

CANNED MUSHROOMS FROM THE PEOPLE'S REPUBLIC OF CHINA

**Determination of the Commission in
Investigation No. 731-TA-115 (Preliminary)
Under the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation**

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-115 (Preliminary)

CANNED MUSHROOMS FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-115 (Preliminary), the 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 or threatened with material injury 2/ 3/ by reason of imports of mushrooms, prepared or preserved, other than frozen, provided for in item 144.20 of the Tariff Schedules of the United States (TSUS), from the People's Republic of China (China), which are allegedly being sold at less than fair value (LTFV).

Background

On October 18, 1982, counsel for the Four "H" Corp., Imlay City, Mich., filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded by reason of imports from China of mushrooms, prepared or preserved, other than frozen, which are allegedly being sold at LTFV. Accordingly, effective October 18, 1982, the Commission instituted a preliminary investigation under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that

1/ The "record" is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (47 F.R. 6190, Feb. 10, 1982).

2/ Chairman Eckes and Commissioner Stern determine that there is a reasonable indication of threat of material injury.

3/ Commissioner Haggart determines that there is a reasonable indication of material injury and therefore does not reach the issue of reasonable indication of threat of material injury.

an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise into the United States.

Notice of the institution of the Commission's investigation and of a 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, D.C., and by publishing the notice in the Federal Register on October 29, 1982 (47 F.R. 49103). The conference was held in Washington, D.C. on November 10, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRMAN ALFRED E. ECKES AND COMMISSIONER PAULA STERN

The record in this investigation provides a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of canned mushrooms from the People's Republic of China (PRC) allegedly sold at less than fair value (LTFV). We base our affirmative finding primarily on the accelerating trend of increasing imports from the PRC and on the recent increase in the number of canning facilities in the PRC that have been certified to export canned mushrooms to the United States.

Domestic industry

Under Title VII of the Tariff Act of 1930, the effect of allegedly LTFV imports is to be assessed against "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product. 1/ "Like product" is defined in section 771 (10) 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 . . ." 2/

The imported product under investigation is canned mushrooms from the PRC. 3/ Most imported mushrooms are of the same genus and species as those canned in the United States. 4/ Canned mushrooms from the PRC are imported in conventional container sizes which range from two to sixty-eight ounces,

1/ 19 U.S.C. §1677 (4)(A).

2/ 19 U.S.C. §1677 (10).

3/ See 47 Fed. Reg. 51604 (November 16, 1982) in the staff report at A-43, app. B.

4/ Staff report at A-3.

drained weight. The majority of imports from the PRC are of the stems and pieces style of pack, although the PRC exports all styles of pack into the United States. 5/

The domestic canners process the same type of mushroom that is most commonly canned in the PRC and imported into the United States. 6/ Both imported and domestic canned mushrooms have the same uses and characteristics and compete in the same market. Thus, we conclude that the domestic industry is comprised of the U.S. facilities engaged in canning mushrooms. 7/

Although we found that injury to the domestic industry was not material during the recent section 406 investigation, we noted that some negative indicators were apparent. 8/ Profit margins declined slightly from 1979 to 1981, and production and capacity utilization also declined from 1980 to 1981 and during January-June 1982 when compared to the corresponding period for 1981. 9/ Although in the section 406 investigation the domestic industry failed to establish the necessary causal link required under that statute between these negative indicators and imports from the PRC, the acceleration in imports revealed in the most recent data provide a reasonable indication of a threat of material injury under Title VII.

5/ Id. at A-3, A-10.

6/ Id. at A-10, A-12.

7/ The Commission considered the like product issue in its section 201 investigation, Mushrooms, Inv. No. TA-201-43, USITC Pub. No. 1089 (1980), and in the recent section 406 investigation, Canned Mushrooms from the People's Republic of China, Inv. No. TA-406-9, USITC Pub. No. 1293 (1982). In both investigations the Commission determined that canned mushrooms constituted the like product and that the domestic industry consisted of U.S. facilities canning mushrooms. USITC Pub. No. 1089 at 6; USITC Pub. No. 1293 at 8-9, 23-24.

8/ USITC Pub. No. 1293 at 26-27.

9/ Id.

Standards for determination

Section 733(a) provides that the Commission shall 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 imports of the subject merchandise. This determination must be based on the best information available at the time of the determination. 10/

We addressed the issue of threat of material injury in the Commission's recent section 406 investigation. 11/ In that investigation we examined whether imports are " a significant cause of material injury or threat thereof." 12/

Important distinctions exist between the standards applied in a section 406 investigation and those applied in a preliminary antidumping investigation. Section 406 is a fair trade provision which requires the Commission to weigh the various causes of material injury. The significant cause standard has been interpreted to require a more direct causal connection than the contributing cause standard applied in antidumping investigations. 13/

Section 731, in contrast, is an unfair trade provision which requires the Commission to determine whether material injury is "by reason of" the imported merchandise. The Senate report on the Trade Agreements Act of 1979

10/ 19 U.S.C. §1677b.

11/ Canned Mushrooms from the People's Republic of China, Inv. No. TA-406-9, USITC Pub. No. 1293 (1982).

12/ 19 U.S.C. § 2436 (e)(2).

13/ See *Pasco Terminals, Inc. v. United States*, 477 F.Supp. 201 (1979), *aff'd*, 634 F.2d 610 (1980) (By reason of language in the Antidumping Act, 1921). The Senate report specifically provides that the Commission's current practice with respect to the causation standard under the Antidumping Act, 1921, will continue under the Trade Agreements Act of 1979. S. Rep. No. 249, 96th Cong., 1st Sess. 74. See also S. Rep. No. 1298, 93d Cong., 2d Sess. 212.

distinguished between fair trade import provisions and provisions relating to unfair trade practices. The Report stated:

[w]hile injury caused by unfair competition . . . does not require as strong a causation link to imports as would be required in determining the existence of injury under fair trade import relief laws, the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the . . . [unfair acts] and the requisite injury. 14/

Moreover, the Senate Report states that under Title VII the Commission should not weigh causes of injury. The issue is not whether imports are the principal, substantial or significant cause of material injury, 15/ but whether they are a contributing cause of material injury. 16/

A second distinction between a section 406 investigation and the present preliminary antidumping investigation is the reasonable indication standard applied under section 733(a). The section 406 standard is that of a final determination in which the Commission must find a real and imminent threat of material injury based on the information available at that time. The reasonable indication standard recognizes that the record in preliminary investigations may not be fully developed and allows the development of more complete information during a final investigation should the case return to the Commission. Thus, a negative threat of material injury determination in a section 406 investigation does not automatically preclude an affirmative threat determination in a subsequent preliminary antidumping investigation. Where, as in this case, the Commission develops additional information during a preliminary Title VII investigation that supports a determination of threat

14/ S. Rep. No. 249, 96th Cong., 1st Sess. 58.

15/ Id. at 57.

16/ See note 13 supra.

of material injury, the opportunity to further explore the threat issue in any final investigation before the Commission should be provided. 17/

Reasonable indication of threat of material injury

In assessing whether a reasonable indication of a threat of material injury exists, the Commission examines, among other factors, demonstrable trends in the rate of increase of allegedly LTFV imports in the U.S. market and capacity in the exporting country to generate exports. The information developed in this investigation, when combined with that developed in the previous investigation, shows a continuing trend of increasing imports of canned mushrooms from the PRC. Beginning in 1981, imports of mushrooms from the PRC were higher during each month, with the exception of November 1981, than imports for the corresponding months of 1980. 18/ During the first nine months of 1982, imports during seven of these nine months were again higher than imports for the corresponding months of 1981. 19/ Finally, during August and September of 1982, canned mushroom imports from the PRC reached 3.7 million and 4.0 million pounds(draind weight) respectively, representing the highest monthly import levels on record. 20/

In addition to this trend of increasing imports which appears to have accelerated during August and September, the Commission learned that the

17/ Commissioner Stern notes that in light of the different legal standards under Title VII and section 406, my earlier negative recommendation to the President did not constitute a prejudgment of the present investigation. My judgment in the section 406 case on the potential for real and imminent injury to the domestic canned mushroom industry was inseparably tied to the causation standard of that statute and was made on the basis of the best available information at that time.

18/ Staff report at A-24, A-26 Table 11.

19/ Id. at A-26 Table 11.

20/ Id.

number of approved low acid canned food processors has increased from the thirteen processors that had Food and Drug Administration approval during the section 406 investigation, to twenty-two approved canners. 21/ Thus, the potential capacity for canning mushrooms in the PRC for export to the United States has recently increased. The mushroom canning industry in the PRC is one of the largest in the world and is growing. According to the Department of Agriculture, the Chinese government is apparently investing in additional mushroom canning facilities in order to further expand its share of the world market. 22/ Consequently, we determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of canned mushrooms from the PRC.

21/ Telephone conversation between the Commission's Staff and Dr. Robert M. Schaffner of the Food and Drug Administration, November 22, 1982.

22/ U.S. Department of Agriculture, Foreign Agricultural Service, Foreign Agriculture Circular: Fresh and Processed Vegetables, FVEG 6-81, September 1981 at 4.

Views of Commissioner Veronica A. Haggart

Introduction

In this preliminary investigation, I have determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of canned mushrooms from the People's Republic of China (China), which have allegedly been sold at less than fair value (LTFV).

The Commission has recently completed an investigation, Canned Mushrooms from the People's Republic of China, Inv. No. TA-406-9, USITC Pub. No. 1293 (Sept. 1982) (hereinafter "Mushrooms"), pursuant to section 406 of the Trade Act of 1974. 1/ In that investigation, I determined that imports of canned mushrooms from China had risen so rapidly as to constitute a significant cause of material injury to the domestic canned mushroom industry, 2/ thereby meeting the statutory criteria under section 406 for market disruption. Since this section 731 preliminary investigation follows the section 406 investigation so closely in time, essentially the same data have been utilized by the Commission in both investigations. 3/ For the reasons set forth below, much of my analysis in the section 406 investigation is relevant to this section 731 preliminary investigation. Therefore, for the sake of brevity, such discussion will not be reiterated.

Domestic Industry

As in the previous 406 investigation, 4/ I conclude that the appropriate industry for purposes of this preliminary investigation consists of the U.S. facilities canning mushrooms. 5/

1/ 19 U.S.C. §2436 (1980).

