutes for the domestic product and the subject imports from India, and are, at best, moderate substitutes for subject imports from Chile and Indonesia. Therefore, subject imports from China generally compete with the domestic product and subject imports from the other three countries. Consequently, subject imports from China, India and Indonesia all compete with each other and with the domestic product. However, subject imports from Chile are poor substitutes for subject imports from India and Indonesia, and thus competition among these subject imports is limited.

Based on this limited competition, I find that there is not a "reasonable overlap of competition" between subject imports from Chile and subject imports from India or Indonesia. My finding follows from an analysis of the market segments in which these subject imports are sold.

Subject imports from India and Indonesia are ***, while subject imports from Chile ***. As the record demonstrates, only *** percent of subject imports from India and only 7.4 percent of subject imports from Indonesia are sold in the food service segment, while *** percent of subject imports from Chile are sold in this segment. On the other hand, only *** of subject imports from Chile is sold in the retail segment, while *** percent of subject imports from India and 92.6 percent of subject imports from Indonesia are sold in this segment.[26] The disparate concentration of sales to different market segments demonstrates that there is little competition between subject imports from Chile and subject imports from India or Indonesia. Thus there is not a reasonable overlap of competition between subject imports from these sources. Therefore, I do not cumulate subject imports from Chile with subject imports from India or Indonesia.[27]

Subject imports from Chile do not compete with subject imports from India or Indonesia, and thus for purposes of my determination with respect to Chile I have cumulated subject imports from Chile and China only. For purposes of my determination with respect to China, I have cumulated subject imports from all four countries. For purposes of my determinations with respect to India and Indonesia, I have cumulated subject imports from India and Indonesia with subject imports from China, but not with subject imports from Chile.

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[24] 19 U.S.C. § 1677(7)(G).

[25] See, Dissenting Views of Commissioner Carol T. Crawford, in Stainless Steel Bar from Brazil, India, Japan, and Spain, Inv. Nos. 731-TA-678, 679, 681, and 682 (Final), USITC Pub.2856 (February 1995).

[26] Table I-1.

[27] My decision not to cumulate subject imports from Chile with subject imports from India or Indonesia is consistent with Commission precedent in Steel wire Rod from Brazil and Japan, Inv. Nos. 731-TA-646 and 648 (Final) USITC Pub. 2761 (March 1994).

IV. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS OF CERTAIN PRESERVED MUSHROOMS FROM CHILE

The statute requires us to consider the volume of subject imports, their effect on domestic prices, and their impact on the domestic industry. I consider each requirement in turn, based on my decision to cumulate subject imports from Chile and China for my determination with respect to Chile.

A. Volume of Subject Imports

Cumulated subject imports from Chile and China increased from *** million pounds in 1994 to *** million pounds in 1995, and then decreased to *** million pounds in 1996. In the first 9 months of 1997, these subject imports were *** million pounds. The value of subject imports from Chile and China was $*** million in 1994, $*** million in 1995, $*** million in 1996, and $*** million in interim 1997.[28] By quantity, subject imports from Chile and China held a market share of *** percent in 1994, *** percent in 1995, *** percent in 1996, and *** percent in interim 1997. Their market share by value was *** percent in 1994, *** percent in 1995, *** percent in 1996, and *** percent in interim 1997.[29] While it is clear that the larger the volume of subject imports, the larger the effect they will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and volume effects. Based on the market share of cumulated subject imports from Chile and China and the conditions of competition in the domestic market, the volume of these subject imports is significant in light of its price and volume effects.

B. Effect of Subject Imports on Domestic Prices

To determine the effect of subject imports on domestic prices, I examine whether the domestic industry could have increased its prices if the subject imports had not been dumped. As discussed, both demand and supply conditions in the certain preserved mushrooms market are relevant. Examining demand conditions helps us understand whether purchasers would have been willing to pay higher prices for the domestic product, or buy less of it, if subject imports had been sold at fairly traded prices. Examining supply conditions helps us understand whether available capacity and competition among suppliers to the market would have imposed discipline and prevented price increases for the domestic product, even if the subject imports had not been unfairly priced.

If the subject imports had not been dumped, their prices in the U.S. market would have increased significantly. Thus, if subject imports had been fairly priced, they would have become more expensive relative to the domestic product. In such a case, if subject imports are good substitutes with other certain preserved mushrooms, purchasers would have shifted towards the relatively less expensive products.

In these investigations, the alleged dumping margins vary by country, but generally are quite large, 83.30 percent for Chile and 85.38 percent to 198.63 percent for China. Therefore, subject imports from Chile and China likely would have been priced significantly higher had they been fairly traded.

At fairly traded prices, all or nearly all of the demand supplied by subject imports from China likely would have shifted away from this source. Since this source accounted for a market share of ***

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[28] Table IV-1.

[29] Table IV-3.

percent in 1996,[30] the shift in demand away from subject imports from China likely would have been quite large. It is likely that most of this demand would have shifted to the domestic product and nonsubject imports because they are all good substitutes for each other. On the other hand, it is likely that very little of this demand would have shifted to the other subject imports because they too, at fairly traded prices, would have been priced significantly higher. In addition, it is likely that at fairly traded prices some, and perhaps most, of the *** percent market share in 1996 held by subject imports from Chile also would have shifted away from this source. Because subject imports from India and Indonesia are poor substitutes for subject imports from Chile, it is likely that very little of the demand for subject imports from Chile would have shifted to these sources. In addition, it is likely that very little of the demand for subject imports from Chile would have shifted to subject imports from China because they too, at fairly traded prices, would have been priced significantly higher. Thus it is likely that some, and perhaps most, of the demand for subject imports from Chile would have shifted to the domestic product and nonsubject imports even though they are, at best, moderate substitutes for each other.

Overall, a substantial portion of the demand for subject imports from Chile and China likely would have shifted away from subject imports from these two sources. Since subject imports from Chile and China held a cumulated market share of *** percent by quantity in 1996,[31] the shift in demand away from these subject imports would have been fairly large. Nonsubject imports accounted for only *** percent of the market in 1996,[32] and thus represent only limited competition for the domestic industry. Therefore, most of the demand for subject imports from Chile and China likely would have shifted to the domestic product.

The elasticity of demand indicates that domestic suppliers should have been able to increase prices in response to this shift in demand. However, any attempt by the domestic industry to increase its prices in response to the shift in demand would have been unsuccessful. Although competition from nonsubject imports is limited, there is significant competition among producers within the domestic industry. The domestic industry has substantial unused production capacity available, as well as large inventories, with which producers would have competed for sales, had demand shifted away from subject imports from Chile and China. This competition would have enforced price discipline in the market. In these circumstances, any effort by a domestic producer to raise its prices would have been beaten back by the competition. Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of these subject imports. Consequently, I find that subject imports from Chile and China are not having significant effects on prices for domestic certain preserved mushrooms.

C. Impact of Subject Imports on the Domestic Industry

To assess the impact of subject imports on the domestic industry, I consider output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors.[33] These factors together either encompass or reflect the volume and price effects of the dumped imports, and so I gauge the impact of the dumping through those effects.

The domestic industry would not have been able to increase its prices significantly if subject

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[30] Table IV-3.
[31] Table IV-3.
[32] Table IV-3.
[33] 19 U.S.C. § 1677(7)(C)(iii).

imports from Chile and China had been sold at fairly traded prices. Therefore, any impact of the allegedly dumped imports on the domestic industry would have been on the domestic industry's output and sales.

As I have discussed above, competition from nonsubject imports is limited, and thus, had the subject imports not been dumped, the domestic industry would have captured most of the demand satisfied by subject imports from Chile and China. The increase in demand for the domestic product likely would have been substantial, and the domestic producers could have increased their production and sales to satisfy the increased demand. The domestic industry likely would have captured enough of the demand for subject imports from Chile and China that its output and sales, and therefore its revenues, would have increased significantly had the subject imports not been dumped. Consequently, the domestic industry likely would have been materially better off if the subject imports from Chile and China had been fairly traded.

D. Conclusion

On the basis of the foregoing analysis, I determine that there is a reasonable indication that the domestic industry producing certain preserved mushrooms is materially injured by reason of allegedly LTFV imports from Chile.

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS OF CERTAIN PRESERVED MUSHROOMS FROM CHINA

The statute requires us to consider the volume of subject imports, their effect on domestic prices, and their impact on the domestic industry. I consider each requirement in turn, based on my decision to cumulate subject imports from all four countries for my determination with respect to China.

A. Volume of Subject Imports

Cumulated subject imports from Chile, China, India, and Indonesia increased from *** million pounds in 1994 to *** million pounds in 1995, and then decreased to *** million pounds in 1996. In the first 9 months of 1997, these subject imports were *** million pounds. The value of subject imports from Chile, China, India, and Indonesia was $*** million in 1994, $*** million in 1995, $*** million in 1996, and $*** million in interim 1997.[34] By quantity, subject imports from Chile, China, India, and Indonesia held a market share of *** percent in 1994, *** percent in 1995, *** percent in 1996, and *** percent in interim 1997. Their market share by value was *** percent in 1994, *** percent in 1995, *** percent in 1996, and *** percent in interim 1997.[35] While it is clear that the larger the volume of subject imports, the larger the effect they will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and volume effects. Based on the market share of cumulated subject imports from Chile, China, India, and Indonesia and the conditions of competition in the domestic market, the volume of these subject imports is significant in light of its price and volume effects.

B. Effect of Subject Imports on Domestic Prices

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[34] Table IV-1.
[35] Table IV-3.

To determine the effect of subject imports on domestic prices, I examine whether the domestic industry could have increased its prices if the subject imports had not been dumped. As discussed, both demand and supply conditions in the certain preserved mushrooms market are relevant. Examining demand conditions helps us understand whether purchasers would have been willing to pay higher prices for the domestic product, or buy less of it, if subject imports had been sold at fairly traded prices. Examining supply conditions helps us understand whether available capacity and competition among suppliers to the market would have imposed discipline and prevented price increases for the domestic product, even if subject imports had not been unfairly priced.

If the subject imports had not been dumped, their prices in the U.S. market would have increased significantly. Thus, if subject imports had been fairly priced, they would have become more expensive relative to the domestic product. In such a case, if subject imports are good substitutes with other certain preserved mushrooms, purchasers would have shifted towards the relatively less expensive products.

In these investigations, the alleged dumping margins vary by country, but generally are quite large: 83.30 percent for Chile; 85.38 percent to 198.63 percent for China; 31.76 percent to 274.05 percent for India; and 35.40 percent to 42.30 percent for Indonesia. Therefore, subject imports from all four countries likely would have been priced significantly higher had they been fairly traded.

At fairly traded prices, all or nearly all of the demand supplied by subject imports from China likely would have shifted away from this source. Since this source accounted for a market share of *** percent in 1996,[36] the shift in demand away from subject imports from China likely would have been quite large. It is likely that most of this demand would have shifted to the domestic product and nonsubject imports because they are all good substitutes for each other. On the other hand, it is likely that very little of this demand would have shifted to the other subject imports because they too, at fairly traded prices, would have been priced significantly higher. In addition, it is likely that at fairly traded prices some, and perhaps most, of the combined *** percent market share in 1996 held by subject imports from Chile and India also would have shifted away from these sources. However, it is likely that very little of this demand would have shifted to the other subject imports because they too, at fairly traded prices, would have been priced significantly higher. Since the domestic product and nonsubject imports are good substitutes for subject imports from India, and, at best, moderate substitutes for subject imports from Chile, it is likely that most of the demand for subject imports from Chile and India would have shifted to the domestic product and nonsubject imports. On the other hand, because subject imports from Indonesia are poor substitutes for subject imports from Chile, and only moderate substitutes, at best, for the domestic product, nonsubject imports and subject imports from the other countries, the shift in demand away from subject imports from Indonesia likely would have been more limited. Thus, it is likely that only some of the *** percent market share in 1996 held by subject imports from Indonesia would have shifted to the domestic product and nonsubject imports.

Overall, a substantial portion of the demand for subject imports likely would have shifted away from subject imports from all four sources. Since subject imports from all four countries held a cumulated market share of *** percent by quantity in 1996,[37] the shift in demand away from subject imports would have been fairly large. Nonsubject imports accounted for only *** percent of the market in 1996,[38] and thus represent only limited competition for the domestic industry. Therefore, most of the demand for subject imports likely would have shifted to the domestic product.

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[36] Table IV-3.
[37] Table IV-3.
[38] Table IV-3.

The elasticity of demand indicates that domestic suppliers should have been able to increase prices in response to this shift in demand. However, any attempt by the domestic industry to increase its prices in response to the shift in demand would have been unsuccessful. Although competition from nonsubject imports is limited, there is significant competition among producers within the domestic industry. The domestic industry has substantial unused production capacity available, as well as large inventories, with which producers would have competed for sales, had demand shifted away from subject imports. This competition would have enforced price discipline in the market. In these circumstances, any effort by a domestic producer to raise its prices would have been beaten back by the competition. Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of these subject imports. Consequently, I find that subject imports from Chile, China, India, and Indonesia are not having significant effects on prices for domestic certain preserved mushrooms.

C. Impact of Subject Imports on the Domestic Industry

To assess the impact of subject imports on the domestic industry, I consider output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors.[39] These factors together either encompass or reflect the volume and price effects of the dumped imports, and so I gauge the impact of the dumping through those effects.

The domestic industry would not have been able to increase its prices significantly if subject imports from Chile, China, India, and Indonesia had been sold at fairly traded prices. Therefore, any impact of the allegedly dumped imports on the domestic industry would have been on the domestic industry's output and sales.

As I have discussed above, competition from nonsubject imports is limited, and thus, had the subject imports not been dumped, the domestic industry would have captured most of the demand satisfied by subject imports from Chile, China, India, and Indonesia. The increase in demand for the domestic product likely would have been substantial, and the domestic producers could have increased their production and sales to satisfy the increased demand. The domestic industry likely would have captured enough of the demand for subject imports that its output and sales, and therefore its revenues, would have increased significantly had the subject imports not been dumped. Consequently, the domestic industry likely would have been materially better off if the subject imports from Chile, China, India, and Indonesia had been fairly traded.

D. Conclusion

On the basis of the foregoing analysis, I determine that there is a reasonable indication that the domestic industry producing certain preserved mushrooms is materially injured by reason of allegedly LTFV imports from China.

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[39] 19 U.S.C. § 1677(7)(C)(iii).

VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS OF CERTAIN PRESERVED MUSHROOMS FROM INDIA AND INDONESIA

The statute requires us to consider the volume of subject imports, their effect on domestic prices, and their impact on the domestic industry. I consider each requirement in turn, based on my decision to cumulate subject imports from China, India, and Indonesia for my determinations with respect to India and Indonesia.

A. Volume of Subject Imports

Cumulated subject imports from China, India, and Indonesia increased from *** million pounds in 1994 to *** million pounds in 1995, and then decreased to *** million pounds in 1996. In the first 9 months of 1997, these subject imports were *** million pounds. The value of subject imports from China, India, and Indonesia was $*** million in 1994, $*** million in 1995, $*** million in 1996, and $*** million in interim 1997.[40] By quantity, subject imports from China, India, and Indonesia held a market share of *** percent in 1994, *** percent in 1995, *** percent in 1996, and *** percent in interim 1997. Their market share by value was *** percent in 1994, *** percent in 1995, *** percent in 1996, and *** percent in interim 1997.[41] While it is clear that the larger the volume of subject imports, the larger the effect they will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and volume effects. Based on the market share of cumulated subject imports from China, India, and Indonesia and the conditions of competition in the domestic market, the volume of these subject imports is significant in light of its price and volume effects.

B. Effect of Subject Imports on Domestic Prices

To determine the effect of subject imports on domestic prices, I examine whether the domestic industry could have increased its prices if the subject imports had not been dumped. As discussed, both demand and supply conditions in the certain preserved mushrooms market are relevant. Examining demand conditions helps us understand whether purchasers would have been willing to pay higher prices for the domestic product, or buy less of it, if subject imports had been sold at fairly traded prices. Examining supply conditions helps us understand whether available capacity and competition among suppliers to the market would have imposed discipline and prevented price increases for the domestic product, even if subject imports had not been unfairly priced.

If the subject imports had not been dumped, their prices in the U.S. market would have increased significantly. Thus, if subject imports had been fairly priced, they would have become more expensive relative to the domestic product. In such a case, if subject imports are good substitutes with other certain preserved mushrooms, purchasers would have shifted towards the relatively less expensive products.

In these investigations, the alleged dumping margins vary by country, but generally are quite large: 85.38 percent to 198.63 percent for China; 31.76 percent to 274.05 percent for India; and 35.40 percent to 42.30 percent for Indonesia. Therefore, subject imports from these three countries likely would have been priced significantly higher had they been fairly traded.

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[40] Table IV-1.
[41] Table IV-3.

At fairly traded prices, all or nearly all of the demand supplied by subject imports from China likely would have shifted away from this source. Since this source accounted for a market share of *** percent in 1996,[42] the shift in demand away from subject imports from China likely would have been quite large. It is likely that most of this demand would have shifted to the domestic product and nonsubject imports because they are all good substitutes for each other. On the other hand, it is likely that very little of this demand would have shifted to the other subject imports because they too, at fairly traded prices, would have been priced significantly higher. In addition, it is likely that at fairly traded prices at least some of the combined *** percent market share in 1996 held by subject imports from India and Indonesia also would have shifted away from these sources. Because subject imports from India and Indonesia are poor substitutes for subject imports from Chile, it is likely that very little of the demand for subject imports from these sources would have shifted to subject imports from Chile. In addition, it is likely that very little of the demand for subject imports from India and Indonesia would have shifted to subject imports from China because they too, at fairly traded prices, would have been priced significantly higher. Since the domestic product and nonsubject imports are good substitutes for subject imports from India, it is likely that most of the *** percent market share in 1996 held by subject imports from India would have shifted to the domestic product and nonsubject imports. On the other hand, because subject imports from Indonesia are only moderate substitutes, at best, for the domestic product and nonsubject imports, the shift in demand away from subject imports from Indonesia likely would have been more limited: Thus, it is likely that only some of the *** percent market share in 1996 held by subject imports from Indonesia would have shifted to the domestic product and nonsubject imports. Therefore, it is likely that at least some of the combined demand for subject imports from India and Indonesia would have shifted to the domestic product and nonsubject imports.

