

CEP LOT to the home market LOT and concluded that most of the functions performed by Himalya in making the starting-price sale in the comparison market (e.g., order solicitation, price negotiation, payment, transportation arrangements) were not performed in connection with CEP sales (e.g., order solicitation, price negotiation, payment). Accordingly, different LOTs exist between comparison-market and CEP sales, and the comparison-market sales are made at a more advanced LOT than are the CEP sales.

Because there is only one LOT in the home market, it is not possible to determine if there is a pattern of consistent price differences between the sales on which NV is based and home market sales at the LOT of the export transaction. Accordingly, because the data available do not form an appropriate basis for making a LOT adjustment, but the LOT in the home market is at a more advanced stage of distribution than the CEP LOT, we have made a CEP offset to NV in accordance with section 773(a)(7)(B) of the Act. The CEP offset is calculated as the lesser of:

1. The indirect selling expenses on the comparison-market sale, or
2. The indirect selling expenses deducted from the starting price in calculating CEP.

#### **Weikfield**

Weikfield's home market sales are made via one of two channels of distribution: a) direct sales to distributors in the Indian states of Maharashtra and Goa (Channel 1), and b) sales to "carrying and forwarding" (C&F) agents, which perform a role similar to that of distributors, in the rest of India (Channel 2). We examined Weikfield's home market distribution system, including selling functions, classes of customers, and selling expenses, and determined that Weikfield offers the same support and assistance to all its home market customers except with respect to sales promotion activities.

In Channel 1, Weikfield's affiliate WPCL engages in market development activities to promote Weikfield's sales of preserved mushrooms and further develop its market. Weikfield reports that WPCL participates in sales exhibitions and consumer shows, and it creates and supplies in-store promotions and displays (see August 23, 2002, supplemental questionnaire response at page S-12). For sales in Maharashtra, Weikfield also pays a commission to a logistics agent. In Channel 2, Weikfield does not undertake any sales promotion activities to support its sales to C&F agents. Weikfield pays its unaffiliated

C&F agents a commission for providing logistics and distribution services to the ultimate customer (i.e., the C&F agent's customer).

Although Weikfield's sales through Channel 1 involve a set of selling activities not performed for Channel 2 sales, we have not considered these sales promotion activities to be extensive enough by themselves to classify Channel 1 as a separate LOT from Channel 2. In all other areas of our analysis, including sales negotiation, freight and distribution services, inventory maintenance, and customer class, the two channels involve the same services performed by Weikfield. Accordingly, we consider all of Weikfield's home market sales to constitute one LOT. This determination is consistent with our finding in the 1998-2000 administrative review, in which Weikfield had a viable home market and a similar fact pattern with respect to its two home market channels of distribution, which we found to constitute the same LOT.

With regard to sales to the United States, Weikfield made only EP sales to importers/traders. We examined Weikfield's U.S. distribution system, including selling functions, classes of customers, and selling expenses, and determined that Weikfield offers the same support and assistance to all its U.S. customers. Accordingly, all of Weikfield's U.S. sales are made through the same channel of distribution and constitute one LOT.

We compared the EP LOT to the home market LOT and concluded that the selling functions performed for home market customers are sufficiently similar to those performed for U.S. customers because the same services are offered in both markets. Apart from the promotion activities conducted by WPCL in the home market, Weikfield does not perform different selling activities in either the U.S. or home markets. Weikfield's selling activities undertaken in both markets are limited to responding to infrequent product complaints and, in the home market, arranging for domestic freight on certain sales. Accordingly, we consider the EP and home market LOTs to be the same. Consequently, we are comparing EP sales to sales at the same LOT in the home market.

#### **Cost of Production Analysis**

As stated in the "Background" section of this notice, based on timely allegations filed by the petitioner, the Department initiated investigations to determine whether Himalya's and Weikfield's home market sales were

made at prices less than the COP within the meaning of section 773(b) of the Act.

#### **A. Calculation of Cost of Production**

We calculated the COP on a product-specific basis, based on the sum of Himalya's and Weikfield's respective costs of materials and fabrication for the foreign like product, plus amounts for selling, general and administrative (SG&A) expenses, interest expense, and all expenses incidental to placing the foreign like product in a condition packed ready for shipment in accordance with section 773(b)(3) of the Act.

For these preliminary results, we have implemented a change in practice regarding the treatment of foreign exchange gains and losses. The Department's previous practice was to have respondents identify the source of all foreign exchange gains and losses (e.g., debt, accounts receivable, accounts payable, cash deposits) at both a consolidated and unconsolidated corporate level. At the consolidated level, the current portion of foreign exchange gains and losses generated by debt or cash deposits were included in the interest expense rate computation. At the unconsolidated producer level, foreign exchange gains and losses on accounts payable were either included in the G&A rate computation, or under certain circumstances, in the cost of manufacturing. Gains and losses on accounts receivable at both the consolidated and unconsolidated producer levels were excluded from the COP and CV calculations.

Instead of splitting apart the foreign exchange gains and losses as reported in an entity's financial statements, we will normally include in the interest expense computation all foreign exchange gains and losses. In doing so, we will no longer include a portion of foreign exchange gains and losses from two different financial statements (i.e., consolidated and unconsolidated producer). Instead, we will only include the foreign exchange gains and losses reported in the financial statement of the same entity used to compute each respondent's net interest expense rate. This approach recognizes that the key measure is not necessarily what generated the exchange gain or loss, but rather how well the entity as a whole was able to manage its foreign currency exposure in any one currency. As such, for these preliminary results, we included all foreign exchange gains or losses in the interest expense rate computation. We note that there may be unusual circumstances in certain cases which may cause the Department to deviate from this general practice. We