2/ See Mushrooms, supra at 3.

3/ Report at A-15.

4/ See Mushrooms, supra at 7-9.

5/ Report at A-3-14.

Condition of the Industry

As I noted in the section 406 investigation, 6/ the data show that this industry is facing substantial economic difficulties. 7/

Reasonable Indication of Material Injury by Less Than Fair Value (LTFV) Imports

Under section 733(a)(1), 8/ the Commission in a preliminary investigation is required 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 imports which are the subject of the investigation. While section 406 requires that imports must constitute a "significant cause" of material injury, 9/ section 731 requires only that the injury sustained by the domestic industry is "by reason of imports of the merchandise which is the subject of the investigation." 10/ Thus, the petitioner had a greater burden with regard to causation in the section 406 investigation than in this preliminary antidumping investigation. Therefore, having found that imports of canned mushrooms from China were "a significant cause of material injury" to the domestic industry comprised of U.S. facilities canning mushrooms under section 406, 11/ I conclude that for purposes of this preliminary antidumping investigation, there is a reasonable indication of material injury to the domestic industry by reason of LTFV imports of canned mushrooms from China.

6/ See Mushrooms, supra at 12-16.

7/ Report at A-14-24.

8/ 19 U.S.C. §1673b(a)(1) (1980).

9/ 19 U.S.C. §2436(e)(2) (1980).

10/ 19 U.S.C. §1673b(a)(1) (1980).

11/ See Mushrooms, supra at 16-18.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On October 18, 1982, counsel for the Four "H" Corp., Imlay City, Mich., filed a petition with the U.S. International Trade Commission and the Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of mushrooms, prepared or preserved, other than frozen, provided for in item 144.20 of the Tariff Schedules of the United States (TSUS), from the People's Republic of China (China), which are allegedly being sold at less than fair value (LTFV). Accordingly, effective October 18, 1982, the Commission instituted a preliminary investigation under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in this case by December 2, 1982.

Notice of the institution of the Commission's investigation and of a conference held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on October 29, 1982 (47 F.R. 49103). 1/ The conference was held in Washington, D.C., on November 10, 1982. 2/ The Commission voted on the case on November 22, 1982.

Previous Commission Investigations on Mushrooms
and Presidential Action

During 1964-82, the Commission conducted nine investigations concerning mushrooms. 3/ In the most recent investigation, conducted under section 406 of the Trade Act of 1974 (investigation No. TA-406-9) and completed in September 1982, 4/ the Commission received a petition from the American Mushroom Institute (AMI), of Kennett Square, Pa., requesting import relief under section 406 of the Trade Act of 1974. The purpose of the investigation

1/ A copy of the Commission's notice of institution of the preliminary investigation is presented in app. A. A copy of the Department of Commerce's notice of initiation is presented in app. B.

2/ A copy of the list of witnesses appearing at the conference is presented in app. C.

3/ A detailed description of the previous investigations is presented in app. D.

4/ Canned Mushrooms From the People's Republic of China: Report to the President on Investigation No. TA-406-9 . . ., USITC Publication 1293, September 1982.

was to determine, with respect to imports of canned mushrooms provided for in item 144.20 of the TSUS which are products of the People's Republic of China, whether market disruption exists with respect to an article produced by a domestic industry. On the basis of information developed in the course of the investigation, the Commission was equally divided in determining whether market disruption exists. The Commission reported its results to the President on September 30, 1982. As of the time of the Commission's vote, the President had not made any final determination on this investigation.

The import relief presently in effect, which applies to certain prepared or preserved mushrooms provided for in item 144.20, will terminate on November 1, 1983, unless suspended, modified, or terminated by the President at an earlier date or extended. The relief, in the form of increased duties described in TSUS item 922.56, is provided for in Presidential Proclamation No. 4801, of October 29, 1980 (45 F.R. 72617), as modified by Presidential Proclamation No. 4904, of February 27, 1982 (47 F.R. 8753). 1/ The increased duties apply to imports of mushrooms from countries entitled to most-favored-nation status.

The increased duties on all prepared or preserved mushrooms (i.e., other than fresh or dried mushrooms), classified in item 144.20, were proclaimed following an investigation completed by the Commission in August 1980 (investigation No. TA-201-43) under section 201 of the Trade Act of 1974. 2/ In that investigation, the Commission determined by a unanimous vote that mushrooms, prepared or preserved, provided for in TSUS item 144.20, were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. Proclamation No. 4904 removed the increased duties on certain enumerated genera and types of prepared or preserved mushrooms.

Description and Uses

The term "mushroom" as used herein refers to the edible portion (the fruiting body) of the mushroom fungi. There are two species of mushrooms commonly grown and processed throughout the major mushroom-producing countries, Agaricus bisporus and, to a much lesser extent, A. bitorquis. The four types of Agaricus commonly marketed in the United States are the white, off-white, creme, and brown mushrooms. Such mushrooms are marketed fresh, dried, frozen, or canned.

Fresh mushrooms, used primarily as a garnish with meats and other foods, are also served separately or in gravies, sauces, relishes, salads, and soups. Some consumers will freely interchange canned mushrooms, frozen

1/ Copies of Presidential Proclamations Nos. 4801 and 4904 are presented in app. E.

2/ Mushrooms: Report to the President on Investigation No. TA-201-43 . . . , USITC Publication 1089, August 1980.

mushrooms, and, to a lesser degree, dried mushrooms with fresh mushrooms. Fresh mushrooms are perishable and, if earmarked for consumption in the fresh state, must be marketed within a few days after harvesting even though properly refrigerated. In the United States, about two-fifths of the mushrooms consumed are fresh, and the remainder are processed.

The great bulk of processed mushrooms are canned. These mushrooms are usually packed in a light brine solution; however, small quantities are packed in vinegar (pickled mushrooms), in wine (mushrooms in wine), in oil (marinated mushrooms), or in water (natural pack). Similarly, small amounts are prepared with the addition of butter or butter sauce. Mushrooms canned in brine are used largely for the same purpose as fresh mushrooms; mushrooms preserved in mediums other than brine or butter have limited uses, mainly as appetizers and snacks.

The Imported Product

Imports of canned mushrooms other than straw mushrooms account for the bulk of U.S. imports of otherwise prepared or preserved (i.e., other than fresh or dried) mushrooms. 1/ In 1981, such mushrooms accounted for nearly 95 percent of the total imports (in terms of quantity) of otherwise prepared or preserved mushrooms. Most of the imported canned mushrooms are of the same genus and species as those canned in the United States and are comparable in flavor and appearance. The bulk of these imports are packed in a light brine solution, with small quantities preserved in vinegar, wine, or oil.

Since early 1981, there have been increasing quantities of prepared or preserved mushrooms from China, packed in a heavy salt solution in large containers (primarily 5- and 20-gallon plastic and 55-gallon steel drums), entered for consumption. Virtually all these imports enter under item 144.2043 of the Tariff Schedules of the United States Annotated (TSUSA), which accounted for 3 percent of all mushrooms imported from China in 1981. These are fresh mushrooms (grown in China) 2/ that have been cooked and then saturated with a heavy salt solution, so that about 20 percent of the total weight of the contents is salt (which acts as a temporary preservative). These presalted mushrooms are then packed with salt water or salt brine added prior to shipping. Upon arrival, these containers are taken into a processing plant where the mushrooms are washed and desalted before being subjected to conventional canning processes. * * *.

Imports of canned mushrooms from China enter in all conventional container sizes and styles of pack. However, most of these imports are packs of stems and pieces in both institutional-size and retail-size cans. As shown in table 1, the percentage distribution of imports from China has changed

1/ Frozen mushrooms are not within the scope of this investigation.

2/ Transcript of the hearing in investigation No. TA-406-9, p. 63.

considerably in recent years. In 1979, imports from China, which accounted for a relatively small share of total imports from all countries, consisted primarily of retail-size cans of stems and pieces and of whole mushrooms, with smaller amounts of sliced mushrooms and stems and pieces in institutional-size cans. In 1981, imports from China accounted for the largest single share of total imports; about three-fourths of the product was packed in institutional-size cans, mostly as stems and pieces, and most of the remainder was packed in retail-size cans, principally stems and pieces.

Table 1.--Mushrooms, canned: 1/ Percentage distribution of U.S. imports from China, 2/ by container sizes and by styles of pack, 1979-81, January-September 1981, and January-September 1982

Item	(In percent)				
	1979	1980	1981	January-September--	
				1981	1982
9 ounces or less:					
Whole-----	27.4	2.4	0.8	0.2	1.1
Sliced-----	1.1	1.2	.4	.1	1.1
Other (stems and pieces)---	48.6	37.5	22.1	22.3	22.8
Total-----	77.2	41.1	23.2	22.6	25.0
Over 9 ounces:					
Whole-----	.3	1.2	2.9	3.2	1.1
Sliced-----	13.3	.7	3.7	3.9	3.0
Other (stems and pieces)---	9.3	57.0	70.2	70.3	70.9
Total-----	22.8	58.9	76.8	77.4	75.0
Grand total-----	100.0	100.0	100.0	100.0	100.0

1/ Canned straw mushrooms are not included in this table; such mushrooms are not grown in the United States.

2/ All canned mushrooms from China, including those exempted from the increased duties imposed by Presidential Proclamation No. 4801, are included here.

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

In recent years, the majority of the imports of canned mushrooms from all sources have been packed in institutional-size containers (holding over 9 ounces each), and the remainder, in retail-size containers (holding 9 ounces or less each).

Table 2.--Mushrooms, canned: Percentage distribution of U.S. imports, by container sizes 1/ and by principal sources, 1979-81, January-September 1981, and January-September 1982

(In percent)						
Item	1979	1980	1981	January-September--		
				1981	1982 <u>2/</u>	
China:						
Retail-----	77.2	41.1	23.2	22.6	25.0	
Institutional-----	22.8	58.9	76.8	77.4	75.0	
Total-----	100.0	100.0	100.0	100.0	100.0	
Grand total:						
Retail-----	40.3	38.9	28.5	26.5	32.7	
Institutional-----	59.7	61.1	71.5	73.5	67.3	
Total-----	100.0	100.0	100.0	100.0	100.0	

1/ Retail-size containers hold 9 ounces or less each and institutional-size containers hold over 9 ounces each.