Overall, a substantial portion of the demand for subject imports from China, India, and Indonesia likely would have shifted away from subject imports from these three sources. Since subject imports from China, India, and Indonesia held a cumulated market share of *** percent by quantity in 1996,[43] the shift in demand away from these subject imports would have been fairly large. Nonsubject imports accounted for only *** percent of the market in 1996,[44] and thus represent only limited competition for the domestic industry. Therefore, most of the demand for subject imports from China, India, and Indonesia likely would have shifted to the domestic product.

The elasticity of demand indicates that domestic suppliers should have been able to increase prices in response to this shift in demand. However, any attempt by the domestic industry to increase its prices in response to the shift in demand would have been unsuccessful. Although competition from nonsubject imports is limited, there is significant competition among producers within the domestic industry. The domestic industry has substantial unused production capacity available, as well as large inventories, with which producers would have competed for sales, had demand shifted away from subject imports from China, India, and Indonesia. This competition would have enforced price discipline in the market. In these circumstances, any effort by a domestic producer to raise its prices would have been beaten back by the competition. Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of these subject imports. Consequently, I find that subject imports from China, India, and Indonesia are not having significant effects on prices for domestic certain preserved mushrooms.

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[42] Table IV-3.
[43] Table IV-3.
[44] Table IV-3.

C. Impact of Subject Imports on the Domestic Industry

To assess the impact of subject imports on the domestic industry, I consider output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors.[45] These factors together either encompass or reflect the volume and price effects of the dumped imports, and so I gauge the impact of the dumping through those effects.

The domestic industry would not have been able to increase its prices significantly if subject imports from China, India, and Indonesia had been sold at fairly traded prices. Therefore, any impact of the allegedly dumped imports on the domestic industry would have been on the domestic industry's output and sales.

As I have discussed above, competition from nonsubject imports is limited, and thus, had the subject imports not been dumped, the domestic industry would have captured most of the demand satisfied by subject imports from China, India, and Indonesia. The increase in demand for the domestic product likely would have been substantial, and the domestic producers could have increased their production and sales to satisfy the increased demand. The domestic industry likely would have captured enough of the demand for subject imports from China, India, and Indonesia that its output and sales, and therefore its revenues, would have increased significantly had the subject imports not been dumped. Consequently, the domestic industry likely would have been materially better off if the subject imports from China, India, and Indonesia had been fairly traded.

D. Conclusion

On the basis of the foregoing analysis, I determine that there is a reasonable indication that the domestic industry producing certain preserved mushrooms is materially injured by reason of allegedly LTFV imports from India and Indonesia.

VII. CONCLUSION

On the basis of the foregoing analyses, I determine that there is a reasonable indication that the domestic industry producing certain preserved mushrooms is materially injured by reason of allegedly LTFV imports of certain preserved mushrooms from Chile, China, India, and Indonesia.

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[45] 19 U.S.C. § 1677(7)(C)(iii).

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on behalf of the Coalition for Fair Preserved Mushroom Trade and its members: L.K. Bowman, Inc., Nottingham, PA; Modern Mushroom Farms, Inc., Toughkenamon, PA; Monterey Mushrooms, Inc., Watsonville, CA; Mount Laurel Canning Corp., Temple, PA; Mushroom Canning Co., Kennett Square, PA; Sunny Dell Foods, Inc., Oxford, PA; and United Canning Corp., North Lima, OH, on January 6, 1998, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of certain preserved mushrooms[1] from Chile, China, India, and Indonesia. Information relating to the background of the investigations is provided below.[2]

Date	*Action*
January 6, 1998	Petition filed with Commerce and the Commission;[3] institution of Commission investigations (63 FR 2693, January 16, 1998)
January 27, 1998 . . .	Commission's conference[4]
February 2, 1998 . . .	Commerce's notice of initiation (63 FR 5360, February 2, 1998)
February 19, 1998 . .	Date of the Commission's vote
February 20, 1998 . .	Commission's determinations transmitted to Commerce

[1] For purposes of these investigations, certain preserved mushrooms are of the species *Agaricus bisporus* and *Agaricus bitorquis,* whether imported whole, sliced, diced, or as stems and pieces. "Preserved mushrooms" refers to mushrooms that have been prepared or preserved by cleaning, blanching, and sometimes slicing or cutting. These mushrooms are then packed and heated in containers, including but not limited to cans or glass jars, in a suitable liquid medium that may include, but is not limited to, water, brine, or butter (or butter sauce). Included within the scope of the petition are "brined" mushrooms, which are presalted and packed in a heavy salt solution to provisionally preserve them for further processing. Certain preserved mushrooms are provided for in subheadings 0711.90.40, 2003.10.27, 2003.10.31, 2003.10.37, 2003.10.43, 2003.10.47, and 2003.10.53 of the Harmonized Tariff Schedule (HTS) with a most-favored-nation tariff rate, applicable to imports from Chile, China, India, and Indonesia, of 6.2 cents per kilogram (drained weight) plus 8.7 percent *ad valorem* on imports under HTS subheading 0711.90.40, and 6.4 cents per kilogram (drained weight) plus 9 percent *ad valorem* on imports under the other HTS subheadings.

Excluded from the scope of the petition are: (1) all other species of mushroom, including straw mushrooms; (2) all fresh and chilled mushrooms, including "refrigerated" or "quick blanched" mushrooms; (3) dried mushrooms; (4) frozen mushrooms; and (5) "marinated," "acidified," or "pickled" mushrooms, which are prepared or preserved by means of vinegar or acetic acid, but may contain oil or other additives.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

[3] The petition alleged LTFV margins to be as follows: for Chile, 83.3 percent; for China, 85.38 to 198.63 percent; for India, 31.76 to 274.05 percent; and for Indonesia, 35.4 to 42.3 percent. These margins are reflected in Commerce's notice of initiation.

[4] A list of witnesses appearing at the conference is presented in app. B.

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of 11 firms that accounted for over *** percent of U.S. production of certain preserved mushrooms during 1996. U.S. imports are based on responses to questionnaires of the U.S. International Trade Commission (for Chile) and on official statistics of the U.S. Department of Commerce (for China, India, and Indonesia).

THE SUBJECT PRODUCT

The imported and domestic products addressed by the petition are mushrooms of the *Agaricus* species, preserved by heat sterilization (retort) in cans or jars, in a suitable liquid medium that may be water, light brine, or butter. The result of the canning and sterilization process yields a mushroom that is tan or gray in color, generally slightly salty in taste, and has a tender texture. Mushrooms packed in jars are usually in small container sizes ranging from 2.5 to 8 ounces. Canned mushrooms are packed predominantly in the larger container sizes of 16 and 68 ounces, but also are packed in 4- and 8-ounce cans. Shelf life for the subject product is 2-3 years.

Certain preserved mushrooms are generally sold in three forms: whole (including buttons),[5] sliced, and stems and pieces. Most of the U.S. market for the subject product consists of mushroom stems and pieces, which predominate in the industrial and food service channels of distribution. Industrial customers use the subject product to produce other food products, such as brand-name and private-label soups and spaghetti sauces. The food service distribution channel includes major pizza chains and distributors for institutional applications. Sales of mushrooms packed in jars and 4- and 8-ounce cans tend to be concentrated in the retail channel of distribution, which includes grocery stores, where the product is sold in branded and private-label containers.[6]

The raw *Agaricus* mushrooms used to produce the subject product are mainly white, but may include small numbers of brown mushrooms (either large portobellos or smaller criminis). Mushroom growers sell most of their product to the fresh market, with less than 30 percent dedicated for processing of any type.[7] The U.S. standards of identity for raw mushrooms range from 1-A (white, closed, no blemishes) to 2-B (off-white, open, blemishes), but the description of mushrooms included may vary by grower and even by day. Most canned stems and pieces are made from grade 2 mushrooms, and most canned whole and sliced products are made from grade 1-B (or even 1-A at times).[8]

The production process for the subject product is comprised of the following steps. The raw mushrooms are received, weighed, and placed in refrigerated storage. Processing begins within 24 hours of harvest by sorting the mushrooms by size. The mushrooms are then shaken to remove dirt, visually inspected to remove below-standard material, and weighed again to determine the relative makeup of the shipment. The product is then washed with plain water and blanched (or cooked) to a minimum internal temperature of 180 degrees for 7-8 minutes. The blanching process shrinks the product by about 40 percent, as excess moisture is lost (raw mushrooms consist of about 94-percent water). The product is then sliced, dewatered, and put though a metal detector to check for extraneous material. Next, the mushrooms

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[5] Buttons are small whole mushrooms with the stems sliced off, a process that is done by manual labor. ***. Fieldwork notes of Olympia Hand, Jan. 20-21, 1998 (fieldwork notes).

[6] Conference transcript (Tr.), pp. 24-25, and petition, pp. 71-72.

[7] Petition, exhibit G-1.

[8] Fieldwork notes.

go through a volumetric filler machine, the net weight in the can or jar is checked, and the packing media (which may include ascorbic acid or other preservatives) is inserted into the can. The can is vacuum sealed as the lid is placed on top, and the cans are placed in crates and run through a retort cooker, which heats the sealed containers until the contents reach commercial sterility. The product is allowed to cool, after which it is labeled, if appropriate, and packed in cardboard cartons or palletized for shipment.[9]

LIKE PRODUCT ISSUES

This section presents information related to the Commission's "domestic like product" determination.[10] There are two like product arguments raised by parties: the petitioners argue for the domestic like product to be identical to the subject product (certain preserved mushrooms), and the respondents urge the Commission to broaden the domestic like product (and the domestic industry considered) to include fresh mushrooms and nonsubject mushroom products.[11] Available data concerning all mushrooms are presented in appendix D. There are several mushroom products which are excluded from the subject product: fresh, chilled, frozen, dried, marinated, acidified, and pickled. Types of mushrooms other than *Agaricus* are also excluded. In its prior antidumping investigation on canned mushrooms from China, the Commission preliminarily determined that the like product was canned mushrooms.[12] The following summarizes the party arguments and information gathered in these investigations concerning the Commission's domestic like product factors.

Petitioners maintain that fresh mushrooms are lighter, crispier, and contain more moisture than the subject product. They contend that fresh mushrooms have a stronger taste and that they consist of a higher grade of mushroom. Their shelf life is only 5-7 days. The production process for fresh mushrooms consists of the mushroom growing/cultivation process, followed by stages of sorting and packing.[13] These production steps are not performed in the same facilities as the subject product.[14] Petitioners allege that customer perceptions are that fresh mushrooms are distinct with regard to flavor, texture, and uses, and that there is no interchangeability with the subject product.[15] Respondents argue that the raw material composition of fresh and subject preserved mushrooms is identical, that both are used as pizza toppings and in soups, sauces, or casseroles, that both are sold in the same channels of distribution, and that

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[9] Tr., pp. 13-15, fieldwork notes, and petition, pp. 69-70.

[10] The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price. Price will not be discussed in this section of the report because prices of the subject mushrooms and fresh, chilled, frozen, etc., mushrooms are not fully comparable owing to the differing water contents of the various types of mushroom products.

[11] Tr., pp. 16-27, 61, and 67; Pillsbury brief, pp. 3-4; Indonesian brief, pp. 7-10, and letter from the Indonesian Embassy dated Feb. 4, 1998; AFI Mushroom Group brief, pp. 3-4; and Nature's Farm Product's (NFP) brief, pp. 9-13.

[12] Canned Mushrooms from China, inv. No. 731-TA-115 (P), USITC Pub. 1324, December 1992. Commerce made a final negative determination; accordingly, the Commission terminated its investigation without a final determination.

[13] There is some disagreement concerning the value added by the canning process. Petitioners assert that it amounts to *** percent of total manufacturing costs, while a respondent maintains that it accounts for only 15 percent or less. Petitioners' brief, p. 12, and NFP brief, p. 17. Data from U.S. producers' questionnaire responses confirm the petitioners' assertion.

[14] Fieldwork by Commission staff and industry sources confirm that the production of fresh mushrooms is not performed in the same facilities as the production of the subject product. See fieldwork notes.

[15] Tr., pp. 16-17, and petitioners' brief, pp. 5-10.

customers perceive them to be interchangeable, as evidenced by the switch from canned to fresh mushrooms by Pizza Hut in 1997.[16] Most respondents limited their written arguments to the inclusion of fresh mushrooms in the domestic like product, and did not specifically address chilled, frozen, or dried mushrooms.[17]

Petitioners argue that chilled (sometimes known as refrigerated or "quick blanched") mushrooms are lighter in color and slightly acidic in taste when compared with the subject product. The acid content allegedly limits their use to tomato-based products.[18] The production process includes minimal blanching and no heat sterilization, as the acidification process preserves the mushrooms while refrigerated for 45-90 days.[19] Petitioners claim that chilled mushrooms are generally produced in different facilities using different equipment than the subject mushrooms, and that the only commonality in production lines in U.S. producers' facilities where both are produced consists of sorting, washing, and blanching, after which the lines diverge. Some producers maintain completely separate production lines.[20] Customers allegedly perceive the products as distinct, and are mindful of the refrigeration capacity needed to handle the chilled mushrooms. Transportation by refrigerated trucks is also costly, and channels of distribution for chilled mushrooms include the food service, and to a much lesser extent, retail channels.[21]

Frozen mushrooms are whiter, crispier, and have a higher water content than the subject product, and are closer in form to fresh mushrooms, according to the petitioners. The channels of distribution include industrial accounts for use in other frozen food preparations, like pizzas or vegetable blends. The frozen mushrooms release moisture when cooked, so they cannot be substituted for use in non-frozen pizzas. Moreover, the manufacturing process is distinct, requiring an Individually Quick Frozen (IQF) tunnel. Frozen mushrooms are manufactured using different equipment and personnel, mostly in separate facilities.[22]

Dried mushrooms are shriveled and significantly darker in color than the subject product, according to the petitioners. They are more flavorful because the drying process concentrates flavor. The channels of distribution include dry storage for use in dried soups. The manufacturing process is distinct from canning, requiring dryers and dehydrators, and is performed in different facilities by distinct producers.[23]

Petitioners argue that marinated mushrooms have a distinct taste due to the marinade of vinegar and olive oil with spices. They are consumed whole directly out of the jar as appetizers or side dishes, and allegedly are not used in food preparation because of their distinct flavor. The production process requires less retort time than the subject product, as the marinade is a preserving agent. Only one current producer (***) handles both the subject product and marinated mushrooms, and marinated mushrooms are a very minor part of its product line. A former producer, Seneca Foods, produced marinated mushrooms in the same facility but on a different production line than the subject product.[24] Respondents argue that marinated mushrooms have the same shelf life as the subject product, are used in overlapping applications, and that the marinade flavor is a minor distinction that does not mask their "mushroomy" flavor. Also, respondents allege that the manufacturing process is similar to that of the subject product in that they are

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[16] Tr., pp. 61 and 67; NFP brief, p. 10, Pillsbury brief, pp. 3-4; and Indonesian brief, pp. 7-10.

[17] At the conference, NFP argued for the inclusion of such mushrooms in the domestic like product. Tr., p. 70.

[18] Petitioners' brief, p. 7. Fieldwork by Commission staff supported this argument. See fieldwork notes.

[19] Ibid.

[20] Tr., pp. 17-19, and petitioners' brief, pp. 6-10. Fieldwork by Commission staff and questionnaire responses confirmed these allegations. See fieldwork notes.

[21] Tr., pp. 17-19; petitioners' brief, pp. 6-10; and fieldwork notes.

[22] Tr., p. 19, and petitioners' brief, pp. 14-15. Fieldwork conducted by Commission staff confirm these allegations. See fieldwork notes.

[23] Tr., p. 19; petitioners' brief, p. 13; and fieldwork notes.

[24] Tr., pp. 20 and 61, and petitioners' brief, pp. 16-17.

cleaned and blanched, heat processed, packed in a jar or can, and thereafter retorted (all on the same machinery and equipment by those producers that process both).[25]

Finally, petitioners argue that other species of mushrooms are physically different and have distinct uses compared with the subject product.[26] Straw mushrooms are lighter in color, smaller, and are allegedly used only in ethnic Chinese cuisine, into which the subject product could not be substituted.[27] Shiitake mushrooms are larger, are mainly sold fresh, and are allegedly also used predominantly in Asian cuisine.[28] At least one respondent maintains that "a mushroom is a mushroom."[29]

CUMULATION ISSUES

The Commission cumulates subject imports if there is a reasonable overlap of competition among the imports and between the imports and the domestic like product.[30] The following summarizes cumulation issues in these investigations.

Respondents from Chile and Indonesia provided information purporting to differentiate their preserved mushrooms from those of one or more of the other subject countries. For example, NFP states that imports from Chile are only in 68-ounce containers for use by food service and institutional customers, are not sold in competition with 4- and 8-ounce cans sold in supermarkets, and are of higher quality than mushrooms of other importers and of U.S. origin.[31] Indonesian respondents claim that their preserved mushrooms are mostly in 4- to 8-ounce cans and mostly for the retail market, and have other named features distinguishing them from Chilean and Chinese preserved mushrooms.[32]

Industry sources have alleged that the Chinese imports are lighter in color than other subject products.[33] Also, many imports from China are alleged to be originally preserved in a heavy salt brine (presalted) immediately after harvest to preserve their shelf life until Chinese processors are able to handle them.[34] This brining process is alleged to impart an unpleasant odor and texture.[35] There are also safety concerns surrounding *Staphylococcus enterotoxin* found in imported canned mushrooms from China in 1990, which prompted a lot-by-lot detention and inspection administered by the U.S. Food and Drug Administration (FDA).

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[25] Pillsbury brief, pp. 3-4. The questionnaire response for *** indicates that ***. Pillsbury also contends (brief, p. 6) that acidified and pickled mushrooms should be included in the domestic like product.

