

channels of distribution, and determined that there was little difference in the relevant selling functions provided by Zeta. Specifically, Zeta made only delivery arrangements for distributors and trading companies. Zeta does not maintain inventory or provide technical advice, warranty service or advertising for home market sales. Zeta did not indicate that there are any differences with respect to freight and delivery services between these channels of distribution or customer categories. Therefore, we find that the home market channels of distribution do not differ significantly from each other with respect to selling activities and, therefore, constitute one LOT.

In the U.S. market, Zeta made only export price sales through one channel of distribution: sales to distributors shipped directly to the United States. Zeta incurred freight costs in delivering the product to the port. Zeta provided no technical advice or warranty services in the U.S. market, nor did it provide inventory maintenance, advertising, or sales support in selling to its U.S. customers. Accordingly, there is only one LOT for U.S. sales.

We compared the export price LOT to the home market LOT and concluded that the selling functions performed for home market customers are the same as those performed for U.S. customers (*i.e.*, freight/delivery services). Accordingly, we consider the export price and home market LOTs to be the same. Consequently, we are comparing export price sales to sales at the same LOT in the home market.

Cost of Production Analysis

Because we disregarded sales that failed the cost test for Indo Evergreen and Zeta in the last completed segment of the proceeding (*see Certain Preserved Mushrooms From Indonesia: Final Results of Antidumping Duty Administrative Review*, 67 FR 32014 (May 13, 2002)), we had reasonable grounds to believe or suspect that the respondents' sales of the foreign like product under consideration for the determination of NV in this review may have been made at prices below the cost of production (COP), as provided by section 773(b)(2)(A)(ii) of the Act. Therefore, pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of home market sales made by Indo Evergreen and Zeta.

A. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of Indo Evergreen's and Zeta's cost of materials and fabrication for the

foreign like product, plus amounts for general and administrative expenses ("G&A"), interest expenses, and home market packing costs (*see* "Test of Home Market Sales Prices" section below for treatment of home market selling expenses).

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 portion of foreign exchange gains and losses generated by debt or cash deposits was 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 financial 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 financial 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 will address exceptions on a case by case basis.

As this is a change in practice, we invite the parties to the proceeding to comment on this issue. We will address such comments in the final results of this review.

We relied on the COP information the respondents provided in their

questionnaire responses, except for the following adjustments:

Indo Evergreen: We revised the reported costs to allocate the change in work-in-progress, the used compost offset and additional plantation costs to all fresh mushroom production rather than only fresh mushrooms sent to the cannery. We disallowed Indo Evergreen's claimed offset for refunded import duties that were paid on the raw materials used in the manufacture of cans used for export sales. We revised direct materials, direct labor, variable overhead and fixed overhead to account for the cost of manufacturing of fresh mushrooms sold as fresh, as Indo Evergreen had incorrectly reduced direct materials for the entire cost of manufacturing of fresh mushrooms sold as fresh. We reclassified a portion of utilities and gas and oil expenses as variable overhead costs, rather than fixed overhead costs as reported. We revised general and administrative expenses to exclude an offset for sales revenue adjustments and to exclude the double-counting of the used compost revenue offset. We also revised both the financial and general and administrative expense rates to include the additional plantation expense in the denominator of the calculations. Finally, we revised the reported costs to account for all foreign exchange gains and losses in the financial expense rate. For further details, *see* Preliminary Calculation Memorandum from Heidi Schrieffer, Senior Accountant, to Neal Halper, Director, Office of Accounting, Import Administration, dated February 28, 2003.

Zeta: We disallowed Zeta's claimed offset for refunded import duties paid on the raw materials used in the manufacture of cans used for export sales. We increased Zeta's G&A expenses to include all the G&A expenses incurred by Zeta's parent company. We included the total amount of the parent's G&A because Zeta was unable to demonstrate which G&A expenses had been incurred by the parent on Zeta's behalf. For further details, *see* Preliminary Calculation Memorandum from LaVonne Jackson, Senior Accountant, to Neal Halper, Director, Office of Accounting, Import Administration, dated February 28, 2003.

B. Test of Home Market Prices

On a product-specific basis, we compared the weighted-average COP to the prices of home market sales of the foreign like product, as required by section 773(b) of the Act, in order to determine whether these sales were made at prices below the COP. The