2/ All canned mushrooms, including those exempted from the increased duties imposed by Presidential Proclamation No. 4801, are included here.

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

The foreign industry

Production of canned mushrooms in China dates back many years, with fresh mushrooms grown throughout the country. Procedures for propagating mushroom spawn from their own culture follow generally accepted sterile techniques used in the United States. 1/ Compost materials consist of buffalo, cow, and horse manure mixed with wheat stalks (or occasionally rice stalks) and earth. Growing houses are concrete structures, and reportedly no pesticides are used therein. Most of the canning firms receive their fresh mushrooms from growing areas within 2 to 3 hours travel from the plant. These mushrooms arrive at the cannery receiving station in plastic-lined boxes, either packed dry or in water, and are then washed and transported immediately into the plant.

Mushrooms grown close to canning plants, mostly near Hangzhou in Zhejiang Province and in Fujian Province, are sold for canning. Fresh mushroom production for 1981/82 in Fujian Province totaled an estimated 85 million pounds, 15 percent higher than the previous year's crop. Mushrooms grown in more remote areas are usually packed in brine on the farm and exported to Hong

1/ Food and Drug Administration, Tour of the People's Republic of China Canneries, November 1980, p. 10.

Kong or Macau, where they are canned and reexported. 1/ According to the U.S. Department of Agriculture, 2/ the Government of China, in need of foreign exchange, is apparently investing in additional mushroom-canning facilities so that it can further expand its share of the world market. Production in recent years has increased significantly, with much of the production designated for export. Although processing techniques in China have been modernized and some plants are similar to those used in the United States, most factories rely heavily on hand labor for performing many of the necessary duties involved.

The mushroom-canning industry in China is one of the largest in the world and is growing. Data on the total number of canning factories in China, including their employment and production, are unavailable. Limited statistics for certain factories show that there is canned mushroom production in many Provinces, with several firms located in Fujian, Guangdong, and Zhejiang. These three Provinces together account for 12 processing plants. Data gathered during the Food and Drug Administration's tour of canneries in China 3/ indicate that the 12 canneries reported a combined production capacity of about 360 million pounds (drained weight) of canned products, including mushrooms, other vegetables, fruits, and meats. The same firms reported total employment of 19,000 workers. Some of the largest canning firms are integrated operations (canning many vegetables in numerous container sizes) that employ hundreds of workers in a single facility. The oldest of these firms started production in 1908, and the newest started in 1974; the majority have started production since 1956. China accounted for about 36 percent of world trade in canned mushrooms in 1980, up from 18 percent in 1978. If Hong Kong and Macau, which export Chinese-grown mushrooms, are included in the total, China's share of world canned mushroom trade in 1980 would be 46 percent.

Mushrooms are grown in certain communes, with the planting of mushrooms destined for export scheduled in response to fixed-price orders placed by canneries. The canneries place orders with growers according to orders received from branch offices of the China National Cereals, Oil, and Foodstuffs Import and Export Corp. (Ceroils). 4/

Foreign buyers place orders with Ceroils branches; contracts between the Ceroils branches and the canneries and between the canneries and the growers are negotiated at arm's length. Neither Ceroils nor the Ceroils branches act as selling agents for the canneries. Rather, the Ceroils branches are

1/ U.S. Department of Agriculture, Foreign Agricultural Service, Foreign Agriculture Circular: Fresh and Processed Vegetables, FVEG 6-81, September 1981, p. 4.

2/ Ibid.

3/ Food and Drug Administration, op. cit.

4/ Prehearing brief of the China National Cereals, Oil, and Foodstuffs Import and Export Corp. Aspects of Mushroom Production, Processing, and Export in the People's Republic of China, statement of Eugene A. Theroux, exhibit 3, August 1980, p. 5.

themselves purchasers of canned mushrooms for resale to foreign buyers. Ceroils, the Ceroils branches, and the canneries are state-owned enterprises, but they are responsible for their own profits or losses.

The short growing season of mushrooms--two months from planting to harvesting--permits the Ceroils branches to place orders with canneries for delivery within a comparatively short time. No substantial inventories are maintained at any stage; harvested mushrooms must be and are processed and packed immediately, to insure freshness. After canning, prompt delivery is made from the cannery to the Ceroils branches for shipment abroad. Mushrooms are generally harvested and packed during March-May and October-December.

There is no known commercial fresh-mushroom production in either Hong Kong or Macau, a Portuguese territory on the south China coast near Hong Kong. Cannery in these territories import the main part of their raw material, mostly bulk mushrooms in brine, from China. In a 1978 U.S. Customs Service investigation requested by the Special Representative for Trade Negotiations, all Hong Kong mushroom canners and distributors were visited by a Customs representative to determine the country of origin of mushrooms exported to Hong Kong and the extent of the processing of such mushrooms taking place there. It was found that substantial quantities of raw mushrooms, in brine or frozen, were being imported from Taiwan for reprocessing in Hong Kong, alone or commingled with Chinese mushrooms, for export to the United States. The canning processes performed by the five active canneries constituted a substantial transformation of the raw mushrooms from China and Taiwan into products of Hong Kong, indicating that mushrooms from China and Taiwan were not illicitly labeled and shipped (transshipped) to the United States. 1/

Chinese industrial departments that engage in foreign trade, such as Ceroils, arrange for the production of canned mushrooms by placing orders with canneries according to export requirements. 2/ Exports to the United States are expected to increase each year with an increase in market demand. Historically, the consumption of canned mushrooms in China has amounted to 10 to 15 percent of total production. Ceroils stated that the increased exports of canned mushrooms to the United States had nothing to do with import restrictions in other countries. Rather, only after 1980, when China was accorded most-favored-nation treatment, did exports to the United States increase. In China, total canned mushroom production and exports have increased since 1979, as shown in the following tabulation (in thousands of pounds):

1/ See the Commissioner of Customs' letter to the Special Representative for Trade Negotiations in app. F.

2/ Prehearing brief of Ceroils, exhibit 3, August 1980, p. 5.

<u>* * *</u>	<u>* * *</u>	<u>* * *</u>	<u>* * *</u>
* * *-----	***	***	***
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China has been an important exporter of canned mushrooms to other countries, most notably the European Community (EC), for many years. West Germany accounts for about 95 percent of the EC's imports of canned mushrooms from third (non-EC) countries. In 1980, exports of canned mushrooms from China to the EC and the United States amounted to 61.6 million pounds (drained weight) and 14.8 million pounds, respectively. Third countries supplied 32 percent of West Germany's total canned mushroom imports in 1980, with China accounting for 78 percent of that amount. 1/

The EC places restrictions on imports of canned mushrooms from third countries, which are designed to limit foreign suppliers to no more than one-third of the EC market. For 1982, the EC Council of Ministers agreed upon a total import ceiling of 46 million pounds (net drained weight), representing an increase of 5 percent over the 1980 allotment, with China given a limit of 33 million pounds. Imports in excess of the ceilings for each country are subject to a special levy of about \$1.18 per pound, net drained weight.

U.S. importers

There are less than 100 U.S. firms importing canned mushrooms from China; 25 firms accounted for the bulk of such imports in 1981. These large firms are located primarily on the east and west coasts, usually near large urban centers. Most have been importing canned vegetables for many years, and canned mushrooms are only one of many different items which they import. * * *. According to information supplied by the U.S. Customs Service, canner-importers imported * * * otherwise prepared or preserved mushrooms entered from China during marketing year 1981. 2/ The names of the domestic canner-importers and their respective shares of sales of total domestically canned mushrooms in 1981 are shown in the following tabulation:

* * * * *

These firms, which market both the foreign and the domestic product, have been processing domestically grown mushrooms for many years but have been importing from China only during the past 5 years. Imports from China accounted for about * * * of total imports from all countries by canner-importers.

1/ U.S. Department of Agriculture, op. cit.
2/ A marketing year is July 1-June 30.

U.S. tariff treatment

The imported mushrooms covered by this investigation are classified for tariff purposes under subpart D, part 8, schedule 1, of the Tariff Schedules of the United States. The column 1 and column 2 rates of duty currently applicable to imports of the subject articles are as follows:

TSUS item No.	Commodity	Rate of duty	
		Col. 1	Col. 2
144.20	Mushrooms, otherwise prepared or preserved.	3.2¢ per lb on drained weight + 10% ad val. <u>1/</u>	10¢ per lb on drained weight + 45% ad val.

1/ Duty temporarily increased. Effective on or after Nov. 1, 1980, the rate provided for in item 144.20 plus 20 percent ad valorem; Nov. 1, 1981, the rate provided for in item 144.20 plus 15 percent ad valorem; Nov. 1, 1982, the rate provided for in item 144.20 plus 10 percent ad valorem. Effective period for increased duties terminates at the close of Oct. 31, 1983. See Presidential Proclamation No. 4904 in app. E for certain mushrooms excluded from the increased duties.

The column 1 rate reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. The rate of duty applicable to imports of otherwise prepared or preserved mushrooms from those countries having most-favored-nation status is shown in column 1. 1/ The current level of increased duties imposed under item 922.56 is 10 percent ad valorem, assessed in addition to the column 1 duty rate under item 144.20. These additional duties are imposed on those mushrooms provided for in item 144.20 and not exempted in item 922.56. The column 2 rate applies to imports from countries designated by the President as being under Communist domination or control. 2/ The original statutory rate of duty 3/ on "otherwise prepared or preserved" mushrooms (primarily canned mushrooms), 10 cents per pound on the drained weight plus 45 percent ad valorem, has been modified four times in trade agreements--three times in negotiations with France and once in negotiations with the European Community. The most recent of these reductions became effective in July 1963 (in the Dillon round of trade negotiations). The ad valorem equivalent (AVE) of the duty on imports entered in 1980 was 15.3 percent, the same as that in 1970 (table 3). During November 1980-October 1981, after the additional duty was imposed, the AVE on canned

1/ The rate of duty in rate of duty column numbered 1 is a most-favored-nation rate, and is applicable to products imported from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

2/ The rate of duty in rate of duty column numbered 2 applies to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

3/ See general headnote 9(d) of the TSUS.

mushrooms rose sharply to 33.3 percent, compared with 13.0 percent during November 1979-October 1980, as shown in the following tabulation (in percent):

Item	November-October--		November 1981-
	1979/80	1980/81	September 1982
Otherwise prepared or preserved mushrooms:			
Frozen-----	13.9	32.9	28.6
Straw-----	14.2	33.5	27.9
Other <u>1/</u> -----	13.0	33.3	28.5

1/ Includes those mushrooms entered under TSUSA items 144.2027-144.2053 and those entered under items 922.5627-922.5653.