[26] Petitioners' brief, pp. 17-19.

[27] Telephone conversation with petitioners' representative, Jan. 8, 1998.

[28] Tr., p. 21, and petitioners' brief, p. 17.

[29] Tr., p. 68, and NFP brief, p. 3.

[30] Factors considered include (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product; (2) the presence of sales or offers to sell in the same geographic markets; (3) the existence of common or similar channels of distribution; and (4) the simultaneous presence of imports in the marketplace.

[31] NFP brief, pp. 24-27. ***.

[32] Indonesian brief, pp. 20-26 and exhibits 10 and 11.

[33] Tr., p. 97, and fieldwork notes.

[34] Pillsbury argues that brined mushrooms are being imported and then canned in the United States by U.S. producers. Pillsbury brief, pp. 8-9. Fieldwork and industry responses to Commission questionnaires indicate that no such importation has taken place during the period for which data were gathered. ***. Fieldwork notes.

[35] Fieldwork notes. Petitioners contend that such undesirable traits may have occurred prior to 1990, but have not been an issue in recent years. Tr., pp. 44-45. Two U.S. producers maintained that there were taste and texture differences. *** disagreed that there were any distinctions between the U.S. and Chinese product. Fieldwork notes.

Petitioners maintain that imports from each of the subject countries were competing with imports from the other subject countries and the domestic product throughout the period of investigation, and cite reasons for "compelling evidence of competition" supporting cumulation.[36] Some of the importers' and all of the producers' questionnaire responses appear to support the interchangeability of these products.[37]

Geographic distribution of imports from subject countries during the period for which data were gathered varied somewhat by source. ***.[38]

Table I-1 indicates that the imported and domestic products were present in most channels of distribution, with a few exceptions. ***,[39] ***. Only the domestic product was spread evenly throughout all three channels of distribution.

Finally, table I-2 indicates that imports from all subject sources were present in each month of 1996 and the first three quarters of 1997.

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[36] Tr., p. 97; petitioner's brief, p. 42 and exhibit 5; and fieldwork notes.

[37] Fifteen of 23 importers' responses, accounting for about *** percent of 1996 reported imports from subject sources, responded yes to the question "Are the U.S.-produced and imported certain preserved mushrooms from Chile, China, India, and Indonesia used interchangeably (i.e., they can be physically used in the same applications)?" ***.

[38] Responses to questionnaires of the U.S. International Trade Commission.

[39] ***.

Table I-1
Certain preserved mushrooms: Channels of distribution for U.S. shipments, based on quantity, 1996

(In percent)

Item	U.S. producers	Importers from-- Chile	China (1)	India	Indonesia
Shipments to industrial users	20.7	***	0.7	***	0.0
Shipments to food service users	36.7	***	68.9	***	7.4
Shipments to retail users	42.6	***	30.4	***	92.6
Total	100.0	100.0	100.0	100.0	100.0

(1) Data for China include Hong Kong.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table I-2
Certain preserved mushrooms: Monthly U.S. imports, by sources, 1996 and Jan.-Sept. 1997

(Quantity in 1,000 pounds)

Year/Month	Chile	China	Hong Kong	India	Indonesia
1996:					
January	816	2,826	260	409	1,925
February	881	2,500	744	594	1,914
March	96	3,935	651	160	2,242
April	198	4,063	488	363	2,657
May	231	6,241	577	232	2,633
June	857	6,933	682	179	2,082
July	495	7,576	383	94	2,418
August	890	6,589	461	392	3,049
September	792	5,930	277	170	1,671
October	569	5,090	234	575	2,130
November	806	6,766	311	468	2,095
December	470	9,043	193	730	2,079
Total	7,101	67,491	5,262	4,368	26,893
1997:					
January	506	8,171	656	614	2,683
February	976	5,374	535	452	2,736
March	628	4,294	318	554	2,836
April	376	6,186	613	824	2,694
May	303	6,606	513	538	3,187
June	507	6,572	536	624	2,717
July	500	6,121	291	812	2,749
August	466	5,109	232	1,072	2,164
September	425	4,704	24	582	2,607
Total	4,686	53,138	3,720	6,073	24,374

Source: Compiled from official statistics of the U.S. Department of Commerce.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

MARKET SEGMENTS AND CHANNELS OF DISTRIBUTION

Preserved mushrooms are sold to industrial users, food service customers, and retailers. Industrial users such as Stouffers, Heinz, and Van den Bergh Foods Co. (Ragu spagetti sauce) purchase large quantities that they use in producing packaged foods.[1] Food service customers consist of restaurants and institutional customers as well as distributors to such firms. Retail customers include grocery chains, brokers,[2] and distributors to grocery stores.[3] Retail users purchase small containers; 4- and 8-ounce cans or jars are the most common sizes.[4] Industrial users and food service customers purchase only 1-pound or "number 10" cans that contain 68 ounces drained weight.[5] These large sizes are only sold in cans.

Certain preserved mushrooms come as whole mushrooms, sliced mushrooms, or stems and pieces. Whole mushrooms are mainly sold to retailers and are usually small, attractive, and of uniform size.[6] Sliced mushrooms also must be made of small, attractive, and uniform-sized mushrooms and must show a complete silhouette of the mushroom.[7] Stems and pieces account for 75 percent of all preserved mushrooms and 95 percent of sales to food service and industrial customers.[8] Lower-quality mushrooms may be used in stems and pieces than are used in whole or sliced mushrooms.[9] Importers sell the same range of certain preserved mushroom products and to the same types of purchasers as domestic producers, although imports from Chile are very concentrated in the 68-ounce can market, while Indian mushrooms have tended to be sold in retail sizes. ***.

Imports from the subject countries comprised *** percent of the value of the U.S. market in 1996, domestic producers' shipments comprised *** percent, and imports from nonsubject countries were *** percent. The overall market declined by *** percent in volume between 1994 and 1996.

Some U.S. producers sell not only certain preserved mushrooms but also produce and sell other forms of mushrooms[10] including packaged fresh mushrooms,[11] frozen mushrooms, chilled mushrooms,[12] marinated mushrooms, or dried mushrooms, as well as products containing mushrooms.[13] Domestic producers also benefit from "Buy American" requirements that promote demand for their products, although purchases subject to such requirements are a very small portion of the overall market.

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[1] Tr., p. 22.

[2] Brokers arrange sales between the producer and store chain and do not take posession of the product.

[3] Tr., p. 23.

[4] Tr., p. 24.

[5] Ibid.

[6] Ibid.

[7] Tr., p. 25.

[8] Tr., p. 24.

[9] Field trip notes of Amelia Preece, Jan. 20-21, 1998.

[10] ***. Field trip notes of Amelia Preece, Jan. 20 and 21, 1998.

[11] *** also sold fresh mushrooms. Postconference brief of NFP, exhibit 5, and field trip notes of Amelia Preece, Jan. 20 and 21, 1998.

[12] These mushrooms are called refrigerated, quick blanched, or chilled mushrooms. They are sliced, blanched (or blanched, sliced), and packed in large plastic containers in an acidic bath to increase their shelf life.

[13] For example, ***. Field trip notes of Amelia Preece, Jan. 20 and 21, 1998.

Both importers and domestic producers usually sell on a spot basis and prices are usually determined on a case-by-case basis; however, some sellers use price lists. Most importers and domestic producers do not offer volume discounts.[14]

Demand for certain preserved mushrooms is determined by the demand for products which use these mushrooms as an ingredient and by the decisions of users to use either certain preserved mushrooms or other types of mushrooms. Preserved mushrooms are typically used as an ingredient in foods including pizza toppings, spaghetti sauces, other sauces and gravies, casseroles, stews, and soups[15] rather than being served as a dish by themselves.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on the available information, staff believes that U.S. preserved mushroom producers are likely to respond to changes in demand with relatively large changes in shipments of U.S.-produced preserved mushrooms to the U.S. market, and smaller changes in prices. Factors contributing to the high responsiveness of supply are discussed below.

Capacity in the U.S. industry

High levels of reported excess capacity in canning facilities imply that the industry can increase production significantly. Domestic producers reported low capacity utilization rates throughout the period of investigation; they ranged from a high of 51.0 percent in 1995 to a low of 38.5 percent in 1996, and the rate was 44.6 percent in the first three quarters of 1997 (table III-1).

The U.S. mushroom canning industry's ability to increase output depends on the ability of mushroom growers to increase their production of mushrooms as well as the capacity of the canners to increase the amount they can. According to the petitioners, the mushrooms available for canning would increase rapidly if the price of mushrooms for canning was *** per pound or above.[16] Mr. Tranquillo, formerly of National Foods Products, reported that in January of 1995 he paid $0.72 per pound for fresh mushrooms for processing, but by June of 1996 the price of these mushrooms had fallen to $0.45 per pound. Growers could not profitably produce at $0.45 per pound.[17]

Production alternatives

Most of the equipment used to produce preserved mushrooms cannot easily be converted to produce other mushroom products or other canned products. Different mushroom products are usually produced on different lines; however, the equipment used in cleaning, sorting, and blanching may be used in common, and chilled mushrooms are sliced using equipment similar to that used for canned mushrooms. The equipment for putting the mushrooms in cans or jars and sealing, sterilizing,

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[14] Producer questionnaires, p. 12, and importer questionnaires, p. 8.

[15] *** producer questionnaire, p. 13.

[16] Answers to questions provided to Commission staff by petitioners, Feb. 3, 1998.

[17] Tr., p. 31.

labeling, and packing these cans and jars is used only for canning. The mushroom canning lines are designed for canning mushrooms and are not used to produce other agricultural products.

Inventory levels

The large inventories relative to total demand and high inventories at the end of the period for which data were collected indicate that U.S. producers are able to respond immediately to changes in demand with shipments from inventories. Inventories rose from 12.7 million pounds in 1994 to 24.0 million pounds in 1995, after which they fell to 15.6 million pounds in 1996 and 20.6 million pounds in September 1997. The inventories rose irregularly from *** percent of annual shipments in 1994 to *** percent in 1996, and were *** percent of annual shipments in the first three quarters of 1997.

Export markets

Domestic producers exported *** percent of their production in 1994 through 1996; this fell to *** percent in the first three quarters of 1997. The low level of exports indicates that domestic producers would find it difficult to shift shipments between the U.S. and other markets.

U.S. Demand

Demand for preserved mushrooms has changed relatively little over the period of investigation except for a one-year spike in demand in 1995. The main factors influencing overall demand for preserved mushrooms are demand for downstream food products with mushrooms as an ingredient and the producers' or consumers' of these products choice between using certain preserved mushrooms and other forms of mushrooms. Increased health consciousness in recent years has reportedly increased demand for fresh mushrooms but has not increased demand for preserved mushrooms.[18]

Substitute Products

Substitutes for certain preserved mushrooms include mainly other types of mushrooms. The flavor of mushrooms is unique and certain preserved mushrooms are typically used as an ingredient in other foods. Home cooks who use mushrooms choose between fresh, canned, and to a lesser extent dried mushrooms. Commercial producers have additional choices, including frozen and chilled mushrooms. Each of these types has advantages and disadvantages.

All responding U.S. producers reported that there are no substitutes for canned mushrooms. In contrast, 14 of the 23 responding importers reported 2 or more substitutes. Substitutes include fresh mushrooms (reported by 13), blanched mushrooms (reported by 9), and frozen mushrooms (reported by 3).[19] At the conference, Mr. Pizzo of NFP reported that Pizza Hut and other pizza chains had switched from purchasing canned mushrooms to fresh mushrooms.[20] According to the U.S. producers, mushrooms processed in different ways are typically used to produce different products.[21]

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[18] Tr., p. 85.
[19] One importer each reported preserved straw mushrooms and marinated mushrooms.
[20] Tr., pp. 78, 86-87.
[21] Tr., pp. 17-21.

Cost Share

Price changes in preserved mushrooms sold at the retail level will likely have a small impact on consumption because preserved mushrooms are a small share of consumers' food expenses and mushrooms provide a unique flavor. Some retail purchasers, however, may replace canned mushrooms with fresh mushrooms.

Certain preserved mushrooms are used in a variety of different types of food products. The cost of canned mushrooms is estimated to range from *** percent of the cost of the product they are used in to below *** percent.[22] Changes in the price of preserved mushrooms, therefore, will have relatively little impact on the cost of production of these foods and thus on demand for foods containing preserved mushrooms.

SUBSTITUTABILITY ISSUES

Producers and importers were requested to provide information regarding the interchangeability of domestic, subject, and nonsubject preserved mushrooms and to describe differences between preserved mushrooms coming from these countries. All responding domestic producers and 15 of the 23 responding importers reported that domestic and subject certain preserved mushrooms were interchangeable.[23] Three domestic producers reported no differences between subject imports and U.S.-produced preserved mushrooms, and 7 reported differences. Five of these reported differences in price or terms; the other two reported differences in taste and color, and one of the latter reported that with the low price of imports there has been a growing acceptance of the taste and color of imports. Five importers reported no differences between domestic and subject imported mushrooms and the remaining 17 that answered the question reported differences. Eight reported that longer delivery times were a disadvantage for imports, 5 reported that their imports were better quality than the domestic product, and 4 reported other differences, including that the U.S. product was darker and the U.S. product is more like the European product; some of the importers' customers felt that the domestic product is more flavorful, and that different customers had different preferences.[24]

The lead time between a customer's order and delivery for U.S.-produced certain preserved mushrooms varied between 7 and 30 days, with 7 of the 10 responding producers reporting average lead times of 14 days or less. Importers' average lead times ranged from 1 day to 6 months. Lead times of over a month were reported by 13 of the 19 responding importers, although 4 of the 13 with lead times over a month reported that they sometimes had lead times under 1 month.

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[22] ***. Discussion with Commission staff, Feb. 2, 1998. The petitioners estimated that certain preserved mushrooms would be about *** percent of the cost of the products using them and less than *** percent of the cost of relatively high-use products. Petitioners' submission, Feb. 3, 1998.

[23] *** reported either their imports or imports in general were superior to domestic preserved mushrooms and thus not interchangeable with domestic preserved mushrooms. *** reported both yes and no, and that some purchasers prefer the U.S.-produced product while for others U.S.-produced and imported preserved mushrooms are interchangeable.

[24] Other differences reported included that the Chinese product is inferior because it is brined, domestic packers did not have a regular supply of fancy whole, sliced, and button mushrooms, and imports were lower-priced. Some importers reported more than one difference between subject imports and domestic preserved mushrooms.

PART III: CONDITION OF THE U.S. INDUSTRY

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V. Information on the other factors specified is presented in this section and/or part VI and (except as noted) is based on the questionnaire responses of 11 firms that accounted for over *** percent of U.S. production of certain preserved mushrooms during 1996.

U.S. PRODUCERS

There were 13 U.S. producers during the period for which data were collected, 11 of which responded to Commission questionnaires.[1] The responding firms, their plant locations, shares of 1996 production, and position regarding the petition are summarized in the following tabulation:

Firm name	Plant location	Share of 1996 production (percent)	Position on petition
Giorgio Foods	Temple, PA	***	***
L.K. Bowman	Nottingham, PA	***	Petitioner
Modern Mushroom Farms	Imlay City, MI	***	Petitioner
Monterey Mushrooms	Bonne Terre, MO	***	Petitioner
Mount Laurel Canning	Temple, PA	***	Petitioner
Mushroom Canning	Kennett Square, PA	***	Petitioner
National Food	Lenhartsville, PA	***	***
Ron Son Foods	Glassboro, NJ	***	***
Southwood Farms	Hockessin, DE	***	***
Sunny Dell Foods	Oxford, PA	***	Petitioner
United Canning	North Lima, OH	***	Petitioner
Total		100.0	

Giorgio, a privately held corporation, is the largest U.S. producer by far, ***.[2] ***.[3] ***. On January 2, 1998, Giorgio's workers were certified as eligible for Trade Adjustment Assistance based on imports contributing importantly to a decline in production and employment.[4]

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[1] Three firms exited the industry in 1997: Emil Lerch, Inc., Hatfield, PA; National Food Products, Lenhartsville, PA; and Seneca Foods Corp., Marion, NY. *** was able to provide questionnaire data. Petitioners argue that these firms exited due to import competition. Tr., p. 11. The former president of National testified that his firm went out of business due to import competition. Tr., pp. 30-31. ***. In addition, ***.

[2] ***.

[3] ***.

[4] Memorandum transmitted by fax from Fred Giorgi to Olympia Hand, Feb. 2, 1998. National Foods was denied such relief on May 16, 1997, because imports did not contribute importantly to the decline of the firm. AFI Mushroom Group brief, att. A.

Four firms (***) are integrated producers that buy at least some portion of their raw mushrooms from affiliated farms.[5] The mushroom growing and canning industries are interrelated in certain areas of the country, such as Burks County, PA, where many growers went out of business during the period of investigation as a result of the decline in canneries in the area.[6]

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

As shown in table III-1 at the end of this section, production increased between 1994 and 1995, then decreased sharply ***.[7] Capacity utilization was low and fluctuated during the period for which data were collected.

U.S. PRODUCERS' DOMESTIC SHIPMENTS AND EXPORT SHIPMENTS

The trends in U.S. producers' domestic shipments (there were no internal transfers) shown in table III-2 at the end of this section followed the trends in production discussed above. The average unit values of shipments declined steadily for all producers during the period for which data were collected. There was a large variation in average unit values among firms, ***.

U.S. PRODUCERS' INVENTORIES

U.S. producers' inventories followed a trend similar to production and shipments, except in January-September 1997, as presented in table III-3 at the end of this section. Inventory-to-commercial-shipments ratios varied among firms, ***.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

During the period for which data were gathered, the average number of employees fluctuated downward, as shown in table III-4 at the end of this section. Hours worked and wages paid followed suit. Productivity increased during the interim periods as the industry downsized, with unit labor costs decreasing slightly. Once again, there was a wide variation in employment indicators among the various firms. ***.

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[5] Tr., pp. 13 and 27; fieldwork notes; and responses to Commission questionnaires.
[6] Tr., pp. 27-28, and fieldwork notes.
[7] ***. Fieldwork notes.

Table III-1
Certain preserved mushrooms: U.S. producers' capacity, production, and capacity utilization, 1994-96, January-September 1996, and January-September 1997

Item	1994	1995	1996	January-September 1996	January-September 1997
Capacity (1,000 pounds)	203,997	211,920	220,382	166,587	145,875
Production (1,000 pounds)	92,451	108,185	84,788	67,086	65,004
Capacity utilization (percent)	45.3	51.0	38.5	40.3	44.6

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table III-2
Certain preserved mushrooms: U.S. producers' shipments, by type, 1994-96, January-September 1996, and January-September 1997

Item	1994	1995	1996	January-September 1996	January-September 1997
	Quantity (1,000 pounds)				
Domestic commercial shipments	84,688	95,781	92,161	71,121	58,949
Export shipments	***	***	***	***	***
Total	***	***	***	***	***
	Value ($1,000)				
Domestic commercial shipments	140,166	144,102	122,664	95,365	72,230
Export shipments	***	***	***	***	***
Total	***	***	***	***	***
	Unit value (per pound)				
Domestic commercial shipments	$1.66	$1.50	$1.33	$1.34	$1.23
Export shipments	***	***	***	***	***
Average	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table III-3
Certain preserved mushrooms: U.S. producers' end-of-period inventories, 1994-96, January-September 1996, and January-September 1997

Item	1994	1995	1996	January-September 1996	January-September 1997
Inventories (1,000 pounds)	12,667	24,020	15,561	19,212	20,551
Ratio to production (percent)	13.7	22.2	18.4	21.5	23.7
Ratio to U.S. shipments (percent)	15.0	25.1	16.9	20.3	26.1
Ratio to total shipments (percent)	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table III-4
Average number of production and related workers producing certain preserved mushrooms, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1994-96, January-September 1996, and January-September 1997

Item	1994	1995	1996	January-September 1996	January-September 1997
PRWs (number)	503	524	488	485	416
Hours worked (1,000)	994	1,136	1,007	770	693
Wages paid ($1,000)	11,264	12,651	10,709	9,055	7,757
Hourly wages	$11.33	$11.14	$10.63	$11.76	$11.19
Productivity (pounds per hour)	93.0	95.2	84.2	87.1	93.8
Unit labor costs (per pound)	$0.12	$0.12	$0.13	$0.13	$0.12

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

There are 50 firms believed to be importers of certain preserved mushrooms from subject sources, 23 of which supplied questionnaire data. The responding firms accounted for over 70 percent of subject imports in 1996. ***.

* * * * * * *

U.S. IMPORTS

Imports shown in table IV-1 at the end of this section are from official statistics of the U.S. Department of Commerce, except for imports from Chile, which are based on questionnaire data from ***.[1] Imports from Hong Kong are presented separately and then subtotaled with imports from China, as the petition alleges that there are no mushrooms grown or preserved in Hong Kong.[2] Imports from Chile declined during the period for which data were gathered. Imports from India and Indonesia increased from 1994 to 1995, decreased from 1995 to 1996, and then increased again between the interim periods. ***.[3] Average unit values of imports were measurably higher for India and Indonesia than for Chile and China.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of certain preserved mushrooms based on U.S. producers' and U.S. importers' (for Chile only) U.S. shipments and U.S. imports (for China, India, and Indonesia) are shown in table IV-2 at the end of this section. Both the quantity and value of apparent consumption increased from 1994 to 1995, and then decreased from 1995 to 1996 and between the interim periods.

U.S. MARKET SHARES

Market shares based on U.S. producers' and U.S. importers' U.S. shipments and U.S. imports are presented in table IV-3 at the end of this section. U.S. producers gained market share during 1994-96, but their share declined sharply between the interim periods. Imports from the subject sources gained market share during the period for which data were gathered. Imports from all other sources lost market share during the same period.

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[1] ***.

[2] Petition, p. 13.

[3] ***.

Table IV-1
Certain preserved mushrooms: U.S. imports, by sources, 1994-96, January-September 1996, and January-September 1997

Item	1994	1995	1996	January-September 1996	January-September 1997
	Quantity (1,000 pounds)				
China	37,801	66,923	67,491	46,592	53,138
Hong Kong	25,108	8,664	5,262	4,523	3,720
Subtotal	62,909	75,587	72,753	51,115	56,858
Chile	***	***	***	***	***
India	4,698	5,951	4,368	2,595	6,073
Indonesia	24,909	30,756	26,893	20,590	24,374
Subtotal	***	***	***	***	***
Other sources	31,438	21,826	14,763	11,308	8,806
Total	***	***	***	***	***
	Value ($1,000)				
China	34,460	77,071	63,038	45,169	44,335
Hong Kong	27,932	10,508	4,532	4,039	2,505
Subtotal	62,393	87,580	67,570	49,208	46,840
Chile	***	***	***	***	***
India	6,123	8,065	5,400	3,511	6,272
Indonesia	36,785	47,648	35,197	27,204	29,139
Subtotal	***	***	***	***	***
Other sources	42,053	30,476	19,279	14,828	11,720
Total	***	***	***	***	***
	Unit value (per pound)				
China	$0.91	$1.15	$0.93	$0.97	$0.83
Hong Kong	1.11	1.21	0.86	0.89	0.67
Average	0.99	1.16	0.93	0.96	0.82
Chile	***	***	***	***	***
India	1.30	1.36	1.24	1.35	1.03
Indonesia	1.48	1.55	1.31	1.32	1.20
Average	***	***	***	***	***
Other sources	1.34	1.40	1.31	1.31	1.33
Average	***	***	***	***	***
	Share of quantity (percent)				
China	***	***	***	***	***
Hong Kong	***	***	***	***	***
Subtotal	***	***	***	***	***
Chile	***	***	***	***	***
India	***	***	***	***	***
Indonesia	***	***	***	***	***
Subtotal	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
China	***	***	***	***	***
Hong Kong	***	***	***	***	***
Subtotal	***	***	***	***	***
Chile	***	***	***	***	***
India	***	***	***	***	***
Indonesia	***	***	***	***	***
Subtotal	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

Source: Imports from Chile compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; all other imports compiled from official statistics of the U.S. Department of Commerce.

Table IV-2
Certain preserved mushrooms: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1994-96, January-September 1996, and January-September 1997

Item	1994	1995	1996	January-September 1996	January-September 1997
	Quantity (1,000 pounds)				
U.S. producers' shipments	84,688	95,781	92,161	71,121	58,949
Imports from--					
China	37,801	66,923	67,491	46,592	53,138
Hong Kong	25,108	8,664	5,262	4,523	3,720
Subtotal	62,909	75,587	72,753	51,115	56,858
Chile (1)	***	***	***	***	***
India	4,698	5,951	4,368	2,595	6,073
Indonesia	24,909	30,756	26,893	20,590	24,374
Subtotal	***	***	***	***	***
All other sources	31,438	21,826	14,763	11,308	8,806
Total imports	***	***	***	***	***
Apparent consumption	***	***	***	***	***
	Value ($1,000)				
U.S. producers' shipments	140,166	144,102	122,664	95,365	72,230
Imports from--					
China	34,460	77,071	63,038	45,169	44,335
Hong Kong	27,932	10,508	4,532	4,039	2,505
Subtotal	62,393	87,580	67,570	49,208	46,840
Chile (1)	***	***	***	***	***
India	6,123	8,065	5,400	3,511	6,272
Indonesia	36,785	47,648	35,197	27,204	29,139
Subtotal	***	***	***	***	***
All other sources	42,053	30,476	19,279	14,828	11,720
Total imports	***	***	***	***	***
Apparent consumption	***	***	***	***	***

(1) Data for Chile are U.S. shipments of imports compiled from questionnaire data.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, and from official statistics of the U.S. Department of Commerce.

Table IV-3
Certain preserved mushrooms: Apparent U.S. consumption and market shares, 1994-96, January-September 1996, and January-September 1997

* * * * * * *

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

U.S. Inland Transportation Costs

The 6 responding U.S. producers reported that U.S. inland transportation costs account for between 2 and *** percent of the total delivered price of preserved mushrooms. Twelve of the 17 responding importers reported that these transportation costs account for between 2 and *** percent, and the remaining 5 reported transportation costs from 6 to 15 percent of the cost of preserved mushrooms.[1]

Tariff Rates

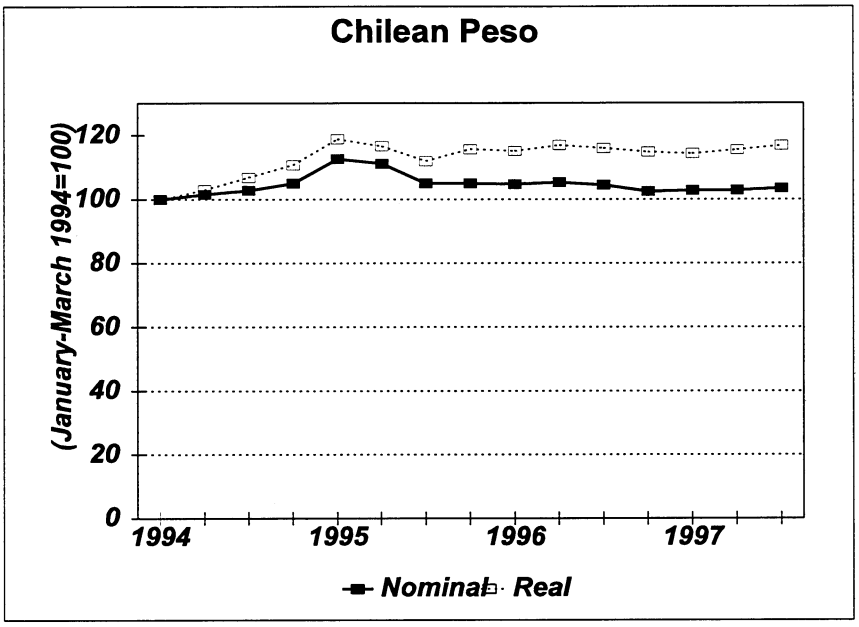
Preserved mushrooms are covered by subheadings 2003.10.27, 2003.10.31, 2003.10.37, 2003.10.43, 2003.10.47, 2003.10.53, and 0711.90.40 of the HTS. These had MFN duty rates of $0.066 per kilogram on drained weight plus 9.2 percent *ad valorem* in 1997 for imports under HTS heading 2003.10, and $0.064 per kilogram drained weight plus 9 percent for imports under HTS subheading 0711.90.40.

Exchange Rates

Quarterly exchange rates reported by the International Monetary Fund for Chile, China, India, and Indonesia during the period January 1994-October 1997 are shown in figures V-1 to V-4.

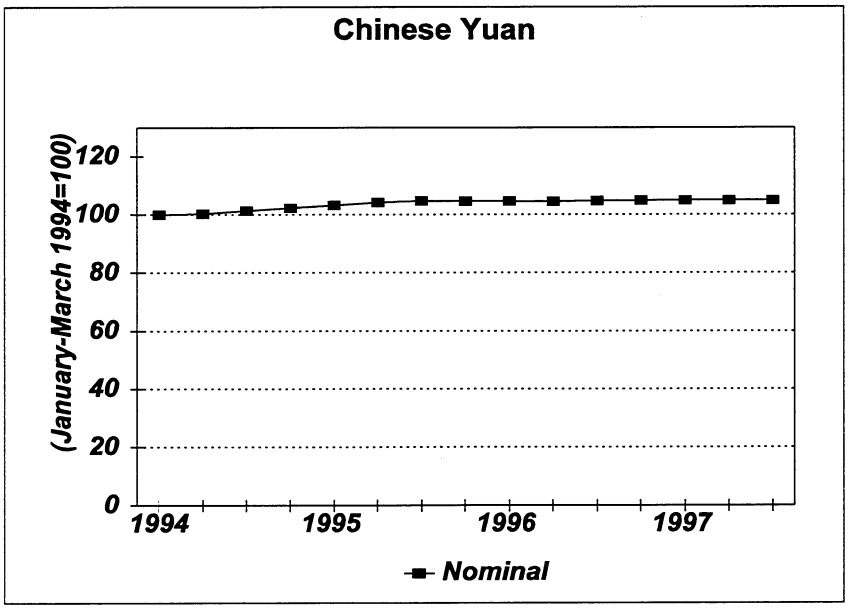
[1] Two additional importers reported that transportation costs depended on the location of the buyer, and 3 reported that the question did not apply to them since they did not deliver.

Figure V-1
Exchange rates: Indexes of the nominal and real exchange rates of the Chilean peso relative to the U.S. dollar, by quarters, Jan. 1994-Oct. 1997



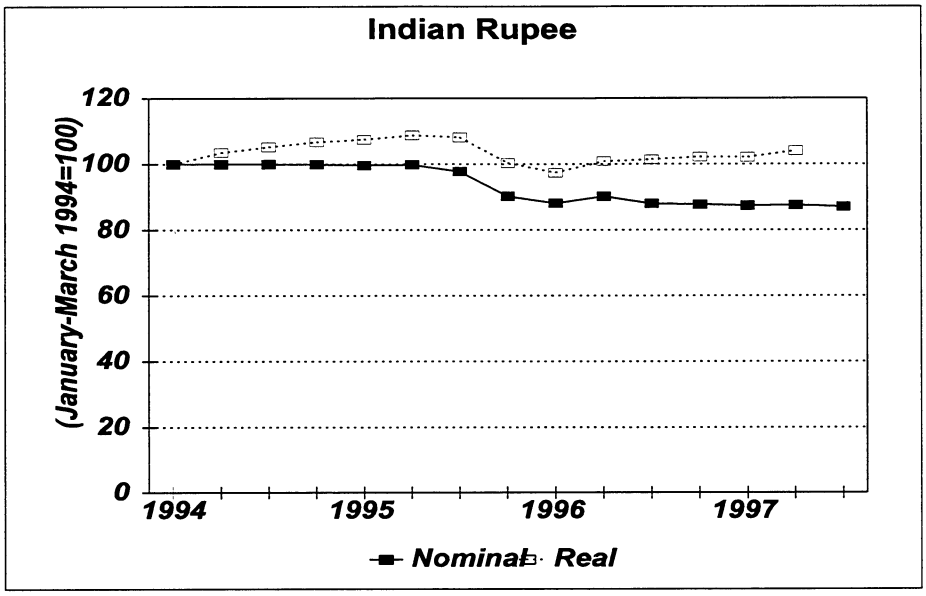
Source: International Monetary Fund, *International Financial Statistics*, December 1997.

Figure V-2
Exchange rates: Index of the nominal exchange rate of the Chinese yuan relative to the U.S. dollar, by quarters, Jan. 1994-Oct. 1997



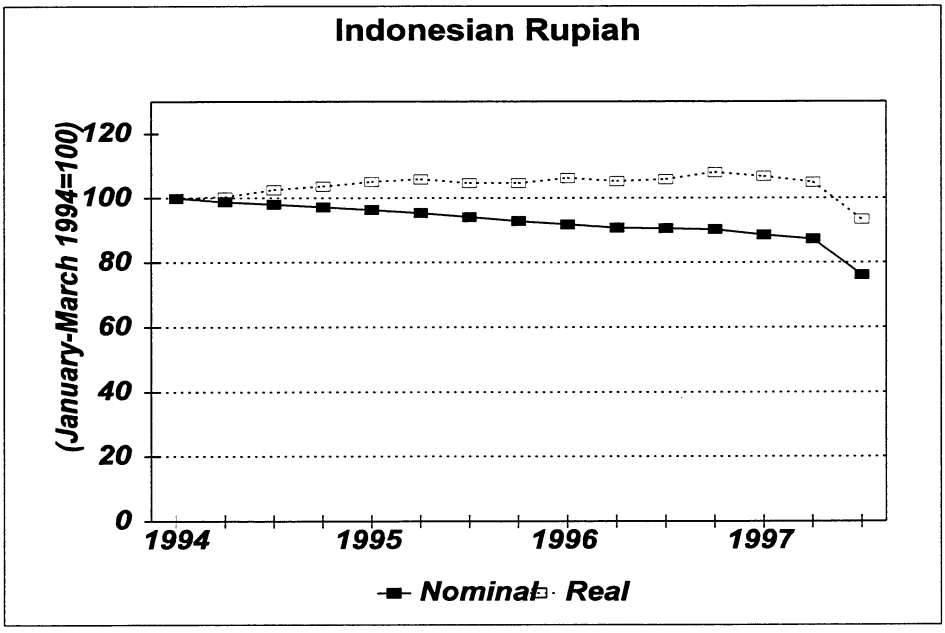
Source: International Monetary Fund, *International Financial Statistics*, December 1997.

Figure V-3
Exchange rates: Indexes of the nominal and real exchange rates of the Indian rupee relative to the U.S. dollar, by quarters, Jan. 1994-Oct. 1997



Source: International Monetary Fund, *International Financial Statistics*, December 1997.

Figure V-4
Exchange rates: Indexes of the nominal and real exchange rates of the Indonesian rupiah relative to the U.S. dollar, by quarters, Jan. 1994-Oct. 1997



Source: International Monetary Fund, *International Financial Statistics*, December 1997.

PRICING PRACTICES

Certain preserved mushrooms are sold in a variety of sizes of containers including one-pound cans; number 10 cans which hold 62 to 68 ounces of mushrooms; and 4-, 6-, 8-, and 8.5-ounce cans or jars. Of these, the most common sizes are 68-ounce cans for industrial and food service users and 4-ounce cans for retail sales. The 1-pound and number 10 cans are mainly sold to restaurant chains, industrial end users, or distributors that sell to restaurants. Both importers and domestic producers reported that they do not price differently for direct sales and sales to distributors. Pricing data on 68-ounce cans were therefore collected for sales to food service customers regardless of whether they were sold to or through a distributor.[2] Although most preserved mushrooms are sold as stems and pieces, they may also be sold as whole mushrooms, including button mushrooms, and mushroom slices. Stems and pieces are the least expensive form because producers can use lower-grade mushrooms to produce them. Certain preserved mushrooms may be canned in brine, water, or butter sauce. Those canned in butter sauce tend to be more expensive and are mainly sold at the retail level.