Since mid-1974, all frozen mushrooms have been classified by the U.S. Customs Service in TSUS item 144.20 (otherwise prepared or preserved). Prior to that time, imports of frozen mushrooms that were not otherwise prepared or preserved had been classified with fresh mushrooms in TSUS item 144.10.

The subject mushrooms are not among the articles eligible for duty-free treatment under the provision of the Generalized System of Preferences (GSP). 1/

The Domestic Product

The only mushroom canned commercially to any extent in the United States is the Agaricus mushroom, also the most important canned mushroom in Asia. The three main styles of canned mushrooms are stems and pieces, sliced, and whole (including buttons). Canned mushrooms are typically sold in metal or

1/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888, of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

Table 3.--Mushrooms, otherwise prepared or preserved (TSUS item 144.20): U.S. rates of duty, average ad valorem equivalents, and imports for consumption, 1970-81, and, by specified periods, January 1979-June 1982

Period	Rate of duty	Average ad valorem equivalent	Imports	
			Quantity	Value
	<u>Cents per pound; 1/</u> <u>percent ad valorem</u>	<u>Percent</u>	<u>1,000 pounds 1/</u>	<u>1,000 dollars</u>
1970-----	3.2¢ + 10%	15.3	24,808	14,846
1971-----	3.2¢ + 10%	14.8	30,763	20,587
1972-----	3.2¢ + 10%	14.8	52,111	34,922
1973-----	3.2¢ + 10%	15.0	49,792	32,147
1974-----	3.2¢ + 10%	14.5	42,626	30,627
1975-----	3.2¢ + 10%	14.2	53,249	40,825
1976-----	3.2¢ + 10%	13.6	67,344	59,346
1977-----	3.2¢ + 10%	13.0	74,005	79,675
1978-----	3.2¢ + 10%	13.0	91,187	97,095
1979-----	3.2¢ + 10%	13.2	98,606	98,219
1980-----	3.2¢ + 10%	15.3	117,303	121,909
1981-----	3.2¢ + 10%	32.5	88,635	84,116
1979:				
January-October-----	3.2¢ + 10%	13.2	85,004	84,209
November-December-----	3.2¢ + 10%	13.1	13,602	14,010
1980:				
January-June-----	3.2¢ + 10%	13.1	62,135	63,320
January-October-----	3.2¢ + 10%	13.1	101,542	105,626
November-December-----	<u>2/</u>	33.1	15,761	16,284
1981:				
January-June-----	<u>2/</u>	33.3	41,335	39,625
January-October-----	<u>2/</u>	33.4	72,466	68,981
November-December-----	<u>2/</u>	28.4	16,169	15,136
1982: January-June <u>3/--</u>	<u>2/</u>	28.5	48,382	43,808

1/ Drained weight.

2/ Rate of duty temporarily increased. See Presidential Proclamation No. 4801 in app. E. for effective period of increased duties.

3/ Includes those canned mushrooms entered under TSUSA items 144.2027-144.2053 during Jan. 1-June 30 and those entered under 922.5627-922.5653 during Apr. 1-June 30.

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

glass containers ranging in size from 2 to 68 ounces (drained weight). In 1981, 39 percent of domestic canned mushroom sales involved institutional-size containers.

U.S. producers

In early 1982, canned mushrooms were produced by 22 firms, compared with 23 firms in 1979. Twelve of the canners are in Pennsylvania; most of the other firms are located in the Midwest and the Pacific Northwest. * * *. In 1981, eight of the canners each sold more than 3 million pounds (drained weight) of domestically canned mushrooms, but no single firm accounted for more than one-fourth of U.S. sales of domestically canned mushrooms.

For the most part, domestic mushroom-canning operations are similar to the operations of small firms canning other products in the United States. However, unlike many small canners, which operate during only a few weeks or months of the year, mushroom canners generally operate throughout most months of the year, with the principal canning season extending from October to the following May. Most mushroom canners process few other products. However, the domestic industry is currently evaluating the potential for using existing mushroom farms and processing plants to grow or process mushrooms other than Agaricus bisporus, as well as other crops.

Mushrooms selected for canning are first weighed, then graded for quality, subjected to a forced-air cleaner to remove loose straw and dirt, and inspected, all prior to washing. They then pass through a flood washer, causing them to rub against each other to dislodge any additional debris. After receiving a second inspection, they receive a final wash prior to processing. If they are to be canned whole or sliced, the mushrooms are usually size graded prior to blanching; mushrooms to be diced go directly to the blanchers. Blanching involves heating the mushrooms, usually in water but sometimes in steam, resulting in the largest shrinkage of product at any time during processing. After a final inspection, the mushrooms are automatically filled into containers with a measured amount of water and salt added prior to sealing. The containers are then placed in a retort (pressure cooker) for a specified period of time and at very high temperatures to destroy any harmful organisms. After processing, the cans are cooled and stored for a number of days before shipment to customers. Those mushrooms found unacceptable at any step of processing (averaging from 1 to 3 percent of the original volume used) are gathered up at the end of the day and transported to a nearby waste disposal area.

U.S. market and channels of distribution

In marketing year 1981/82, over 600 U.S. mushroom growers sold about 38 percent of their Agaricus mushroom output to processors. The proportion of such output sold to processors was much less than in previous years; in 1971/72, for instance, 71 percent of U.S.-grown Agaricus mushrooms were sold to processors. Generally, the best quality mushrooms are offered first to the fresh market, because mushrooms sold to the fresh market usually command premium prices compared with prices for those mushrooms sold for processing. The greater portion of growers' production is sold through market intermediaries such as repackers, wholesaler/distributors, and commission merchants.

Traditionally, many growers sold all their production to processors without ever offering any production for fresh-market sales. However, many growers are now selling a larger share of their product on the fresh market. A number of processors utilize a No. 1 grade mushroom for processing. This is the highest grade of fresh mushroom processed and, except for the inclusion of some mushrooms with blemishes, is equivalent to the No. 1 grade for fresh-market sales. However, many growers consider canners and other processors as a residual market--an outlet for lower quality mushrooms, culls, and prime mushrooms which are surplus to fresh-market requirements. Bulk sellers and repackers are the sole market intermediaries supplying the processed mushroom market on a regular basis.

Three groups of primary suppliers market canned Agaricus mushrooms in the United States: (1) canners, which market only the domestic product; (2) canner-importers, which market both the domestic and foreign products; and (3) importers, which market only the foreign product. Canned Agaricus mushrooms generally have been marketed in five major container sizes: 2-ounce, 4-ounce, and 8-ounce retail-size containers commonly found on supermarket shelves, and 16-ounce and 68-ounce (No. 10) institutional-size cans. Institutional buyers are generally large-volume buyers that resell to hotels, restaurants, or other institutions which consume the product themselves. Industrial purchasers use canned mushrooms as an ingredient in other food products, which are then sold. The following tabulation shows the percentage distribution of canned mushroom sales by type of outlet in 1981 and 1982:

<u>Outlet</u>	<u>1981</u>	<u>1982</u> ^{1/}
Retail outlets (including chain stores)-----	66	43
Institutional outlets-----	21	32
Reprocessors-----	5	11
Government purchases-----	3	3
All other-----	<u>5</u>	<u>11</u>
Total-----	100	100

^{1/} Includes sales during January-June.

Historically, most of the domestic product has been sold in retail-size containers, whereas the bulk of the imported product has been in institutional-size containers. In 1981, 61 percent of domestically grown and canned mushrooms were sold in retail-size containers, and 39 percent were sold in institutional-size containers; 29 percent of the imported product from all countries and 23 percent of the imported product from China were sold in retail-size containers. This represents a major shift in container sizes of canned mushroom imports from China, which supplied 77 percent of its exports to the United States in retail-size containers during 1979 (table 4).

Table 4.--Mushrooms, canned: Percentage distribution of sales of U.S.-produced and imported mushrooms, by container sizes, 1/ 1979-81, January-September 1981, and January-September 1982

Container size and source	1979	1980	1981	January-September--		
				1981 <u>2/</u>	1982 <u>2/</u>	<u>3/</u>
Retail:						
U.S. product-----	63	63	61	57		60
Imported product:						
China-----	77	41	23	23		25
All countries-----	40	39	29	27		33
Institutional:						
U.S. product-----	37	37	39	43		40
Imported product:						
China-----	23	59	77	77		75
All countries-----	60	61	71	73		67

1/ Retail-size containers, as used here, hold 9 ounces or less each; institutional-size containers hold over 9 ounces each.

2/ Sales of the U.S. product through June.

3/ The imported product entered under TSUSA items 144.2027-144.2053 during Jan. 1-Sept. 30, 1982, and under items 922.5627-922.5653 during Apr. 1-Sept. 30, 1982.

Source: Sales of the U.S. product, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; sales of the imported product, compiled from official statistics of the U.S. Department of Commerce.

Nature and Extent of Alleged Sales at LTFV

The petition alleges that the People's Republic of China is selling canned mushrooms in the United States at LTFV. It proposes possible methods of calculating a dumping margin on the basis of comparing (a) the average unit values of imports from Taiwan with those of China, (b) the selling prices for canned mushrooms from China with the prices of exports from Taiwan to the United States, (c) Chinese prices with a constructed value based on production in Taiwan, and (d) Chinese prices with a constructed value based on production in the United States. These calculations result in estimated dumping margins of 8.6-44.0 percent, 11.2-19.4 percent, 10.8-23.2 percent, and 53 percent, respectively.

Consideration of the Question of Material Injury

U.S. production, capacity, and capacity utilization

U.S. production of canned mushrooms increased 29 percent from 86.5 million pounds (drained weight) in 1979 to 111.6 million pounds in 1980 (table 5). During 1981, the first full calendar year after the import relief

was put into effect, production of canned mushrooms amounted to 106.4 million pounds, down 5 percent from production in the previous year. Production amounted to 47 million pounds during January-June 1982, down 17 percent from that in the corresponding period of 1981.