Five of the 9 responding domestic producers reported no discounts, 3 offered cash or prompt-payment discounts, and 3 offered quantity discounts.[3] Thirteen of the 24 responding importers offered no discounts, 8 offered quantity discounts,[4] 2 offered cash or prompt-payment discounts, and 1 offered discounts based on the market.

Only 2 of the 10 responding domestic producers and 5 of the 23 responding importers used price lists. Three domestic producers and 5 importers sold on both a transaction-by-transaction basis and by contract for multiple shipments. One domestic producer and 9 importers sold only on a transaction-by-transaction basis. In addition, 4 domestic producers and 1 importer reported how they determined their prices,[5] 2 importers reported selling at market prices, and one importer reported that it used all methods depending on the customer.

Five of the 9 responding domestic producers reported selling on a delivered basis,[6] and the remaining 4 sold on an f.o.b. basis. Twelve of the 23 responding importers sold on a delivered basis,[7] 4 on both f.o.b. and delivered basis, and 7 sold only on an f.o.b. basis.

Four of the 9 responding domestic producers and 9 of the 19 responding importers sold only on a spot basis. Two domestic producers and 4 importers sold mainly on a spot basis, 3 domestic producers and 3 importers sold mainly on a contract basis, and 3 importers but no domestic producers sold only on a contract basis.

Domestic producers reported longer-term contracts than importers. Five of the 6 responding domestic producers reported that contracts averaged 6 months, and the remaining producer reported its contracts were from 3 to 6 months long. In contrast, 3 of the 11 responding importers reported contracts 6 months or longer, 2 reported that contracts averaged 3 to 6 months, 1 reported that contracts lasted 3 to 5 months, and 5 reported contracts were on average 3 months or shorter.

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[2] Some importers may have combined prices they sold to industrial users with those for food service customers. *** questionnaire, p. 7. ***.

[3] Two producers offered both prompt payment and quantity discounts.

[4] One importer offered both early payment and quantity discounts.

[5] Two domestic producers and the importer reported that price was determined by costs, one reported that the price was determined by the market but sales were determined by cash flow needs, and one reported that it was not able to cover costs.

[6] One of these reported occasionally selling f.o.b.

[7] Two of these reported occasionally selling f.o.b.

PRICE DATA

The Commission requested the U.S. producers and importers to provide quarterly quantity and value data between January 1994 and October 1997 for the following products:[8]

Product 1.--Stems and pieces, in 4-ounce cans, sold to retail customers (excluding stems and pieces that are packed in butter or butter sauce)

Product 2.--Stems and pieces, in 68-ounce cans, sold to food service customers (excluding stems and pieces that are packed in butter or butter sauce)

Ten U.S. producers[9] and 17 importers provided usable price data for sales of the requested products in the U.S. market, although not necessarily for both products, all quarters, or for all countries. Weighted-average pricing data are presented in tables V-1 to V-2 and figures V-5 and V-6, and margins of under/overselling are presented in table V-3. Usable pricing data accounted for about 60 percent of U.S. shipments of domestic certain preserved mushrooms and about 50 percent of shipments of certain preserved mushrooms from Chile, China, India, and Indonesia combined.

U.S. Producers' and Importers' Prices

U.S. Product

U.S. producers' prices for product 1 ranged from a high of $1.88 per pound to a low of $1.32 per pound, and their prices for product 2 ranged from $1.48 to $1.01 per pound. Prices for products 1 and 2 followed similar trends. Product 1's price peaked in the second quarter of 1994, after which it steadily declined to reach its minimum in the third quarter of 1997. Product 2's price peaked in the first quarter of 1995, after which it declined, reaching its minimum in the third quarter of 1997. Over the entire period of investigation, the price of product 1 fell by 25.4 percent and the price of product 2 fell by 21.7 percent.

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[8] U.S. producers were requested to provide net shipment quantities and values f.o.b. their producing establishments. When one importer asked to clarify whether we wanted landed duty paid value or shipment values (selling price), 20 of the largest importers were contacted to ensure they understood that the value requested was selling price. In the instructions booklet accompanying the questionnaire, importers were requested to provide net shipment quantities and values f.o.b. from their U.S. point of shipment (including U.S. import duties).

[9] One domestic producer, *** reported only annual data on quantities and values. These have been allocated evenly among the quarters to be combined with other data.

Table V-1
Certain preserved mushrooms: Weighted-average net f.o.b. prices (per pound) and quantities for sales to unrelated U.S. customers for product 1[1] reported by U.S. producers and importers, by quarters, Jan. 1994-Sept. 1997

Period	U.S. Product			Chilean Product			Chinese Product			Indian Product			Indonesian Product		
	Net f.o.b. price	Quantity	Co.[2]	Net f.o.b. price	Quantity	Co.[2]	Net f.o.b. price	Quantity	Co.[2]	Net f.o.b. price	Quantity	Co.[2]	Net f.o.b. price	Quantity	Co.[2]
	Per pound	*1,000 Pounds*		*Per pound*	*1,000 Pounds*		*Per pound*	*1,000 Pounds*		*Per pound*	*1,000 Pounds*		*Per pound*	*1,000 Pounds*	
1994:															
January-March	$1.77	7,590	4	(3)	(3)	-	$1.59	1,775	5	(3)	(3)	-	$2.36	2,657	3
April-June	1.88	5,383	5	(3)	(3)	-	1.71	2,003	6	(3)	(3)	-	2.37	2,047	4
July-September	1.84	5,927	4	(3)	(3)	-	1.77	3,191	5	(3)	(3)	-	2.25	1,802	5
October-December	1.79	6,032	5	(3)	(3)	-	1.79	2,375	4	***	***	1	2.25	1,588	3
1995:															
January-March	1.79	6,304	5	(3)	(3)	-	1.67	3,071	4	***	***	1	2.31	1,412	3
April-June	1.72	5,227	4	***	***	1	1.66	4,059	4	***	***	1	2.27	1,283	3
July-September	1.67	6,240	5	(3)	(3)	-	1.64	3,262	5	***	***	1	2.26	1,313	3
October-December	1.68	5,929	4	(3)	(3)	-	1.64	3,125	5	***	***	1	2.21	1,898	4
1996:															
January-March	1.56	6,590	4	(3)	(3)	-	1.44	3,497	7	***	***	1	2.07	1,649	3
April-June	1.50	7,000	4	***	***	1	1.30	2,270	8	***	***	1	***	***	2
July-September	1.40	7,814	4	***	***	1	1.33	3,835	8	***	***	1	***	***	2
October-December	1.38	6,609	5	(3)	(3)	-	1.26	3,201	9	***	***	1	1.95	2,219	3
1997:															
January-March	1.35	5,251	5	***	***	1	1.12	3,179	7	***	***	1	1.94	2,101	3
April-June	1.35	5,069	5	***	***	1	1.12	3,225	9	***	***	1	2.02	1,646	3
July-September	1.32	4,978	3	***	***	1	1.15	3,687	8	***	***	1	1.88	1,772	4

[1] Stems and pieces, in 4-ounce cans, sold to retail customers (excluding stems and pieces packed in butter or butter sauce).
[2] Number of companies reporting data.
[3] Data not reported.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table V-2
Certain preserved mushrooms: Weighted-average net f.o.b. prices (per pound) and quantities for sales to unrelated U.S. customers for product 2[1] reported by U.S. producers and importers, by quarters, Jan. 1994-Sept. 1997

Period	U.S. Product			Chilean Product			Chinese Product			Indian Product			Indonesian Product		
	Net f.o.b. price	Quantity	Co.[2]	Net f.o.b. price	Quantity	Co.[2]	Net f.o.b. price	Quantity	Co.[2]	Net f.o.b. price	Quantity	Co.[2]	Net f.o.b. price	Quantity	Co.[2]
	Per pound	*1,000 Pounds*		*Per pound*	*1,000 Pounds*		*Per pound*	*1,000 Pounds*		*Per pound*	*1,000 Pounds*		*Per pound*	*1,000 Pounds*	
1994:															
January-March	$1.29	7,910	9	***	***	1	$1.15	4,785	12	(3)	(3)	-	$1.34	730	3
April-June	1.37	8,155	9	***	***	1	1.23	6,106	12	***	***	1	1.42	697	4
July-September	1.39	6,306	9	***	***	1	1.30	6,048	12		(3)	-	1.45	680	5
October-December	1.44	8,430	9	***	***	1	1.29	4,369	12	***	***	1	1.45	610	3
1995:															
January-March	1.48	10,536	9	***	***	1	1.29	5,601	12		(3)	-	1.47	742	3
April-June	1.37	10,743	9	***	***	1	1.29	7,942	13		(3)	-	1.46	745	3
July-September	1.32	8,864	9	***	***	1	1.27	7,363	13		(3)	-	1.46	755	3
October-December	1.30	9,395	9	***	***	1	1.16	4,813	12		(3)	-	1.41	927	4
1996:															
January-March	1.20	9,537	9	***	***	1	0.99	5,303	13		(3)	-	1.38	704	3
April-June	1.13	8,639	9	***	***	1	0.97	7,859	12		(3)	-	***	***	2
July-September	1.08	8,219	9	***	***	1	0.91	7,109	12	***	***	1	***	***	2
October-December	1.04	8,087	9	***	***	1	0.86	6,688	12	***	***	1	1.33	496	3
1997:															
January-March	1.04	6,789	9	***	***	1	0.83	6,613	12	0.77	135	3	1.21	672	3
April-June	1.03	6,290	9	***	***	1	0.78	5,217	11	0.79	438	3	1.32	442	3
July-September	1.01	4,782	8	***	***	1	0.80	5,902	11	***	***	2	1.22	593	4

[1] Stems and pieces, in 68-ounce cans, sold to food service customers (excluding stems and pieces packed in butter or butter sauce).
[2] Number of companies reporting data.
[3] Data not reported.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table V-3
Certain preserved mushrooms: Weighted-average margins of under/overselling for sales to unrelated U.S. customers for products 1[1] and 2[2] reported by U.S. producers and importers, by quarters, Jan. 1994-Sept. 1997

(In percent)

Period	Margins of under/(over)selling for Product 1 from --				Margins of under/(over)selling for Product 2 from --			
	Chile	China	India	Indonesia	Chile	China	India	Indonesia
1994:								
January-March	(3)	10.2	(3)	(33.5)	***	11.1	(3)	(4.1)
April-June	(3)	9.0	(3)	(26.0)	***	9.8	***	(3.8)
July-September	(3)	4.0		(22.5)	***	6.1	(3)	(4.9)
October-December		0.3	***	(25.4)	***	10.5	***	(0.4)
1995:								
January-March	(3)	6.5	***	(29.2)	***	13.3	(3)	1.2
April-June	***	3.4	***	(32.5)	***	6.3	(3)	(6.6)
July-September	(3)	1.4	***	(35.6)	***	3.8	(3)	(10.4)
October-December	(3)	2.7	***	(31.2)	***	10.7		(8.8)
1996:								
January-March	(3)	7.3	***	(32.8)	***	17.4	(3)	(15.0)
April-June	***	13.4	***	***	***	14.7	(3)	***
July-September	***	4.9	***	***	***	15.0	***	***
October-December	(3)	9.1	***	(40.7)	***	17.4	***	(28.2)
1997:								
January-March	***	16.9	***	(43.8)	***	20.8	25.9	(16.0)
April-June	***	16.9	***	(50.1)	***	23.7	23.5	(28.5)
July-September	***	12.7	***	(42.4)	***	20.6	***	(20.3)

[1] Stems and pieces, in 4-ounce cans, sold to retail customers (excluding stems and pieces packed in butter or butter sauce).
[2] Stems and pieces, in 68-ounce cans, sold to food service customers (excluding stems and pieces packed in butter or butter sauce).
[3] Margins not calculated.

Note.--Percentage margins are calculated from unrounded figures; thus, margins cannot always be directly calculated from the rounded figures in the table.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure V-5
Weighted-average net f.o.b. prices (per pound) of product 1, by quarters, Jan. 1994-Sept. 1997

* * * * * * *

Figure V-6
Weighted-average net f.o.b. prices (per pound) of product 2, by quarters, Jan. 1994-Sept. 1997

* * * * * * *

Chilean Product

Prices for Chilean product 1 were not available for 1994, the first, third, and fourth quarters of 1995, and the first and fourth quarters of 1996.[10] *** quantities of product 1 were reported. The price for product 1 ranged from *** at its peak in the third quarter of 1997 to *** per pound in the second quarter of 1995. The price for product 2 ranged from a high of *** per pound in the third quarter of 1994 and the first quarter of 1995, to a low of *** per pound in the first quarter of 1997. The price of product 2 fell *** between the third quarter of 1994 and the beginning of 1997. Over the period of investigation, the price of product 1 rose by *** percent and the price of product 2 fell by *** percent.

Chinese Product

The price for Chinese product 1 ranged from $1.79 at its peak in the fourth quarter of 1994 to $1.12 per pound in the first half of 1997. The price steadily declined between these periods, except for a slight increase in the third quarter of 1996. The price for product 2 ranged from a high of $1.30 per pound in the third quarter of 1994 to a low of $0.78 per pound in the second quarter of 1997. The price of product 2 fell steadily between these periods. Over the period of investigation, the price of product 1 fell by 27.7 percent and the price of product 2 fell by 30.4 percent.

Indian Product

Prices for product 1 were not available in the first three quarters of 1994. The price reported by the importer of Indian product 1 ranged from *** to *** per pound. The price for product 1 peaked in the fourth quarter of 1994, the first quarter for which price data are available, after which it fell to *** in the first quarter of 1995, around which the price fluctuated for the remainder of the period. The final price was *** percent below the initial price. Prices for Indian product 2 were not available for the first and third quarters of 1994, for all of 1995, and the first half of 1996. Reported prices for product 2 ranged from *** in the second and fourth quarters of 1994 to *** per pound in the first quarter of 1997. The price of product 2 declined in the latter half of 1996 and was relatively stable in 1997, and the final price was *** percent below the initial price.

Indonesian Product

The price reported by importers of product 1 ranged from a high of $2.37 in the second quarter of 1994 to a low of $1.88 per pound in the third quarter of 1997, falling reasonably steadily between these periods. The final price was 20.3 percent below the initial price. Reported prices for product 2 ranged

[10] ***. Discussions with Commission staff, Feb. 2, 1998.

from $1.47 to $1.21 per pound, reaching their peak in the first quarter of 1995 and their minimum in the first quarter of 1997. The price fell reasonably steadily between these dates. Over the entire period of investigation, prices fell by 9.0 percent.

Price Comparisons

Table V-3 shows the margins of underselling/(overselling) for certain preserved mushrooms from January-March 1994 through July-September 1997 for subject countries. Chilean product 1 undersold U.S. product 1 in only one quarter, with a margin of underselling of *** percent. In the remaining 5 quarters for which data are available, margins of overselling ranged from *** percent to *** percent. Product 2 from Chile undersold the U.S. product in 7 quarters and oversold in 8 quarters, with margins of underselling ranging from *** percent to *** percent and margins of overselling ranging from *** percent to *** percent; underselling occurred from January-March 1994 through July-September 1995 and the overselling occurred thereafter. For China, margins of underselling ranged from 0.3 to 16.9 percent for product 1 and from 3.8 to 23.7 percent for product 2, with 30 instances of underselling and no overselling. Product 1 from India had 8 instances of overselling and 4 instances of underselling. The margins of overselling ranged from *** percent to *** percent, and underselling margins ranged from *** percent to *** percent. Indian product 2 undersold U.S. production in all 7 quarters in which data are available; margins of underselling ranged from *** to *** percent. For Indonesian product 1, there were 15 instances of overselling and no instances of underselling; margins of overselling ranged from 22.5 to 50.1 percent. For Indonesian product 2, there were 14 instances of overselling and one of underselling; margins of overselling ranged from 0.4 to 28.5 percent and the underselling margin was 1.2 percent.

LOST SALES AND LOST REVENUES

Five domestic producers ***[11] reported 55 allegations of lost sales with a total value of $12,480,472 (table V-4). Three domestic producers *** reported 18 instances of lost revenues with a total value of $1,809,767 (table V-5). There were no lost sales or lost revenue allegations concerning India. Staff obtained comments from 9 of the 36 purchasers named, as detailed below. Of 18 lost revenue allegations, it was possible to get information in 6 instances; 4 instances were confirmed or partially confirmed, and in 2 cases the purchaser did not have information available to confirm or deny the allegations. Of the 55 specific lost sales allegations, it was possible to get information on 19 sales. Of these, 7 were confirmed or partially confirmed by the purchasers, 6 were denied by the purchasers, and in 6 cases the purchaser did not have or would not supply the information to confirm or deny.

*** was named in *** lost revenue allegations claiming the loss of ***. ***[12] reported that the information requested was not available in his files.

Table V-4
Lost sales allegations reported by petitioners

* * * * * * *

Table V-5
Lost revenues allegations reported by petitioners

* * * * * * *

[11] *** also reported that it had lost sales and revenue; however, information on these was incomplete.
[12] Written response received Jan. 22, 1998.

*** was named in *** lost revenue allegations claiming the loss of ***. *** stated that U.S. producers did reduce their price in order to sell canned mushrooms to his firm, and this was necessary because the price of Chinese mushrooms was about $2.00 per case less than domestic mushrooms and had been for the last 3 years.[13] He prefers to purchase domestic product and he is willing to pay about *** to purchase domestic product. He reported that although he did not have the detailed information, he thought the quantities and prices both for the domestic product and imports in the lost revenue allegations were correct.

*** was named in *** lost sales allegations claiming the loss of ***. *** reported that they purchased only mushrooms from China and have for the last 10 years because Chinese mushrooms are so much less expensive than domestic mushrooms.[14] He reported that *** may get offers from brokers for domestic canned mushrooms but domestic canned mushrooms are not competitive with Chinese. *** did not know the prices domestic firms were charging. *** reported that they purchased about *** cases every 3 ½ to 4 months or about *** pounds per year rather than the *** reported as lost sales by ***. He could report only one price for the Chinese product during the period when lost sales were alleged. He reported that in December 1996/January 1997 Chinese mushrooms were selling at *** per pound but the price of Chinese mushrooms varied with the conditions in China. He reported that *** purchases of canned mushrooms had fallen about 5 years ago as demand shifted to fresh mushrooms.

*** was named in *** lost sales allegations. *** reported that he purchased approximately *** cases per year or *** pounds per year.[15] He reported that in *** Chinese mushrooms varied between *** per case or *** per pound and domestic mushrooms varied between *** per case or *** per pound. He reported that *** purchases Chinese mushrooms because he is confident of the quality of these mushrooms and because the price was competitive. *** was not interested in purchasing domestic mushrooms because they were a different color and their piece size was not as consistent as the Chinese product. *** reported that they purchase canned mushrooms from only one source because they are comfortable with this source's product and prices.

*** was named in a lost sale allegation claiming losses of ***. *** reported that for the last 4 to 5 years he purchased exclusively Chinese canned mushrooms.[16] He would like to buy domestic if these were available at the same price and comparable quality but they are not. He reported that he did not have records of the prices of domestic mushrooms he has been offered, but that Chinese mushrooms tend to vary between *** per pound. He reported that the less-expensive U.S.-produced mushrooms tend to have small pieces and are too dark. They do not look good on a pizza. The U.S.-produced mushrooms that are a comparable quality to the Chinese mushrooms he purchases are very expensive. He reported that he had received an order on *** for a *** of Chinese mushrooms, about *** pounds.

*** was named in *** lost sales allegations claiming losses of ***. *** reported that she purchases both Chinese and U.S.-produced canned mushrooms; however, these are sold ***.[17] She reported the U.S.-produced mushrooms were of better quality than Chinese mushrooms. U.S.-produced mushrooms currently cost *** per pound while Chinese mushrooms cost *** per pound. She was not

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[13] Discussions with Commission staff, Jan. 15, 1998.

[14] Discussions with Commission staff, Jan. 15, 1998. *** provided quantities and prices per case. Staff has converted these to a per-pound basis to compare with lost sales/revenue allegations.

[15] Discussion with Commission staff, Jan. 15, 1998. *** provided quantities and prices per case. Staff has converted these to a per-pound basis to compare with lost sales/revenue allegations. During the conversation, ***; however, this was probably an error because he was normally working with cases and the cases each weigh 25.5 pounds.

[16] Discussion with Commission staff, Jan. 16,1998. Staff has converted per case amounts to a per-pound basis to compare to lost sales/revenue allegations.

[17] Discussions with Commission staff, Jan. 14, 1998. *** provided quantities and prices on a per-case basis. Staff has converted these to a per-pound basis to compare with lost sales/revenue allegations.

able to provide prices for the time of the lost sales allegations; however, she reported that she sold *** pounds of Chinese mushrooms in *** and *** pounds of Chinese mushrooms in ***.

*** was named in *** lost sales allegations claiming losses of ***. *** was not willing to respond to the specific allegations without a firm name.[18] He reported generally that *** purchased both domestic and imported mushrooms. They are seen as different products. He said that domestic mushrooms are darker and have a better flavor and that the people who know about food purchase domestic.

*** was named in *** lost sales allegations claiming losses of ***. *** denied the allegations, reporting that *** does not purchase any imported mushrooms.[19]

*** was named in *** lost sales allegations claiming losses of ***. *** reported that all mushroom purchase decisions in the last few years had been made at ***.[20]

[18] Discussions with Commission staff, Jan. 14, 1998.
[19] Discussions with Commission staff, Jan. 14, 1998.
[20] Discussions with Commission staff, Jan. 14, 1998.

PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

BACKGROUND

Ten producers,[1] which together accounted for over 90 percent of reported U.S. shipments of certain preserved mushrooms, provided financial data on their operations processing certain preserved mushrooms. *** were unable to provide financial data. No company reported any intracompany transfers.

Financial data were gathered only on the producers' actual processing operations (cleaning, sorting, blanching, and canning), not their growing operations. As noted in the petition, the staff conference, and in the briefs, many producers are integrated to at least some extent. This means that they grow a portion of the fresh mushrooms needed for their processing operations or perhaps purchase a portion from related growers; they may also purchase a portion from unrelated growers. Processors that are not integrated must purchase all of their fresh mushroom requirements from unrelated growers. Since we did not gather financial data on growers, and since no such data are publicly available,[2] such data cannot be presented.

OPERATIONS ON CERTAIN PRESERVED MUSHROOMS

The results of the U.S. producers' operations processing certain preserved mushrooms are presented in table VI-1. To summarize, net sales values and profitability both decreased over time, the result of dwindling sales quantities and unit sales values declining faster than unit costs. In 1995, sales values declined modestly as an increase in sales quantities almost offset the $0.15 decrease in unit sales values. Since unit costs (cost of goods sold and SG&A expenses combined) also decreased by about $0.15 per pound, all levels of profitability remained about the same. This was not so the following year.

Unit sales values declined again in 1996, this time by $0.18 per pound, while sales quantities decreased by about 14 percent. The combined effect was that net sales values decreased by about one-quarter. Although unit costs also declined, the decrease ($0.12) was not enough to cover the decreased unit sales values. As a result, all levels of profitability declined by all measures. The results were the same when comparing the first nine months of 1996 to the first nine of 1997. Decreases in unit sales values ($0.12) and sales quantities (16 percent) again drove sales values down by about one-quarter. Meanwhile, decreases in unit costs ($0.10) did not keep pace with decreasing unit sales values, resulting in declining profitability.

Table VI-2 presents selected financial data on a company-by-company basis, and illustrates some of the similarities and differences between the producers. ***.

The financial trends of the producers on their operations processing certain preserved mushrooms are presented in table VI-3.

The variance analysis showing the effects of prices and volume on the producers' net sales of certain preserved mushrooms, and of costs and volume on their total expenses, is shown in table VI-4. The analysis is summarized at the bottom of the table. From 1994 to 1995, the negative effect of decreasing unit sales values (negative $13,819,000) was overcome by the positive effects of decreasing unit costs and increased sales volume (positive $13,445,000 and $464,000, respectively). The decrease in operating profits in subsequent periods was the combined result of unit sales values falling faster than unit costs, and decreased sales volume.

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[1] The producers and their respective fiscal year ends if other than Dec. 31 are ***.

[2] Data on the number of *Agaricus* mushroom growers and their sales quantities and values are available from the U.S. Department of Agriculture (USDA). However, according the analyst responsible for the data (Linda Simpson), USDA does not gather comprehensive cost data associated with the sales values.

Table VI-1
Results of U.S. producers on their operations processing certain preserved mushrooms, fiscal years 1994-96, Jan.-Sept. 1996, and Jan.-Sept. 1997

Item	Fiscal year			Jan.-Sept.	
	1994	1995	1996	1996	1997
	Quantity (*thousands of pounds*)				
Net sales	85,770	92,714	79,561	69,082	58,069
	Value (*$1,000*)				
Net sales	136,816	134,074	101,048	92,424	70,578
Cost of goods sold	118,100	115,743	88,394	80,155	61,111
Gross profit	18,716	18,331	12,654	12,269	9,467
SG&A expenses	12,985	12,510	11,572	9,145	8,045
Operating income	5,731	5,821	1,082	3,124	1,422
Interest expense	1,595	1,403	1,095	1,081	910
All other expenses	641	595	502	400	511
All other income	263	290	380	283	227
Net income or (loss)	3,758	4,113	(135)	1,926	228
Depreciation/amortization	1,561	1,376	1,298	1,065	957
Cash flow	5,319	5,489	1,163	2,991	1,185
	Value (*Dollars per pound*)				
Net sales	$1.60	$1.45	$1.27	$1.34	$1.22
Cost of goods sold	1.38	1.25	1.11	1.16	1.05
Gross profit	0.22	0.20	0.16	0.18	0.16
SG&A expenses	0.15	0.13	0.15	0.13	0.14
Operating income	0.07	0.06	0.01	0.05	0.02
	Ratio to net sales (*percent*)				
Cost of goods sold	86.3	86.3	87.5	86.7	86.6
Gross profit	13.7	13.7	12.5	13.3	13.4
SG&A expenses	9.5	9.3	11.5	9.9	11.4
Operating income	4.2	4.3	1.1	3.4	2.0
	Number of firms reporting				
Data	9	9	10	10	9
Operating losses	5	4	7	6	5

Note 1: Sales data approximate shipment data in all periods but 1996, when they are about 15 to 20 percent lower. This is primarily because *** in the shipment data gathered by the Commission for the calendar years ending Dec. 31, 1994, 1995, and 1996.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
Selected financial data (on a company-by-company basis) of U.S. producers on their operations processing certain preserved mushrooms, 1994-96, Jan.-Sept. 1996, and Jan.-Sept. 1997

* * * * * * *

Table VI-3
Financial trends of U.S. producers on their operations producing certain preserved mushrooms between the fiscal years 1994 and 1996 and the periods Jan.-Sept. 1996 and Jan.-Sept. 1997

Item	Between fiscal years			Jan.-Sept.
	1994-95	1995-96	1994-96	1996-97
	Number of firms reporting			
Data	9	9	9	9
Increasing sales quantities	6	3	4	5
Decreasing sales quantities	3	6	5	4
Increasing sales values	5	0	1	4
Decreasing sales values	4	9	8	5
Increasing unit sales values	1	0	0	3
Decreasing unit sales values	8	9	9	6
Increasing costs	5	0	1	3
Decreasing costs	4	9	8	6
Increasing unit costs	0	1	0	5
Decreasing unit costs	9	8	9	4
Increasing costs as a percent of sales	5	8	6	6
Decreasing costs as a percent of sales	4	1	3	3
Increasing operating income	4	1	3	4
Decreasing operating income	5	8	6	5
Increasing unit profits	4	1	2	4
Decreasing unit profits	5	8	7	5
Increasing operating income as percent of sales	4	1	3	3
Decreasing operating income as percent of sales	5	8	6	6

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-4
Variance analysis of U.S. producers' operations processing certain preserved mushrooms between the fiscal years 1994 and 1996 and the periods Jan.-Sept. 1996 and Jan.-Sept. 1997

Item	Between fiscal years			Jan.-Sept.
	1994-96	1994-95	1995-96	1996-97
	Value (*$1,000*)			
Net sales:				
Price variance	(25,864)	(13,819)	(14,005)	(7,112)
Volume variance	(9,904)	11,077	(19,021)	(14,734)
Total net sales variance	(35,768)	(2,742)	(33,026)	(21,846)
Cost of goods sold:				
Cost variance	21,157	11,918	10,929	6,266
Volume variance	8,549	(9,561)	16,420	12,778
Total COGS variance	29,706	2,357	27,349	19,044
Gross profit variance:	(6,062)	(385)	(5,677)	(2,802)
SG&A expenses:				
Expense variance	473	1,526	(837)	(358)
Volume variance	940	(1,051)	1,775	1,458
Total SG&A variance	1,413	475	938	1,100
Operating income variance:	(4,649)	90	(4,739)	(1,702)
Summarized as:				
Price variance	(25,864)	(13,819)	(14,005)	(7,112)
Net cost/expense variance	21,630	13,445	10,092	5,908
Volume variance	(415)	464	(826)	(498)

Note: Unfavorable variances are shown in parentheses; all others are favorable.

Source: Compiled from data submitted in response to Commission questionnaires.

CAPITAL EXPENDITURES, R&D EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

The U.S. producers' capital expenditures and research and development expenditures, together with the value of their fixed assets, are shown in table VI-5. Larger capital expenditures included those by ***. *** of those reported by the other producers.

Table VI-5
Capital expenditures, research and development expenditures, and assets utilized by U.S. producers processing certain preserved mushrooms, fiscal years 1994-96, Jan.-Sept. 1996, and Jan.-Sept. 1997

Item	Fiscal year			Jan.-Sept.	
	1994	1995	1996	1996	1997
	Value (*$1,000*)				
Capital expenditures	1,414	2,617	1,305	289	808
R&D expenses	468	231	164	123	128
Fixed assets:					
Original value	20,105	21,788	22,831	22,189	22,822
Book value	8,614	9,248	9,112	9,236	8,932

Source: Compiled from data submitted in response to Commission questionnaires.

CAPITAL AND INVESTMENT

The producers' comments regarding any actual or potential negative effects of imports of certain preserved mushrooms from Chile, China, India, and Indonesia on their firms' growth, investment, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product) were as follows:

* * * * * * *

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(I)). Information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CHILE

The industry in Chile consists of one producer, NFP Chile S.A., with a recently-built state-of-the art facility that manufacturers only 68-ounce cans of preserved mushrooms.[1] Data provided by NFP Chile are provided in table VII-1 at the end of this section. Capacity utilization ***;[2] ***.[3] ***.

THE INDUSTRY IN CHINA

Available information about the industry in China is confusing and incomplete. The petition listed 36 Chinese firms approved by the FDA to export the subject product to the United States;[4] however, Chinese officials have identified 30 firms, only 3 of which appear in the petition, as exporting to the United States.[5] No reliable information is available about the capacity, production, and capacity utilization of the industry in China.[6] Information provided by the Chinese indicates that there are many other export markets for certain preserved mushrooms from China: Germany, Hong Kong, Israel, Japan, and Norway are among the largest. In 1996, approximately 18 percent of exports of the subject product from China were destined for the United States, and in 1997 the ratio of exports to the United States compared with total exports was about 23 percent.[7] Exports to Brazil may be limited by a recent antidumping duty finding that imposes $1.37 duties per kilogram on imports of canned mushrooms from China.[8] No information was available concerning inventories of the subject merchandise in China.

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[1] NFP brief, p. 24, and field work notes.

[2] PFS/Ameriserve (Pizza Hut), which accounted for over 70 percent of NFP Chile's shipments of preserved mushrooms to the United States in 1996, switched to the use of fresh mushrooms about May 1997. NFP brief pp. 30-31 and 36.

[3] NFP brief, p. 7.

[4] As mentioned earlier in this report, imports of the subject product from China have been subject to detention and lot-by-lot inspection by the FDA for some time. ***. Fieldwork notes.

[5] Petition, exh. G-4, and letter to the Commission's Secretary from the China Chamber of Commerce for Imports and Exports of Foodstuffs, Native Produce, and Animal Byproducts, Jan. 23, 1998.

[6] On Feb. 5, 1998, counsel for the Chinese exporters submitted 3 foreign producer questionnaire responses, from China Jiangsu Cereals Oils & Foodstuffs Imp/Exp (Group) Corp., Fujian Province Putian Cannery; Shanghai Foodstuffs Import and Export Corp.; and Fujian Zishan (Group) Co., Ltd. These firms are believed to account for less than *** percent of exports of the subject product from China. Data provided were sketchy and not usable in tabular form.

[7] Fax transmission from the U.S. Embassy in Beijing, Jan. 27, 1998.

[8] Petitioners' brief, p. 45 and exh. 6.

THE INDUSTRY IN INDIA

Available information on the industry in India indicates that capacity for certain preserved mushrooms is about 54 million pounds. Capacity utilization is reported to be around 20 percent.[9] Major export markets include France, the United States, and Switzerland. Major players in the industry include Flex Foods, Moneshi Agro, Pond's India, Premier Mushroom Farms, Saptarishi Agro Industries, Sugam, Techtron, and Transchem, many of which began production in 1997. Agro Dutch Foods shut down operations in 1997.[10] Pond's India was the only firm to provide data in response to Commission questionnaires, and it accounted for about *** percent of total capacity in India. Its exports accounted for *** percent of total U.S. imports from India in 1996, but only for *** percent in January-September 1997. Data from Pond's India are presented in table VII-2 at the end of this section.

THE INDUSTRY IN INDONESIA

According to counsel for the Indonesian producers, the industry in Indonesia is fully integrated from growing to harvesting to processing.[11] There are four known producers of the subject product in Indonesia: P.T. Dieng Djaya, P.T. Suryajaya Abadi Perkasa,[12] P.T. Indo Evergreen Agro Business Corp., and P.T. Zeta Agro Corp., all of which supplied data on their operations, which are presented in table VII-3 at the end of this section. Capacity utilization was low and declined during 1994-96 and between interim 1996 and 1997. Exports to markets other than the United States were a small percentage of total exports, and inventories increased during the same period. Projections for 1998 indicate an increase in capacity utilization, a decline in inventories, and a substantial increase in exports to other countries. Exports to the United States are projected to decline.

U.S. INVENTORIES OF PRODUCT FROM CHILE, CHINA, INDIA, AND INDONESIA

Inventories held by U.S. importers of merchandise from the subject countries were sizable and are shown in table VII-4 at the end of this section. ***. The ratio of inventories to imports from China increased between 1994 and 1995, decreased from 1995 to 1996, and then increased again between the interim periods. The ratio of inventories to imports from Indonesia declined during 1994-96, but increased sharply between the interim periods.

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[9] Telegram from U.S. Embassy in New Delhi, Feb. 2, 1998. Petitioners assert that the capacity utilization for Transchem, the largest firm in the industry, was 3.6 percent in 1995-96. Petitioners' brief, p. 43.

[10] Telegram from U.S. Embassy in New Delhi, Feb. 2, 1998.

[11] Indonesian brief, p. 32.

[12] ***.