Table 5.--Mushrooms, canned: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-81, January-June 1981, and January-June 1982

Period	Production	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 pounds ^{1/}				Percent
1979-----	86,540	473	92,369	178,436	52
1980-----	111,639	578	111,270	222,331	50
1981-----	106,371	498	83,951	189,824	44
January-June--					
1981-----	56,058	165	39,632	95,525	42
1982-----	46,533	107	47,015	93,411	50

^{1/} Drained weight.

Source: Production, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the U.S. Department of Commerce.

Questionnaires were sent to all known U.S. processors of canned mushrooms in connection with the Commission's investigation No. TA-406-9. Among other things, these processors were requested to report their total annual practical capacities to produce such products in their domestic facilities. Responses to the Commission's questionnaires by firms processing canned mushrooms showed that the respondents' rate of capacity utilization for canned mushrooms decreased from 1980 to 1981 and in January-June of 1982 compared with capacity utilization in the corresponding period of 1981, as shown in the following tabulation:

Period	Production	Capacity	Capacity utilization
	Million pounds	Million pounds	Percent
1979-----	88	192	46
1980-----	112	193	58
1981-----	106	200	53
January-June--			
1981-----	56	112	50
1982-----	47	108	44

U.S. producers' sales

During 1979-81, U.S. sales of domestically produced canned mushrooms increased from 87.6 million pounds (drained weight) in 1979 to 106.5 million pounds in 1980 and then decreased to 92.0 million pounds in 1981 (table 6). Sales increased to 49.8 million pounds in January-June 1982 from 46.1 million pounds during January-June 1981. Virtually all of the sales consisted of the canned Agaricus mushrooms.

Table 6.--Mushrooms, canned: Sales of the U.S. product, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-81, January-June 1981, and January-June 1982

Period	Sales	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 pounds			1/	Percent
1979-----	87,571	473	92,369	179,467	51
1980-----	106,469	578	111,270	217,161	51
1981-----	92,025	498	83,951	175,478	48
January-June--					
1981-----	46,060	165	39,632	85,527	46
1982-----	49,834	107	47,015	96,742	49

1/ Drained weight.

Source: Sales of U.S. product, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the U.S. Department of Commerce.

U.S. producers' exports

Exports of U.S.-produced canned mushrooms increased from 473,000 pounds (drained weight) in 1979 to 578,000 pounds in 1980 and then decreased to 498,000 pounds in 1981. Exports in 1981, valued at \$372,000, amounted to less than 1 percent of U.S. production in that year. During January-June 1982, exports amounted to 107,000 pounds, compared with 165,000 pounds in the corresponding period of 1981. Principal export markets for canned mushrooms in 1981 were as follows:

Market	Quantity (1,000 pounds)
Hong Kong-----	136
Saudi Arabia-----	74
Bahamas-----	42
Canada-----	37
All other-----	209
Total-----	498

Exports to Hong Kong, a net exporter of canned mushrooms (virtually all in institutional-size containers), consist of domestically produced canned mushrooms in retail-size cans with recognized brand names, intended for distribution through grocery chainstores.

U.S. producers' inventories

During 1979-81, inventories of domestically canned Agaricus mushrooms held by canners increased from 12.9 million pounds (drained weight) on December 31, 1979, to 30.2 million pounds on December 31, 1981 (table 7). On June 30, 1982, inventories amounted to 26.5 million pounds, compared with 28.7 million pounds held on June 30, 1981. Mushrooms packed in retail-size containers accounted for over two-thirds of the inventories held on December 31, 1981.

Table 7.--Mushrooms, canned: U.S. producers' inventories, by container sizes, Dec. 31 of 1979-81, June 30, 1981, and June 30, 1982

Period	Producers' inventories			Ratio of inventories to production
	Retail	Institutional	Total	
	1,000 pounds			Percent
Dec. 31--				
1979-----	9,698	3,245	12,943	15.0
1980-----	15,379	3,851	19,230	17.2
1981-----	21,912	8,316	30,228	28.4
June 30--				
1981-----	22,855	5,894	28,749	51.3
1982-----	20,089	6,391	26,480	56.9

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

The ratio of inventories to production increased from 15.0 percent in 1979 to 28.4 percent in 1981. On June 30, 1982, the ratio was 56.9 percent, as compared with 51.3 percent on June 30, 1981.

U.S. employment, productivity, and wages

All domestic processors of canned mushrooms were requested to provide information on employment in their firms, including the number of production and related workers employed, hours worked by production and related workers, and the total wages paid to such workers. Twenty-two firms processed canned mushrooms in 1982. Data submitted by the responding 21 firms indicate that, from 1979 to 1981, the average number of production and related workers involved in mushroom-canning operations (excluding buttered mushrooms) decreased by 2 percent from 943 in 1979 to 925 in 1981, as shown in the following tabulation:

Period	Production and related workers involved in--	
	All operations	Mushroom- canning operations
1979-----	1,621	943
1980-----	1,567	921
1981-----	1,548	925
January-June--		
1981-----	1,396	965
1982-----	1,357	942

During January-June 1982, the average number of workers was 942, down 2 percent from 965 workers during January-June 1981.

The hours worked by employees engaged in the processing of canned mushrooms decreased by 17 percent from 2,021 in 1979 to 1,685 in 1981, with a similar trend noted for January-June 1982 as compared with January-June 1981, as shown in the following tabulation (in thousands of hours):

Period	Hours worked in--	
	All operations	Mushroom- canning operations
1979-----	2,736	2,021
1980-----	2,686	2,032
1981-----	2,434	1,685
January-June--		
1981-----	1,588	1,102
1982-----	1,346	908

Hours worked by production and related workers in mushroom canning operations averaged 74 percent of the total hours worked in all operations of the reporting establishments from 1979 to 1981.

The productivity of employees engaged in the processing of canned mushrooms can be measured by the production of canned mushrooms per employee-hour worked. Productivity increased from 1979 to 1981 and remained stable in January-June 1982, as follows:

<u>Period</u>	<u>Productivity (pounds per hour)</u>
1979-----	43
1980-----	55
1981-----	63
January-June--	
1981-----	51
1982-----	51

Total wages paid to production and related workers engaged in processing canned mushrooms decreased from 1979 to 1981, as shown in the following tabulation:

<u>Period</u>	<u>Total wages paid</u>
1979-----	11,896
1980-----	12,524
1981-----	9,070
January-June:	
1981-----	4,760
1982-----	4,075

Financial experience of U.S. producers

Profit-and-loss experience of mushroom canners.--Fifteen processors of canned mushrooms provided profit-and-loss data for their operations on canned mushrooms as well as for the overall operations of their firms within which such products were produced (table 8). These firms accounted for about 81 percent of the total quantity of U.S. sales of canned mushrooms in 1981.

Aggregate net sales of canned mushrooms increased irregularly by 17 percent from \$110.8 million in 1979 to \$130.0 million in 1981. Net sales dropped 13 percent to \$55.9 million during the interim period ended June 30, 1982, compared with net sales of \$64.3 million in the corresponding period of 1981. Aggregate operating profit dropped by 16 percent from \$3.8 million in 1979 to \$3.1 million in 1980. During the same period, the operating profit margin declined from 3.4 percent to 2.9 percent. In 1981, responding firms reported an aggregate operating profit of \$3.5 million, equivalent to 2.7 percent of net sales. The pretax net margin fell steadily from a profit of 2.7 percent in 1979 to a loss of 0.1 percent in 1981. During the interim period ended June 30, 1982, reporting firms earned an operating profit margin of 3.6 percent and a pretax net profit margin of 1.3 percent, compared with an operating loss margin of 0.2 percent and a pretax net loss margin of 2.8 percent for the corresponding period of 1981. Six firms reported a net operating loss in 1979 and 1980, and five firms reported such losses in 1981.

Table 8.--Profit-and-loss experience of 15 U.S. processors of canned mushrooms, by types of operations, accounting years 1979-81 1/ and interim periods ended June 30, 1981, and June 30, 1982

Item	1979	1980	1981	Interim period	
				ended June 30 2/-- 1981	1982
Operations on canned mushrooms					
Net sales---1,000 dollars--:	110,771	106,354	130,056	64,339	55,892
Cost of goods sold---do----	99,210	94,961	116,855	59,564	49,794
Gross profit-----do-----:	11,561	11,393	13,201	4,775	6,098
General, selling, and administrative expenses					
1,000 dollars--:	7,811	8,264	9,681	4,884	4,065
Operating profit or (loss)					
1,000 dollars--:	3,750	3,129	3,520	(109)	2,033
Interest expense-----do----	2,130	3,261	4,082	1,739	1,438
Other income-----do-----:	1,328	709	476	78	125
Net profit or (loss) before income taxes					
1,000 dollars--:	2,948	577	(86)	(1,770)	720
As a share of net sales:					
Operating profit or (loss)-----percent--:	3.4	2.9	2.7	(.2)	3.6
Net profit or (loss) be- fore income taxes					
percent--:	2.7	.5	(0.1)	(2.8)	1.3
Number of firms reporting an operating loss-----:	6	5	4	4	2
Number of firms reporting a net loss before income taxes-----:	6	6	5	5	6

See footnotes at end of table.

Table 8.--Profit-and-loss experience of 15 U.S. processors of canned mushrooms, by types of operations, accounting years 1979-81 1/ and interim periods ended June 30, 1981, and June 30, 1982

Item	1979	1980	1981	Interim period	
				ended June 30 <u>2/--</u> 1981	1982
All operations of reporting establishments					
Net sales---1,000 dollars--:	123,329	118,810	144,572	75,433	65,575
Cost of goods sold---do----	110,348	105,557	129,576	69,945	58,297
Gross profit-----do-----:	12,981	13,253	14,996	5,488	7,278
General, selling, and administrative expenses 1,000 dollars--:	8,566	9,267	11,014	5,612	4,769
Operating profit or (loss) 1,000 dollars--:	4,415	3,986	3,982	(124)	2,509
Interest expense-----do-----:	2,248	3,369	4,204	1,850	1,594
Other income-----do-----:	1,360	743	512	113	174
Net profit or (loss) before income taxes----percent--:	3,527	1,360	290	(1,861)	1,089
As a share of net sales: Operating profit or (loss)-----percent--:	3.6	3.4	2.8	(.2)	3.8
Net profit or (loss) be- fore income taxes percent--:	2.9	1.1	.2	(2.5)	1.7
Number of firms reporting an operating loss-----:	4	4	4	3	1
Number of firms reporting a net loss before income taxes-----:	4	5	4	5	6

1/ The accounting year for 2 processors ended Dec. 31 and that for another 2 processors ended Feb. 28/29; the accounting year for each of the other 11 processors ended between May 31 and Sept. 30.