Table VII-1
Data for the producer of certain preserved mushrooms in Chile, 1994-96, January-September 1996, January-September 1997, and projected 1997-98

* * * * * * *

Table VII-2
Data for foreign producers of certain preserved mushrooms in India, 1994-96, January-September 1996, January-September 1997, and projected 1997-98

* * * * * * *

Table VII-3
Data for foreign producers of certain preserved mushrooms in Indonesia, 1994-96, January-September 1996, January-September 1997, and projected 1997-98 (1)

Item	1994	1995	1996	January-September 1996	January-September 1997	Projected 1997	Projected 1998
	Quantity (1,000 pounds)						
Capacity	58,749	62,347	66,567	49,853	57,681	74,688	74,688
Production	29,746	37,156	33,097	23,535	25,792	36,618	42,136
End-of-period inventories	2,684	6,488	7,160	8,226	7,079	8,078	7,216
Shipments:							
Home market	90	303	529	402	387	627	315
Exports to:							
United States	26,269	28,938	27,198	20,037	24,486	32,430	28,792
All other markets	2,337	4,101	4,694	3,120	2,511	4,118	13,409
Total exports	28,606	33,039	31,892	23,157	26,997	36,548	42,201
Total shipments	28,696	33,342	32,421	23,559	27,384	37,175	42,516
	Ratios and shares (percent)						
Capacity utilization	50.6	59.6	49.7	47.2	44.7	49.0	56.4
Inventories/production	9.0	17.5	21.6	26.2	20.6	22.1	17.1
Inventories/shipments	9.4	19.5	22.1	26.2	19.4	21.7	17.0
Share of total shipments:							
Home market	0.3	0.9	1.6	1.7	1.4	1.7	0.7
Exports to:							
United States	91.5	86.8	83.9	85.1	89.4	87.2	67.7
All other markets	8.1	12.3	14.5	13.2	9.2	11.1	31.5
Total exports	99.7	99.1	98.4	98.3	98.6	98.3	99.3

(1) ***.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table VII-4
Certain preserved mushrooms: U.S. importers' end-of-period inventories of imports, 1994-96, January-September 1996, and January-September 1997

* * * * * * *

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–776–779 (Preliminary)]

Certain Preserved Mushrooms From Chile, China, India, and Indonesia

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping investigations Nos. 731–TA–776–779 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Chile, China, India, and Indonesia of certain preserved mushrooms,[1] provided for in subheadings 0711.90.40 and 2003.10.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by February 20, 1998. The Commission's views are due at the Department of Commerce within five business days thereafter, or by February 27, 1998.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207), as amended in 61 FR 37818 (July 22, 1996).

EFFECTIVE DATE: January 6, 1998.

FOR FURTHER INFORMATION CONTACT: Olympia DeRosa Hand (202–205–3182), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov or ftp://ftp.usitc.gov).

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed on January 6, 1998, by L.K. Bowman, Inc., Nottingham, PA; Modern Mushroom Farms, Inc., Avondale, PA; Monterrey Mushrooms, Inc., Watsonville, CA; Mount Laurel Canning Corp., Temple, PA; Mushroom Canning Co., Kennett Square, PA; Sunny Dell Foods, Inc., Oxford, PA; and United Canning Corp., North Lima, OH.

Participation in the investigations and public service list.—Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on January 27, 1998, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Olympia DeRosa Hand (202–205–3182) not later than January 23, 1998, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before January 30, 1998, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

By order of the Commission.

[1] The imported products subject to these investigations consist of certain preserved mushrooms, whether imported whole, sliced, or as stems and pieces. The preserved mushrooms covered under the investigations are of the species *Agaricus bisporus and Agaricus bitorquis*. "Preserved mushrooms" refers to mushrooms that have been prepared or preserved by cleaning, blanching, and sometimes slicing or cutting. These mushrooms are then packed and heated in containers, including but not limited to cans or glass jars, in a suitable liquid medium that may include, but is not limited to, water, brine, or butter (or butter sauce). Preserved mushrooms may be imported whole, sliced, or as stems and pieces. Included within the scope of the petition are "brined" mushrooms, which are presalted and packed in a heavy salt solution to provisionally preserve them for further processing.

Excluded from the scope of the petition are: (1) all other species of mushroom, including straw mushrooms (HTS statistical reporting number 2003.10.0009); (2) all fresh and chilled mushrooms (HTS subheading 0709.51.00), including "refrigerated" or "quick blanched" mushrooms; (3) dried mushrooms (HTS subheadings 0712.30.10 and 0712.30.20); (4) frozen mushrooms (HTS subheading 0710.80.20); and (5) "marinated," "acidified," or "pickled" mushrooms, which are packed with solutions such as oil, vinegar, or acetic acid (HTS subheading 2001.90.39).

Issued: January 12, 1998.

Donna R. Koehnke,

Secretary.

[FR Doc. 98–1095 Filed 1–15–98; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–337–804, A–533–813, A–560–802, and A–570–851]

Initiation of Antidumping Investigations: Certain Preserved Mushrooms From Chile, India, Indonesia, and the People's Republic of China

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: February 2, 1998.

FOR FURTHER INFORMATION CONTACT: David J. Goldberger, Office 5, AD/CVD Enforcement Group II, Import Administration-Room B099, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W.,

Washington, DC 20230; telephone: (202) 482–4136.

SUPPLEMENTARY INFORMATION:

Initiation of Investigations

The Applicable State and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department's regulations are to the current regulations, as amended by the regulations published in the **Federal Register** on May 19, 1997 (62 FR 27296).

The Petition

On January 6, 1998, the Department of Commerce ("the Department") received a petition filed in proper form by the Coalition for Fair Preserved Mushroom Trade which is comprised of the following companies: L.K. Bowman, Inc., Modern Mushroom Farms, Inc., Monterey Mushrooms, Inc., Mount Laurel Canning Corp., Mushroom Canning Company, Sunny Dell Foods, Inc., and United Canning Corp. ("the petitioners"). The Department received supplemental information to the petitions on January 15 and 20, 1998.

In accordance with section 732(b) of the Act, petitioners allege that imports of certain preserved mushrooms ("mushrooms") from Chile, India, Indonesia, and the People's Republic of China ("PRC") are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring an industry in the United States.

The Department finds that petitioners filed the petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) and (D) of the Act and they have demonstrated sufficient industry support (*see* discussion below).

Scope of Investigations

For purposes of these investigations, the products covered are certain preserved mushrooms whether imported whole, sliced, diced, or as stems and pieces. The preserved mushrooms covered under these investigations are the species *Agaricus bisporus* and *Agaricus bitorquis*. "Preserved mushrooms" refer to mushrooms that have been prepared or preserved by cleaning, blanching, and sometimes slicing or cutting. These mushrooms are then packed and heated in containers including but not limited to cans or glass jars in a suitable liquid medium, including but not limited to water, brine, butter or butter sauce. Preserved mushrooms may be imported whole, sliced, diced, or as stems and pieces. Included within the scope of the investigation are "brined" mushrooms, which are presalted and packed in a heavy salt solution to provisionally preserve them for further processing.

The merchandise subject to these investigations is classifiable under subheadings 2003.10.27, 2003.10.31, 2003.10.37, 2003.10.43, 2003.10.47.2003.10.53, and 0711.90.4000 of the Harmonized Tariff Schedule of the United States ("HTS"). Although the HTS subheadings are provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive.

Excluded from the scope of this petition are the following: (1) All other species of mushroom including straw mushrooms; (2) all fresh and chilled mushrooms, including "refrigerated" or "quick blanched mushrooms"; (3) dried mushrooms; (4) frozen mushrooms; and (5) "marinated," "acidified" or "pickled" mushrooms, which are prepared or preserved by means of vinegar or acetic acid, but may contain oil or other additives.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who account for production of the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether the domestic industry has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory provision regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to the law.[1] Section 771(10) of the Act defines domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

The domestic like product referred to in the petition is the single domestic like product defined in the "Scope of Investigation" section, above. The Department has no basis on the record to find the petition's definition of the domestic like product to be inaccurate. The Department has, therefore, adopted the domestic like product definition set forth in the petition. In this case, the petitioners established industry support above the statutory requirement, as detailed in a memorandum to the file dated January 23, 1998. Accordingly, the Department determines that the petition is filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

The Department received the following comments regarding industry support. With respect to the petition on imports of mushrooms from Chile, Nature's Farm Products (Chile) S.A. ("NFP Chile"), a foreign exporter of the subject merchandise, filed a submission on January 22, 1998, which argued that the petitioners do not constitute a U.S. industry. NFP Chile stated that the petitioners are not producers because "[f]ew of them even grow mushrooms which are the underlying product that is the subject of the investigation." According to NFP Chile, petitioners represent canners or packagers that cannot be considered an industry. Instead, NFP Chile requests that the Department poll members of the American Mushroom Institute to assess industry support.

We disagree with NFP Chile that petitioners, that is, domestic producers

[1] See *Algoma Steel Corp., Ltd. v. United States*, 688 F. Supp. 639, 642–44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass Therefor from Japan; Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380–81 (July 16, 1991).

of preserved mushrooms, do not constitute an industry. As defined in the scope of the petition, "preserved mushrooms" refer to mushrooms that have been prepared or preserved by cleaning, blanching, and sometimes slicing or cutting, which are then packed and heated in various containers in a suitable liquid. Petition at 12. Therefore, the proper focus of our industry support analysis lies with the producers of preserved mushrooms, not the growers of mushrooms. We note that in an earlier antidumping investigation, *Canned Mushrooms form the People's Republic of China*, the petition was filed by a canner of mushrooms, the Four "H" Company. 48 Fed. Reg. 45,445, (10/5/83). In that investigation, the ITC concluded that the domestic industry was comprised of "the U.S. facilities engaged in canning mushrooms." *Canned Mushrooms from the People's Republic of China*, Inv. No. 731–TA–115 (Prelim.), USITC Pub. 1324 at 3–4 (1982). As described in our industry support memorandum, the Department confirmed with the ITC the known universe of producers of preserved mushrooms. There is no basis for polling an industry group (growers) which does not produce the merchandise identified in the petition.

With respect to the petition on imports of preserved mushrooms from India, on January 22, 1998, we received an expression of opposition from Giorgio Foods Inc. ("Giorgio"), which is both a domestic producer of the subject merchandise, as well as an importer of subject merchandise from India. Because Giorgio is an importer of the subject merchandise from India the Department has the authority to disregard Giorgio's position, in accordance with section 732(c)(B)(ii) of the Act. However, our analysis shows that the supporters of the petition account for over 50 percent of production of the domestic producers who have expressed an opinion even if Giorgio's position is not disregard. *See* Memorandum to The File dated January 23, 1998, on Industry Support.

Export Price and Normal Value

The following are descriptions of the allegations of sales at less than fair value upon which our decisions to initiate these investigations are based. Should the need arise to use any of this information in our preliminary or final determinations for purposes of facts available under section 776 of the Act, we may re-examine the information and revise the margin calculations, if appropriate.

Chile

The petitioners identified NFP Chile as the sole exporter and producer of mushrooms from Chile. The petitioners based export price ("EP") on U.S. sales prices obtained by one of the petitioning companies for the first sales to unaffiliated purchases, specifically, sales made by Nature's Farm-USA to a customer in 1997. The petitioners calculated a net U.S. price by subtracting import charges based upon the official U.S. import statistics and import duties based on the 1997 import duty rate.

Pursuant to sections 773(a)(4) and 773(e) of the Act, the petitioners based normal value ("NV") for sales in Chile on constructed value ("CV"). The petitioners claimed that there are insufficient sales of the foreign like product in the home market to form an adequate basis for comparison with EPs to the United States.

Pursuant to section 773(e) of the Act, CV consists of the cost of materials, fabrication, other processing (*i.e.*, cost of manufacturing ("COM")), selling, general, and administrative expenses ("SG&A"), and packing. To calculate COM and SG&A, the petitioners relied on market research and NFP Chile's corporate financial statements. The petitioners also based packing information on market research.

Consistent with section 773(e)(2) of the Act, the petitioners also added to CV an amount for profit. Because the petitioners claim that NFP Chile has failed to realize a profit since 1990, the petitioners relied upon the 1996 profit margin for Iansafrut S.A., a leading Chilean fruit and vegetable producer, as a reasonable surrogate to estimate a profit margin for NFP Chile's sales.

The estimated dumping margin in the petition, based on a comparison between NFP Chile's U.S. price and the CV, is 83.30 percent.

India

The petitioners identified the following as exporters and producers of mushrooms from India: Agro Dutch Foods, Ltd. ("Agro Dutch"); Alpine Biotech Ltd. ("Alpine"); Mandeep Mushrooms Ltd. ("Mandeep"); Pond's India Ltd. ("Pond's"); Saptarishi Agro Industries Ltd. ("Saptarishi"); Transchem Ltd. ("Transchem"); Premier Mushroom Farms ("Premier"); and Flex Foods Ltd. ("Flex Foods"). For export price ("EP"), the petitioners used price quotes, as obtained from their market research, and average unit prices derived from U.S. Customs IM 146 statistical import data.

The petitioners adjusted these prices by subtracting amounts for foreign inland freight and estimated international movement expenses, U.S. merchandise processing fee, and U.S. harbor maintenance fee, as appropriate. The movement expenses were based on information obtained from the petitioners' market research and the difference between the CIF import value and the Customs Import value reported in the official 1997 U.S. import statistics for January through September 1997.

With respect to NV, the petitioners provided calculations using both home market prices and CV. In addition, the petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of mushrooms in the home market were made at prices below the cost of production ("COP"), within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales below cost investigation. Therefore, pursuant to sections 773(a)(4) and 773(e) of the Act, the petitioners also based NV for sales in India on CV.

As noted above, CV consists of COM, SG&A, and profit. The petitioners calculated the direct portion of COM and packing based on Indian costs obtained through their market research. To calculate the indirect portion of COM, SG&A and CV profit, the petitioners relied on financial statements of Indian producers of the subject merchandise, as included in the petition.

Based on comparisons of EP to NV, the petitioners estimate margins of 31.76 to 274.05 percent.

Indonesia

The petitioners identified five exporters and producers of mushrooms: Dieng Djaya, PT ("Dieng Djaya"); Indo Evergreen Agro Business Co., PT ("Indo Evergreen"); Surya Jaya Abadi Perkasa, PT ("Surya Jaya"); Tuwuh Agung, PT ("Tuwuh Agung"); and Zeta Agro Corporation ("Zeta"). The petitioners based EPs on U.S. price quotes obtained from their market research, and average unit prices derived from U.S. Customs IM 146 statistical import data. Where appropriate, the petitioners subtracted foreign inland freight from the EP. As the petitioners could not obtain freight expense data from Indonesia, they applied a freight expense based on Indian data.

The petitioners based NV on home market prices quotes, as obtained by their market research, and CV.

As noted above, CV consists of COM, SG&A, packing and profit. The petitioners based their calculations for COM, SG&A and packing on Indonesian costs obtained through their market

research. Profit, net interest, and depreciation are based on public information from a major Indonesian food processing company. The petitioners made no adjustments to the home market price quote.

Comparison of NV and net EPs for sales of mushrooms from Indonesia results in estimated dumping margins that range from 35.40 percent to 42.30 percent.

People's Republic to China

The petitioners identified 36 potential PRC exporters and producers of mushrooms. The petitioners based EP on average Customs import values and U.S. prices quotes obtained from industry contacts. From these starting prices, the petitioners deducted international freight and insurance fees, based on the difference between the CIF import value and the Customs import value. The petitioners then subtracted U.S. entry fees, U.S. merchandise processing fees and U.S. harbor maintenance fees.

Because the PRC is considered a nonmarket economy (NME) country under section 771(18) of the Act, the petitioners based NV on the factors of production valued in a surrogate country, in accordance with section 773(c)(3) of the Act. For the factors of production, the petitioners used Indian consumption data for materials, labor, and energy, based on data in the market research report for the companion Indian petition and included in the public version of that petition. Materials were valued based on Indian prices obtained from the petitioner's market research. Labor was valued using the regression-based wage rate for the PRC provided by the Department, in accordance with 19 CFR 351.408(c)(3). Electricity was valued using the rate published in the annual report of an Indian producer of the subject merchandise. For factory overhead, SG&A and profit, the petitioners applied rates derived from the public annual reports of several Indian preserved mushroom producers. Packing factors were based on the Indian market research report, and packing materials valued based on the Indian market research. Packing labor was valued in the same manner as direct labor.

Based on comparisons of EP to NV, the petitioners estimate dumping margins from 85.38 percent to 198.63 percent.

Initiation of Cost Investigation

Pursuant to section 773(b) of the Act, the petitioners alleged that sales in the home market of India were made at prices below the COP and, accordingly, requested that the Department conduct a country-wide sales below COP investigation in India. The Statement of Administrative Action ("SAA"), submitted to the Congress in connection with the interpretation and application of the Uruguay Round Agreements, states that an allegation of sales below COP need not be specific to individual exporters or producers. SAA, H.R. Doc. No. 316, 103d Cong., 2d Sess., at 833 (1994). The SAA, at 833, states that "Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of initiating an antidumping investigation."

Further, the SAA provides that "new section 773(b)(2)(A) retains the current requirement that Commerce have 'reasonable grounds to believe or suspect' that below cost sales have occurred before initiating such an investigation. 'Reasonable grounds' exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices." *Id.* Based upon the comparison of the adjusted prices from the petition of the foreign like product in India to the COP calculated in the petition, we find "reasonable grounds to believe or suspect" that sales of these foreign like products were made below their respective COP within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating the requested country-wide cost investigation for India.

Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of mushrooms from Chile, India, Indonesia, and the PRC are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petition alleges that the U.S. industry producing the domestic like product is being materially injured, and is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. The allegations of injury and causation are supported by relevant evidence including business proprietary data from the petitioning firms, U.S. Customs import data and a pricing report from an industry trade journal. The Department assessed the allegations and supporting evidence regarding material injury and causation and determined that these allegations are sufficiently supported by accurate and adequate evidence and meet the statutory requirements for initiation.

Initiation of Antidumping Investigations

We have examined the petition on mushrooms and have found that it meets the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of mushrooms from Chile, India, Indonesia, and the PRC are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determinations for the antidumping duty investigations by June 15, 1998.

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of each petition has been provided to the representatives of the governments of Chile, India, Indonesia, and the PRC. We will attempt to provide a copy of the public version of each petition to each exporter named in the petition (as appropriate).