2/ Data for both interim periods are for 14 processors only and are not comparable with the data for 1979-81.

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

Twelve of the 15 reporting firms produced only canned mushrooms. Aggregate operating profit and pretax net profit margins for all operations of the reporting establishments within which canned mushrooms were produced followed trends similar to those of the operating profit and pretax net profit margins for the operations on canned mushrooms discussed earlier.

To provide an additional measure of profitability, the ratios of operating profit to original cost and book value of fixed assets employed by 14 firms in the production of canned mushrooms are presented in table 9. These ratios generally follow trends similar to those of the ratio of operating profit to net sales.

Capital expenditures reported by 16 firms, accounting for about * * * of the quantity of total U.S. sales of processed mushrooms in 1981, are as follows:

<u>Period</u>	<u>Capital expenditures (1,000 dollars)</u>
1979-----	2,723
1980-----	2,442
1981-----	1,502
January-June--	
1981-----	632
1982-----	297

Such expenditures for canned mushrooms declined 45 percent from 1979 to 1981, and 53 percent from June 30, 1981, to June 30, 1982.

Table 9.--Fixed assets, 1/ net sales, and operating profit or loss for 14 U.S. processors of canned mushrooms, accounting years 1979-81 2/ and interim periods ended June 30, 1981, and June 30, 1982

Item	1979	1980	1981	Interim period	
				ended June 30 3/-- 1981	1982
Fixed assets:					
Original cost					
1,000 dollars--	22,087	24,732	25,634	20,529	20,202
Book value-----do----	12,005	12,484	12,041	9,740	8,926
Net sales-----do----	108,152	103,261	127,029	62,608	54,675
Operating profit or (loss)					
1,000 dollars--	3,619	3,036	3,440	(163)	1,864
Ratio of operating profit					
or (loss) to--					
Net sales-----percent--	3.3	2.9	2.7	(.3)	3.4
Original costs of fixed					
assets-----percent--	16.4	12.3	13.4	(.8)	9.2
Book value of fixed					
assets-----percent--	30.1	24.3	28.6	(1.7)	20.9

1/ As of the end of specified periods.

2/ The accounting year for 2 processors ended Dec. 31 and that for another 2 processors ended Feb. 28/29; the accounting year for each of the other 10 processors ended between June 30 and Sept. 30.

3/ Data for both interim periods' are for 12 processors only and are not comparable with the data for 1979-81.

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

Three firms recalled some of their canned mushrooms during 1980 and 1981. * * *. If costs of handling and reprocessing for recalls are treated as one-time, nonrecurring expenses and, hence, are excluded from the aggregate data for operations on canned mushrooms, the resultant operating profit and pretax profit or loss margins for 1979-81 and interim periods 1981-82 are as follows:

* * * * *

Research, and development and capital expenditures.--Mushroom processors reported numerous expenditures in recent years to increase the profitability of their firms. Of the six firms providing information, four had invested a total of \$410,150 in plant facilities or equipment to improve product quality. Four firms reported cost-reduction efforts, primarily through

reduced energy consumption, with a total reported cost of \$90,000. Four firms invested a total of \$285,585 for diversification, including production of fresh frozen mushrooms and frozen breaded mushrooms. Five firms reported efforts in marketing, with \$516,000 being spent on mushroom promotion. * * *. No efforts were reported by these seven firms under the category of vertical integration.

Consideration of the Question of Threat of Material Injury

Canned mushroom production in China is a well-established industry with additional firms being approved each year by the FDA as acceptable low-acid canned food processors, resulting in greater production capacity, as described in the section on the Foreign Industry.

Consideration of the Question of the Causal Relationship Between Alleged LTFV Imports and Alleged Injury

U.S. imports

China supplied less than 1 percent of total annual U.S. imports before 1980 (table 10). In 1980, however, imports from China rose to 14.8 million pounds (drained weight), compared with 263,000 pounds in 1979. In 1981, China supplied 33 percent (27.4 million pounds) of the canned mushrooms imported from all countries, or 15.6 percent of total U.S. consumption (based on sales) of canned mushrooms. Imports entered from China during each month of 1981, except November, were higher than the corresponding months of 1980 (table 11). During January-September 1982, imports entered during 7 of the 9 months were again higher than those entered during the corresponding months of 1981.

Table 10.--Mushrooms, canned: U.S. imports for consumption, ^{1/} by principal sources, 1979-81, January-September 1981, and January-September 1982

Source	1979	1980	1981	January-September--	
				1981	1982
Quantity (1,000 pounds, drained weight)					
Taiwan-----	45,257	53,729	20,539	14,364	24,916
China-----	263	14,823	27,352	18,614	25,131
Hong Kong-----	14,534	19,575	23,479	17,317	13,974
Republic of Korea-----	28,540	19,406	9,394	8,866	4,863
Macau-----	738	1,988	2,292	1,946	2,852
Japan-----	530	455	367	318	120
France-----	197	204	155	106	69
Canada-----	64	83	18	17	70
All other-----	2,246	1,007	355	314	348
Total-----	92,369	111,270	83,951	61,862	72,343
Value (1,000 dollars)					
Taiwan-----	49,919	60,942	24,577	17,072	28,072
China-----	196	13,503	22,942	15,766	19,495
Hong Kong-----	12,065	17,773	19,350	14,545	10,355
Republic of Korea-----	27,188	20,668	9,158	8,684	4,765
Macau-----	591	1,762	2,005	1,716	2,134
Japan-----	558	547	418	352	170
France-----	428	510	343	246	244
Canada-----	140	117	58	48	72
All other-----	2,642	1,220	723	545	651
Total-----	93,727	117,042	79,574	58,974	65,958
Unit value (per pound)					
Taiwan-----	\$1.10	\$1.13	\$1.20	\$1.19	\$1.13
China-----	.75	.91	.84	.85	.78
Hong Kong-----	.83	.91	.82	.84	.74
Republic of Korea-----	.95	1.07	.97	.98	.98
Macau-----	.80	.89	.87	.88	.75
Japan-----	1.05	1.20	1.14	1.11	1.42
France-----	2.17	2.50	2.22	2.33	3.56
Canada-----	2.19	1.41	3.24	2.90	1.03
All other-----	1.18	1.21	2.04	1.74	1.87
Average-----	1.01	1.05	.95	.95	.91

^{1/} About 1 percent of total imports shown are excluded from the increased rate of duty as a result of Presidential Proclamation No. 4904, of Feb. 27, 1982.

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

Table 11.--Mushrooms, canned: U.S. imports for consumption from China, by months, March 1979-September 1982

(In thousands of pounds, drained weight)

Month	1979	1980	1981	1982 <u>1/</u>
January-----	0	11	485	2,068
February-----	0	114	760	3,128
March-----	23	955	1,375	1,865
April-----	21	1,249	2,250	2,328
May-----	3	320	2,690	2,405
June-----	0	1,409	1,882	2,444
July-----	0	1,104	3,144	1,959
August-----	13	1,313	2,777	3,718
September-----	2	718	3,265	3,974
October-----	13	1,932	2,775	-
November-----	133	3,190	2,907	-
December-----	57	2,517	3,135	-
Total-----	265	14,830	27,444	

1/ Includes those mushrooms entered under TSUSA items 144.2009-144.2053 during Jan. 1-Sept. 30, 1982, and under items 922.5609-922.5653 during Apr. 1-Sept. 30, 1982.

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

Note.--Because of rounding, figures may not add to the totals shown.

U.S. consumption and market penetration

Apparent U.S. consumption of canned mushrooms increased from 179.5 million pounds in 1979 to 217.2 million pounds in 1980 and then decreased to 175.5 million pounds in 1981 (table 6). The ratio of imports to consumption decreased from 51 percent in 1979 and 1980 to 48 percent in 1981. The ratio of imports from China to total U.S. consumption increased steadily from 0.1 percent in 1979 to 15.6 percent in 1981, as shown in the following tabulation:

	<u>Ratio of imports from China to U.S. consumption (Percent)</u>
1979-----	0.1
1980-----	6.8
1981-----	15.6
January-June--	
1981-----	11.0
1982-----	16.0

Prices

Following imposition of a temporary additional duty on November 1, 1980, 1/ unit values of canned mushrooms from China increased by a weighted average of 23 percent through January-March 1981. Thereafter, unit values generally declined, by a weighted average of 23 percent through July-September 1982. U.S. producers' prices also increased in the quarters immediately following the increase in the tariff but declined thereafter, generally lagging behind declines in prices of imports from China and other foreign sources by one quarter.

Several factors appear to have contributed to generally declining processed mushroom prices in 1981 and January-June 1982. Apparent consumption of canned mushrooms fell in 1981, reflecting a market which many importers and domestic processors considered depressed. However, consumption increased in January-June 1982 compared with that in January-June 1981. Mushroom imports with low unit values (e.g., from China and Hong Kong) significantly increased their share of total mushroom imports in 1981 (table 10), and unit values of imports from all major sources generally declined during this period (table 12). 2/ In addition, a major recall of canned mushrooms from one large processor, due to the detection of botulism, may have contributed to lower prices for retail-size canned mushrooms in January-June 1981 (see app. G.). This recall affected only stems and pieces in 4-ounce cans and had little effect on prices of mushrooms in institutional-size containers. 3/ The scheduled lowering of the temporary additional duty on November 1, 1981, contributed to the decline in both import unit values and importers' sales prices in October-December 1981 and in January-March 1982.

The cost of raw mushrooms generally represents over half of the total production cost of mushrooms processed in the United States. 4/ U.S. mushroom processors have a degree of control over prices they pay for fresh mushrooms for processing, since mushroom growers have limited alternative markets for usually lowergrade mushrooms. 5/ Table 13 shows that prices of fresh mushrooms for processing declined by an average of 9 cents per pound from

1/ See app. E.