International Trade Commission Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will determine by February 20, 1998, whether there is a reasonable indication that imports of mushrooms from Chile, India, Indonesia, and the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. Negative ITC determinations will result in the particular investigations being terminated; otherwise, the investigations will proceed according to statutory and regulatory time limits.

Dated: January 26, 1998.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98-2478 Filed 1-30-98; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST OF WITNESSES

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigations:

CERTAIN PRESERVED MUSHROOMS FROM CHILE, CHINA, INDIA, AND INDONESIA

Investigations Nos. 731-TA-776-779 (Preliminary)

January 27, 1998 - 9:30 am

The conference was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES:

Collier, Shannon, Rill & Scott
Washington, DC
on behalf of

Coalition for Fair Preserved Mushroom Trade

Robert Shelton, President
L.K. Bowman, Inc

Charles J. Ciarrocchi, President
Modern Mushroom Farms, Inc.

Dennis Newhard, President
Mushroom Canning Co.

Shah Kazemi, President
Monterey Mushrooms

Thomas Tranquillo, Sales Manager
Gold Star Mushrooms

Gary Caligiuri, President
Sunny Dell Foods, Inc.

Michael T. Kerwin
Georgetown Economic Services

Michael J. Coursey, Esq.--OF COUNSEL
Kathleen W. Cannon, Esq.--OF COUNSEL
Rachel S. Lovejoy, Esq.--OF COUNSEL

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES:

Porter, Wright, Morris & Arthur
Washington, DC
on behalf of

Nature's Farm Products, Inc.
U.S. importer

Pete Pizzo, Vice President
Nature's Farm Products

Dr. Charles Pearson, Professor of International Economics,
Johns Hopkins School of Advanced International Studies

Bart S. Fisher, Esq.--OF COUNSEL
Heidi Goebel, Esq.--OF COUNSEL

Harris, Ellsworth & Levin
Washington, DC
on behalf of

AFI Mushroom Group
U.S. importers

Herbert Harris, II, Esq.--OF COUNSEL
Cheryl Ellsworth, Esq.--OF COUNSEL

White & Case
Washington, DC
on behalf of

P.T. Dieng Djaya
P.T. Suryajaya Abadi Perkasa
P.T. Tuwuh Agung
P.T. Indo Evergreen Agro Business Corp.
P.T. Zeta Agro Corp.
Indonesian producers/exporters

Walter J. Spak, Esq.--OF COUNSEL
Adams C. Lee, Esq.--OF COUNSEL

Williams, Mullen, Christian & Dobbins
Washington, DC
on behalf of

Chinese Chamber of Commerce for Imports and Exports of Foodstuffs,
Native Produce & Animal Byproducts, China Processed Food Import and Export Corp.
and various Chinese exporters/producers

William E. Perry, Esq.--OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Certain preserved mushrooms: Summary data concerning the U.S. market, 1994-96, January-September 1996, and January-September 1997

(Quantity=1,000 pounds, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data			January-September		Period changes			Jan.-Sept.
	1994	1995	1996	1996	1997	1994-96	1994-95	1995-96	1996-97
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Hong Kong	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Chile (2)	***	***	***	***	***	***	***	***	***
India	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Hong Kong	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Chile (2)	***	***	***	***	***	***	***	***	***
India	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
Imports from--									
China:									
Quantity	37,801	66,923	67,491	46,592	53,138	78.5	77.0	0.8	14.1
Value	34,460	77,071	63,038	45,169	44,335	82.9	123.7	-18.2	-1.8
Unit value	$0.91	$1.15	$0.93	$0.97	$0.83	2.5	26.3	-18.9	-13.9
Ending inventory quantity	5,990	19,555	12,928	13,415	16,519	115.8	226.5	-33.9	23.1
Hong Kong: (4)									
Quantity	25,108	8,664	5,262	4,523	3,720	-79.0	-65.5	-39.3	-17.8
Value	27,932	10,508	4,532	4,039	2,505	-83.8	-62.4	-56.9	-38.0
Unit value	$1.11	$1.21	$0 86	$0.89	$0.67	-22.6	9.0	-29.0	-24.6
Subtotal:									
Quantity	62,909	75,587	72,753	51,115	56,858	15.6	20.2	-3.7	11.2
Value	62,393	87,580	67,570	49,208	46,840	8.3	40.4	-22.8	-4.8
Unit value	$0.99	$1.16	$0.93	$0.96	$0.82	-6.4	16.8	-19.8	-14.4
Chile:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
India:									
Quantity	4,698	5,951	4,368	2,595	6,073	-7.0	26.7	-26.6	134.0
Value	6,123	8,065	5,400	3,511	6,272	-11.8	31.7	-33.0	78.7
Unit value	$1.30	$1.36	$1.24	$1.35	$1.03	-5.2	4.0	-8.8	-23.7
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Indonesia:									
Quantity	24,909	30,756	26,893	20,590	24,374	8.0	23.5	-12.6	18.4
Value	36,785	47,648	35,197	27,204	29,139	-4.3	29.5	-26.1	7.1
Unit value	$1.48	$1.55	$1.31	$1.32	$1.20	-11.4	4.9	-15.5	-9.5
Ending inventory quantity	8,308	8,391	6,527	6,845	10,407	-21.4	1.0	-22.2	52.0
Subtotal:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Other sources:									
Quantity	31,438	21,826	14,763	11,308	8,806	-53.0	-30.6	-32.4	-22.1
Value	42,053	30,476	19,279	14,828	11,720	-54.2	-27.5	-36.7	-21.0
Unit value	$1.34	$1.40	$1.31	$1.31	$1.33	-2.4	4.4	-6.5	1.5
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-1--Continued
Certain preserved mushrooms: Summary data concerning the U.S. market, 1994-96, January-September 1996, and January-September 1997

(Quantity=1,000 pounds, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	1994	1995	1996	1996	1997	1994-96	1994-95	1995-96	1996-97
U.S. producers':									
Average capacity quantity	203,997	211,920	220,382	166,587	145,875	8.0	3.9	4.0	-12.4
Production quantity	92,451	108,185	84,788	67,086	65,004	-8.3	17.0	-21.6	-3.1
Capacity utilization (1)	45.3	51.0	38.5	40.3	44.6	-6.8	5.7	-12.6	4.3
Domestic commercial shipments:									
Quantity	84,688	95,781	92,161	71,121	58,949	8.8	13.1	-3.8	-17.1
Value	140,166	144,102	122,664	95,365	72,230	-12.5	2.8	-14.9	-24.3
Unit value	$1.66	$1.50	$1.33	$1.34	$1.23	-19.6	-9.1	-11.5	-8.6
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	12,667	24,020	15,561	19,212	20,551	22.8	89.6	-35.2	7.0
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	503	524	488	485	416	-3.0	4.2	-6.9	-14.2
Hours worked (1,000s)	994	1,136	1,007	770	693	1.3	14.3	-11.4	-10.0
Wages paid ($1,000s)	11,264	12,651	10,709	9,055	7,757	-4.9	12.3	-15.4	-14.3
Hourly wages	$11.33	$11.14	$10.63	$11.76	$11.19	-6.2	-1.7	-4.5	-4.8
Productivity (pounds per hour)	93.0	95.2	84.2	87.1	93.8	-9.5	2.4	-11.6	7.7
Unit labor costs	$0.12	$0.12	$0.13	$0.13	$0.12	3.7	-4.0	8.0	-11.6
Net sales:									
Quantity	85,770	92,714	79,561	69,082	58,069	-7.2	8.1	-14.2	-15.9
Value	136,816	134,074	101,048	92,424	70,578	-26.1	-2.0	-24.6	-23.6
Unit value	$1.60	$1.45	$1.27	$1.34	$1.22	-20.4	-9.3	-12.2	-9.2
Cost of goods sold (COGS)	118,100	115,743	88,394	80,155	61,111	-25.2	-2.0	-23.6	-23.8
Gross profit or (loss)	18,716	18,331	12,654	12,269	9,467	-32.4	-2.1	-31.0	-22.8
SG&A expenses	12,985	12,510	11,572	9,145	8,045	-10.9	-3.7	-7.5	-12.0
Operating income or (loss)	5,731	5,821	1,082	3,124	1,422	-81.1	1.6	-81.4	-54.5
Capital expenditures	1,414	2,617	1,305	289	808	-7.7	85.1	-50.1	179.6
Unit COGS	$1.38	$1.25	$1.11	$1.16	$1.05	-19.3	-9.3	-11.0	-9.3
Unit SG&A expenses	$0.15	$0.13	$0.15	$0.13	$0.14	-3.9	-10.9	7.8	4.7
Unit operating income or (loss)	$0.07	$0.06	$0.01	$0.05	$0.02	-79.6	-6.0	-78.3	-45.8
COGS/sales (1)	86.3	86.3	87.5	86.7	86.6	1.2	(3)	1.1	-0.1
Operating income or (loss)/ sales (1)	4.2	4.3	1.1	3.4	2.0	-3.1	0.2	-3.3	-1.4

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Data for Chile are U.S. shipments of imports.
(3) Increase of less than 0.05 percentage point.
(4) Ending inventory not available for Hong Kong.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

Table C-2
Certain preserved mushrooms: Summary data concerning the U.S. market excluding U.S. producers' data for ***, 1994-96, January-September 1996, and January-September 1997

* * * * * * *

Figure C-1
Certain preserved mushrooms: Apparent U.S. consumption, by sources, 1994-96, January-September 1996, and January-September 1997

* * * * * * *

APPENDIX D

DATA ON ALL MUSHROOMS, INCLUDING NONSUBJECT MUSHROOMS

Mushrooms

National Agricultural Statistics Service

USDA
Washington, D.C.

Released August 15, 1997, by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, U.S. Department of Agriculture. For information on "Mushrooms" call Linda Simpson at (202) 690-0270, office hours 7:30 a.m. to 4:00 p.m. ET.

Value of Sales a Record High for All Mushrooms, for Fresh Use Agaricus and for Specialty Mushrooms

The value of the 1996-97 mushroom crop in the U.S. is a record large $766 million, slightly above the previous record high of $760 million set in 1994-95. Growers received a record 97.3 cents per pound for the 1996-97 crop, up slightly from last season's record of 96.3 cents per pound. Volume of sales during the 1996-97 season, at 787 million pounds, failed to reach 1994-95's 791 million pounds, but the higher price more than offset the lower sales volume. The number of mushroom growers declined to 337 from last season's figure of 357.

The value of Agaricus mushrooms for fresh market use continued to rise, reaching a record $606 million, 3 percent above the 1995-96 season. The value of sales of Agaricus mushrooms for processing fell 11 percent to the lowest level since the 1988-89 season. The value of sales of specialty mushrooms continued to increase, reaching $35.5 million for the 1996-97 season, 19 percent above the 1995-96 season, and more than double the value of the 1992-93 crop. The value of Shiitake mushroom sales was 11 percent above the previous year.

Agaricus and Specialty Mushrooms: Number of Growers, Volume of Sales, Price, and Value of Sales, July 1, 1994 - June 30, 1997

Year	Growers 1/	All Sales		
		Volume of Sales	Price per Pound 2/	Value of Sales
	Number	1,000 Pounds	Dollars	1,000 Dollars
1994-95 3/	371	790,582	.962	760,489
1995-96 3/	357	786,705	.963	757,531
1996-97	337	787,153	.973	765,796

1/ Number of growers counted once if growing both Agaricus and specialty.
2/ See footnote 1 on page 3.
3/ Revised.

Mushrooms: Sales by Type and Percent of Total, United States, 1967-97 1/

Year	Fresh Market		Processing		Total
	Volume of Sales	Percent	Volume of Sales	Percent	Volume of Sales
	1,000 Pounds		1,000 Pounds		1,000 Pounds
1967-68	47,611	26	132,980	74	180,591
1968-69	56,024	30	132,783	70	188,807
1969-70	62,115	32	131,764	68	193,879
1970-71	58,269	28	148,541	72	206,810
1971-72	66,323	29	165,050	71	231,373
1972-73	76,728	30	177,274	70	254,002
1973-74	102,293	37	177,200	63	279,493
1974-75	126,118	42	172,963	58	299,081
1975-76	142,121	46	167,695	54	309,816
1976-77	151,247	44	195,882	56	347,129
1977-78	191,080	48	207,623	52	398,703
1978-79	229,538	51	224,469	49	454,007
1979-80	255,846	54	214,223	46	470,069
1980-81	275,052	59	194,524	41	469,576
1981-82	319,132	62	198,014	38	517,146
1982-83	337,234	69	153,592	31	490,826
1983-84	388,075	69	173,456	31	561,531
1984-85	419,913	70	175,768	30	595,681
1985-86	427,204	73	160,752	27	587,956
1986-87	454,800	74	157,094	26	611,894
1987-88	468,895	74	162,924	26	631,819
1988-89	484,675	73	183,084	27	667,759
1989-90	511,904	72	203,088	28	714,992
1990-91	511,921	68	237,230	32	749,151
1991-92	496,959	67	249,873	33	746,832
1992-93	522,381	67	253,976	33	776,357
1993-94	516,836	69	233,963	31	750,799
1994-95	532,232	68	250,108	32	782,340
1995-96	537,124	69	240,746	31	777,870
1996-97	553,780	71	222,897	29	776,677

1/ Fresh market, processing and total volume of sales estimates are primarily Agaricus, but also include specialty mushrooms through 1986-87. Statistics after 1986-87 are for Agaricus only.

Mushrooms: Price and Value by Type of Sale,
United States, 1967-97 1/ 2/

Year	Fresh Market		Processing		All Sales	
	Price per Pound	Value of Sales	Price per Pound	Value of Sales	Price per Pound	Value of Sales
	Dollars	1,000 Dollars	Dollars	1,000 Dollars	Dollars	1,000 Dollars
1967-68	.449	21,384	.303	40,269	.341	61,653
1968-69	.461	25,845	.316	42,011	.359	67,856
1969-70	.451	28,004	.339	44,701	.375	72,705
1970-71	.544	31,688	.390	57,932	.433	89,620
1971-72	.579	38,386	.415	68,496	.462	106,882
1972-73	.555	42,596	.380	67,379	.433	109,975
1973-74	.571	58,407	.367	64,947	.441	123,354
1974-75	.607	76,552	.409	70,690	.492	147,242
1975-76	.719	102,234	.530	88,864	.617	191,098
1976-77	.824	124,613	.669	131,065	.737	255,678
1977-78	.901	172,159	.652	135,429	.771	307,588
1978-79	.949	217,770	.642	144,030	.797	361,800
1979-80	.958	245,201	.576	123,396	.784	368,597
1980-81	.947	260,439	.586	114,060	.798	374,499
1981-82	.968	308,805	.555	109,901	.810	418,706
1982-83	1.000	338,048	.608	93,373	.879	431,421
1983-84	.965	374,327	.646	112,061	.866	486,388
1984-85	.935	392,762	.574	100,886	.829	493,648
1985-86	.948	404,914	.549	88,179	.839	493,093
1986-87	.945	429,812	.564	88,621	.847	518,433
1987-88	.949	444,967	.610	99,333	.861	544,300
1988-89	.979	474,675	.665	121,663	.893	596,338
1989-90	1.000	512,055	.653	132,683	.902	644,738
1990-91	.981	501,967	.615	145,948	.865	647,915
1991-92	.995	494,340	.638	159,501	.875	653,841
1992-93	.998	521,566	.582	147,832	.862	669,398
1993-94	1.030	532,863	.662	154,810	.916	687,673
1994-95	1.050	560,127	.684	171,046	.935	731,173
1995-96	1.090	588,126	.579	139,452	.935	727,578
1996-97	1.090	605,728	.559	124,554	.940	730,282

1/ Prices for mushrooms are the average prices producers receive at the point of first sale, commonly referred to as the average price as sold. For example, if in a given State, part of the fresh mushrooms are sold F.O.B. packed by growers, part are sold bulk to brokers or repackers, and some are sold retail at roadside stands, the mushroom average price as sold is a weighted average of the average price for each method of sale.

2/ Fresh market, processing, and all sales estimates are primarily Agaricus, but also include specialty mushrooms through 1986-87. Statistics after 1986-87 are for Agaricus only.

Mushrooms: Number of Growers, Area in Production, Yield, and Dollar Volume per Square Foot, United States, 1967-97 1/

Year	Growers 2/	Area in Production	Yield per Square Foot	Dollar Volume per Square Foot
	Number	1,000 Square Feet	Pounds	Dollars
1967-68		83,389	2.17	.74
1968-69		84,728	2.23	.80
1969-70		82,350	2.35	.88
1970-71		87,490	2.36	1.02
1971-72		93,798	2.47	1.14
1972-73		102,315	2.48	1.07
1973-74		107,584	2.60	1.15
1974-75		110,921	2.70	1.33
1975-76		114,711	2.70	1.67
1976-77		117,692	2.95	2.17
1977-78		135,101	2.95	2.28
1978-79		146,738	3.09	2.47
1979-80		150,758	3.12	2.44
1980-81		140,346	3.35	2.67
1981-82		141,326	3.66	2.96
1982-83	440	135,395	3.63	3.19
1983-84	433	142,810	3.93	3.41
1984-85	441	139,133	4.28	3.55
1985-86	514	129,565	4.54	3.81
1986-87	413	129,496	4.73	4.00
1987-88	357	130,527	4.84	4.17
1988-89	279	132,659	5.03	4.50
1989-90	259	137,861	5.19	4.68
1990-91	238	139,922	5.35	4.63
1991-92	226	138,148	5.41	4.73
1992-93	195	141,909	5.47	4.72
1993-94	193	135,703	5.53	5.07
1994-95	186	139,617	5.60	5.24
1995-96	180	135,320	5.75	5.38
1996-97	165	136,230	5.70	5.36

1/ Number of growers, area in production, yield, and dollar volume per square foot are primarily Agaricus, but also include specialty mushrooms through 1986-87. Statistics after 1986-87 are for Agaricus only.

2/ Estimates for number of growers are not available prior to 1982-83. Estimates are based on growers with sales and include all known growing facilities.