2/ Among the factors which can affect unit values of imported mushrooms are that foreign suppliers can lower the price of their product to partially counteract the increased tariff, and an appreciation of the dollar can have a dampening effect on the dollar value of imports. Both factors appear to have affected unit values of imported mushrooms in 1981 and January-June 1982.

3/ Transcript of the hearing in investigation No. TA-406-9, pp. 49-50.

4/ U.S. Department of Agriculture, Agricultural Marketing Service, The U.S. Mushroom Industry: The Import Challenge, Marketing Research Report No. 1131, July 1982. A cost analysis of the mushroom industry estimated that cost of raw mushrooms accounted for an average of 63 percent of the total production cost of mushrooms canned in the United States. This percentage was larger for mushrooms in institutional-size cans than in retail-size cans.

5/ Ibid., p. 58.

Table 12.--Mushrooms, canned: Landed duty-paid unit values of imports from China, Hong Kong, and Taiwan, by quarters, January 1979-September 1982

(Per pound)				
Period	China	Hong Kong	Taiwan	
1979:				
January-March-----:	\$1.47	\$1.00	\$1.27	
April-June-----:	1.41	1.01	1.23	
July-September-----:	.93	.99	1.18	
October-December-----:	1.30	.99	1.29	
1980:				
January-March-----:	1.06	1.03	1.30	
April-June-----:	1.08	1.07	1.19	
July-September-----:	1.13	1.09	1.35	
October-December-----:	1.24	1.18	1.42	
1981:				
January-March-----:	1.32	1.19	1.50	
April-June-----:	1.17	1.17	1.60	
July-September-----:	1.18	1.13	1.62	
October-December-----:	1.15	1.07	1.58	
1982:				
January-March-----:	1.04	1.01	1.51	
April-June-----:	1.08	.99	1.49	
July-September-----:	1.02	.96	1.59	

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

Table 13.--Mushrooms, for the fresh market and for processing: Prices 1/ received by growers for clean-cut mushrooms in the Kennett Square and Temple areas of Pennsylvania, by grades and by quarters, January 1979-June 1982

(In cents per pound)					
Period	Fresh, <u>2/</u> No. 1	Processing <u>3/</u>			
		No. 1	No. 2	Utility	
1979:					
January-March-----:	68.8	64.0	51.4	41.6	
April-June-----:	70.8	65.0	55.3	47.5	
July-September-----:	79.3	69.2	55.5	45.6	
October-December---:	69.1	63.3	53.5	45.2	
1980:					
January-March-----:	66.7	61.8	52.5	45.2	
April-June-----:	67.3	52.8	43.9	40.1	
July-September-----:	69.0	52.7	43.3	38.0	
October-December---:	66.6	56.3	45.5	40.7	
1981:					
January-March-----:	68.0	61.6	52.0	46.2	
April-June-----:	69.8	59.3	50.5	44.8	
July-September-----:	70.5	55.3	46.2	41.7	
October-December---:	67.8	51.3	44.1	37.8	
1982:					
January-March-----:	66.9	51.4	44.4	37.8	
April-June-----:	67.8	51.4	43.0	37.7	

1/ F.o.b. grower's shipping point; does not include precooling, handling, transportation, containers, or brokerage expenses. Data are unweighted averages of weekly prices reported.

2/ In bulk containers for repacking. The No. 1 grade represents the highest grade of fresh mushrooms available.

3/ In bulk containers for processing. The No. 1 grade represents the highest grade of fresh mushrooms processed, and, except for the inclusion of some mushrooms with blemishes, is equivalent to the No. 1 grade for fresh-market sales. The No. 2 grade is an intermediate grade between No. 1 and utility, and includes those mushrooms not satisfactory for fresh-market sales. The utility grade represents the lowest grade of fresh mushrooms acceptable for processing.

Source: Compiled from the Pennsylvania Department of Agriculture, Mushroom Market News, January 1979-September 1982.

January-March 1981 to April-June 1982, concurrent with an average decrease of 9 cents per pound for prices of U.S.-produced processed mushrooms. This suggests that processors were able to pass lower prices for canned mushrooms back to growers, thereby partially protecting their profit margins. Prices of fresh mushrooms for processing declined steadily throughout 1981 and remained relatively stable at low levels in January-June 1982. In contrast, prices of mushrooms for fresh consumption generally increased from January through September 1981, although they declined in October-December 1981 and in January-June 1982.

Price trends.--Official Commerce Department data on imported canned mushrooms are collected for a number of distinct mushroom categories. Accordingly, there are no significant distortions in unit values that would result from product-mix changes. In the following analysis, therefore, adjusted landed duty-paid unit values are used as proxies for import prices for purposes of analyzing trends. These unit values of imports from China are also compared with U.S. processors' sales prices. A more detailed discussion of why landed duty-paid unit values are used is contained in appendix H.

Landed duty-paid unit values of imports of canned mushrooms from China, by container sizes and by styles of pack, show that the decline in unit value from January-March 1981 to July-September 1982 was greatest for stems and pieces in institutional-size containers (25 percent or 35 cents per pound) (table 14). This category accounted for 70 percent of imports of Chinese mushrooms in 1981 and 77 percent in January-September 1982. During the same period, unit values also declined for most other categories of canned mushroom imports from China. 1/

1/ One exception was whole mushrooms in institutional-size containers, for which unit values were exceptionally low in 1981 and increased in 1982. Perhaps unit values for these imports were low in 1981 because imports from China in bulk containers (which are lower priced) were in this category.

Table 14.--Mushrooms, canned: Landed duty-paid unit values of imports from China, by container sizes, by styles of pack, and by quarters, January 1979-September 1982

Period	(Per pound)						
	In containers 9			In containers over 9 ounces			
	ounces or less						
	Whole	Slices	Stems and pieces	Whole	Slices	Stems and pieces	
1979:							
January-March-----	1/	1/	1/	\$0.96	\$0.96	\$1.50	
April-June-----	1/	1/	1/	1/	1.48	.84	
July-September----	1/	1/	1/	1/	.96	1/	
October-December--	\$1.32	\$2.06	\$1.02	1/	1/	1/	
1980:							
January-March-----	1.08	.98	1.08	1/	1/	1.05	
April-June-----	1/	1/	1.24	1.16	.97	1.00	
July-September----	1.30	1.26	1.28	1/	1.93	1.04	
October-December--	1.51	1.46	1.43	1.40	1.35	1.14	
1981:							
January-March-----	1.58	1/	1.45	.66	1.38	1.34	
April-June-----	1.63	1/	1.45	.81	1.16	1.13	
July-September----	1.65	1.43	1.45	.79	1.17	1.10	
October-December--	1.51	1.08	1.36	.76	1.29	1.07	
1982:							
January-March-----	1.50	1.33	1.37	1.59	1.14	1.00	
April-June-----	1.47	1/	1.29	1.02	1.21	1.07	
July-September----	1.27	1.85	1.11	1/	1.21	1.02	

1/ No imports in this quarter.

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

U.S. processors' sales prices for canned mushrooms are presented in tables 15-18 for various size containers and styles of pack. Domestic prices increased during January-June 1981, but generally declined thereafter. The greatest decline in domestic prices occurred for stems and pieces in institutional-size containers, from \$1.27 per pound in January-March 1981 to

\$1.13 per pound in April-June 1982, or by 11 percent (table 15). During the same period, unit values of imported canned mushrooms declined from \$1.39 to \$1.11, or 20 percent.

Margins of underselling.--Adjusted landed duty-paid unit values of imports from China are believed to be the most accurate representations of price competition between imports of mushrooms from China and U.S. processors' canned mushroom sales (see app. H). Comparisons on this basis show that Chinese mushrooms generally undersold the domestic product in 1981 and 1982 by an average of 5 cents per pound (4 percent, or \$1.28 per case) for stems and pieces in institutional-size cans and 7 cents per pound (3 percent, or \$0.42 per case) for stems and pieces in retail-size cans. ^{1/} Margins of underselling generally declined from January 1981 to June 1982 for these two categories, primarily because of the lowering of domestic prices. These two categories accounted for over 90 percent of canned mushroom imports from China in 1981.

^{1/} In January-March 1981, the adjusted landed duty-paid unit value of Chinese mushroom stems and pieces in institutional-size containers was higher than the domestic product by 12 cents per pound.

Table 15.--Mushrooms, canned: Average f.o.b. sales prices per case ^{1/} for 68-ounce cans of mushroom stems and pieces received by U.S. processors and by U.S. importers importing from China, adjusted landed duty-paid unit values of imports, and estimated margins of underselling, by quarters, January 1979-September 1982

(Per pound)						
Period	U.S. processors' sales price	Imports		Margin of underselling or (overselling)		
		Unit value	Importers' sales price	Amount	Percent	
1979:						
January-March-----:	\$1.17	\$1.55	\$1.25	\$(0.38)	(32)	
April-June-----:	1.15	.89	1.29	.26	23	
July-September----:	1.19	<u>2/</u>	1.29	-	-	
October-December--:	1.22	<u>2/</u>	1.33	-	-	
1980:						
January-March-----:	1.25	1.09	1.31	.16	13	
April-June-----:	1.22	1.05	1.22	.17	14	
July-September----:	1.24	1.08	1.21	.16	13	
October-December--:	1.26	1.19	1.26	.07	6	
1981:						
January-March-----:	1.27	1.39	1.55	(.12)	(9)	
April-June-----:	1.29	1.19	1.42	.10	8	
July-September----:	1.24	1.15	1.43	.09	7	
October-December--:	1.18	1.11	1.38	.07	6	
1982:						
January-March-----:	1.16	1.05	<u>3/</u>	.11	9	
April-June-----:	1.13	1.11	<u>3/</u>	.02	2	
July-September----:	<u>4/</u>	1.04	<u>4/</u>	-	-	

^{1/} A case holds 6 cans.

^{2/} No imports in this quarter.

^{3/} Not reported.

^{4/} Not collected.

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

Note.--Landed duty-paid unit values are derived from U.S. Department of Commerce import data. They are computed for each mushroom category by adding the amount of the tariff to the c.i.f. unit value. They do not include brokers' fees or commissions or inland freight, and have been adjusted upward by 5 cents per pound (see app. H for an explanation of this adjustment).

Table 16.--Mushrooms, canned: Average f.o.b. sales prices per case ^{1/} for 68-ounce cans of mushroom slices and buttons received by U.S. processors and by U.S. importers importing from China, adjusted landed duty-paid unit values of imports, and estimated margins of underselling, by quarters, January 1979-September 1982

(Per pound)						
Period	U.S. processors' sales price	China		Margin of underselling		
		Unit value	Importers' sales price	Amount	Percent	
1979:						
January-March-----:	\$1.39	\$1.01	<u>2/</u>	\$0.38	27	
April-June-----:	1.43	<u>3/</u>	<u>2/</u>	-	-	
July-September----:	1.48	.99	<u>2/</u>	.49	33	
October-December--:	1.50	<u>3/</u>	<u>2/</u>	-	-	
1980:						
January-March-----:	1.45		\$1.33	-	-	
April-June-----:	1.36	1.13	1.33	.23	17	
July-September----:	1.47	.98	1.53	.49	33	
October-December--:	1.43	1.42	1.53	.01	.6	
1981:						
January-March-----:	1.48	1.07	1.61	.41	28	
April-June-----:	1.48	1.04	1.53	.44	30	
July-September----:	1.46	1.04	1.44	.42	29	
October-December--:	1.46	1.07	1.41	.39	27	
1982:						
January-March-----:	1.46	1.29	<u>2/</u>	.17	12	
April-June-----:	1.46	1.17	<u>2/</u>	.29	20	
July-September----:	<u>4/</u>	1.18	<u>4/</u>	-	-	

^{1/} A case holds 6 cans.

^{2/} Not reported.

^{3/} No imports in this quarter.

^{4/} Not collected.

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

Note.--Landed duty-paid unit values are derived from U.S. Department of Commerce import data. They are computed for each mushroom category by adding the amount of the tariff to the c.i.f. unit value. They do not include brokers' fees or commissions or inland freight, and have been adjusted upward by 5 cents per pound (see app. H for an explanation of this adjustment).

Table 18.--Mushrooms, canned: Average f.o.b. sales prices per case 1/ for 4-ounce cans of mushroom slices and buttons received by U.S. processors and U.S. importers importing from China, adjusted landed duty-paid unit values of imports, and estimated margins of underselling, by quarters, January 1979-September 1982

(Per pound)						
Period	U.S. processors' sales price	Imports		Margin of underselling		
		Unit value	Importers' sales price	Amount	Percent	
1979:						
January-March-----:	\$1.86	<u>2/</u>	<u>3/</u>	-	-	
April-June-----:	1.86	<u>2/</u>	<u>3/</u>	-	-	
July-September-----:	1.89	<u>2/</u>	<u>3/</u>	-	-	
October-December--:	1.98	\$ <u>1.40</u>	<u>3/</u>	\$0.58	29	
1980:						
January-March-----:	1.84	1.08	<u>3/</u>	.76	41	
April-June-----:	1.84	<u>2/</u>	<u>3/</u>	-	-	
July-September-----:	2.03	<u>1.33</u>	<u>3/</u>	.70	34	
October-December--:	1.84	1.54	<u>3/</u>	.30	16	
1981:						
January-March-----:	2.00	1.49	\$2.02	.51	26	
April-June-----:	2.00	1.68	1.96	.32	16	
July-September-----:	1.84	1.59	1.92	.25	14	
October-December--:	1.82	1.34	1.83	.48	26	
1982:						
January-March-----:	2.00	1.47	<u>3/</u>	.53	27	
April-June-----:	2.00	1.52	<u>3/</u>	.48	24	
July-September-----:	<u>4/</u>	1.32	<u>4/</u>	-	-	

1/ A case holds 24 cans.

2/ No imports in this quarter.

3/ Not reported.

4/ Not collected.

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

Note.--Landed duty-paid unit values are derived from U.S. Department of Commerce import data. They are computed for each mushroom category by adding the amount of the tariff to the c.i.f. unit value. They do not include brokers' fees or commissions or inland freight, and have been adjusted upward by 5 cents per pound (see app. H for an explanation of this adjustment).

Table 17.--Mushrooms, canned: Average f.o.b. sales prices per case 1/ for 4-ounce cans of mushroom stems and pieces received by U.S. producers and by U.S. importers importing from China, adjusted landed duty-paid unit values of imports, and estimated margins of underselling, by quarters, January 1979-September 1982

Period	(Per pound)					
	U.S. processors' sales price	China		Margin of underselling or (overselling)		
		Unit value	Importers' sales price	Amount	Percent	
1979:						
January-March-----	\$1.49	<u>3/</u>	<u>3/</u>	-	-	-
April-June-----	1.48	<u>3/</u>	<u>3/</u>	-	-	-
July-September----	1.50	<u>3/</u>	<u>3/</u>	-	-	-
October-December--	1.52	<u>\$1.30</u>	<u>3/</u>	\$0.22		14
1980:						
January-March-----	1.54	1.13	\$1.41	.41		27
April-June-----	1.54	1.29	1.39	.25		16
July-September----	1.47	1.32	1.35	.14		10
October-December--	1.47	1.48	1.48	(.01)		(.1)
1981:						
January-March-----	1.53	1.50	1.51	.03		2
April-June-----	1.50	1.51	1.45	(.01)		(.1)
July-September----	1.55	1.50	1.51	.05		3
October-December--	1.52	1.39	1.51	.13		9
1982:						
January-March-----	1.44	1.42	1.46	.02		1
April-June-----	1.43	1.34	1.54	.19		6
July-September----	<u>4/</u>	1.15	<u>4/</u>	-		-

1/ A case holds 24 cans.

2/ Not reported.

3/ No imports in this quarter.

4/ Not collected.

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

Note.--Landed duty-paid unit values are derived from U.S. Department of Commerce import data. They are computed for each mushroom category by adding the amount of the tariff to the c.i.f. unit value. They do not include brokers' fees or commissions or inland freight, and have been adjusted upward by 5 cents per pound (see app. H for an explanation of this adjustment).

Lost sales

Three domestic mushroom processors provided the Commission with 15 allegations of lost sales due to competition from mushrooms imported from China. The Commission staff contacted 13 of these firms; 7 purchased only institutional-size cans, 4 purchased only retail-size cans, and 2 purchased both sizes. One of the 13 firms purchased only mushrooms produced in Taiwan. Only four of these allegations contained the actual quantities of sales alleged to be lost to competition from imports from China.

Twelve firms confirmed that they purchased mushrooms produced in China, and most cited the lower price of the Chinese product as the major reason for their purchases. However, all mentioned that Chinese mushrooms may have a qualitative edge over U.S.-produced mushrooms in that they are lighter colored (due to bleaching) and more uniform in size than the domestic product. Some purchasers stated that although the Chinese mushrooms were lighter colored, they also had a blander taste. It was their experience that consumers generally prefer lighter colored and more uniform-sized mushrooms. None of these firms provided exact information on the quantities of their purchases of Chinese mushrooms. However, virtually all confirmed that their purchases of the Chinese product increased over the last year and a half at the expense of both domestic and other imported canned mushrooms.

All firms were asked if the problems of the domestic industry with botulism recalls had affected their purchases of U.S.-produced canned mushrooms. * * * affected their purchases of the recalled product only. If they had purchased from the firm involved, they switched to other domestic or foreign canned mushrooms during the period of the recall. Those that switched to Chinese canned mushrooms did so primarily because importers of the Chinese product were offering a quality product at an attractive price, not because they felt other U.S. producers of canned mushrooms had similar problems. These purchasers did not believe that the recall had any significant adverse effect on their sales because it did not receive extensive publicity, and they merely switched to another source.

* * *. Purchasers of canned mushrooms from several large supermarket chains stated that this recall had a negative effect on their sales of all canned mushrooms because of the publicity this recall received in the print and video media. However, all purchasers felt that it would have affected sales of both domestic and foreign canned mushrooms equally (with the exception of sales of canned mushrooms from the affected processor, which would have declined to a much greater extent). All stated that they were aware the recall was limited to one firm, and the recall did not directly affect their decision to buy from other domestic firms. They felt that the most significant adverse impact on sales of canned mushrooms occurred in the weeks immediately following the recall, with sales gradually increasing to normal levels in 2 to 3 months.

Buyers of institutional-size cans.--Below are details of telephone conversations with the individual purchasers of imported canned mushrooms in institutional-size containers.

The first company, * * *, confirmed that it purchases Chinese mushrooms in institutional-size cans. It currently buys imported canned mushrooms from a number of sources and has not bought U.S.-produced canned mushrooms for about 9 months. It has increased purchases of Chinese mushrooms since the fall of 1981 because of their attractive price relative to that of other foreign mushrooms. The quality of the Chinese mushrooms has been consistently good, and the firm has had quality problems with domestic mushrooms in the past. It rates quality as the most important purchasing factor and rates price second.

The second company is * * *. This company confirmed that it buys foreign mushrooms in No. 10 cans primarily because of their lower price. China is now its major source of canned mushrooms; in the past it had been Taiwan. The firm stated that domestic canned mushrooms are more natural and darker in color with a better taste than the imported mushrooms. Although the lighter colored Chinese mushrooms may be preferred by some of its customers, it still feels that price is the major reason that its customers have switched from domestic to Chinese mushrooms. The firm also buys from several domestic sources, and the representative stated that in August 1982 domestic prices decreased and became more competitive with prices of Chinese mushrooms.

The third firm, * * *, confirmed that it buys Chinese mushrooms and that price is the major reason for purchasing such product. The representative also mentioned that the lighter color of the Chinese mushrooms is preferred by some of the firm's customers. The lower price of the Chinese product has caused it to decrease purchases of mushrooms from other foreign sources as well as from domestic sources.

The fourth firm confirmed that it purchased Chinese mushrooms as well as other foreign produced mushrooms. It has not purchased U.S.-produced canned mushrooms for about 3 years. It believes that the Chinese canned mushroom is a better quality product because it is bleached, and most consumers prefer a lighter color. Price is also a factor, but if the foreign and domestic products were priced the same, the firm would still buy the imported product because of quality. The representative stated that the domestic producers raised their prices by the full amount of the 1980 tariff imposed, and therefore did little to gain a greater share of the U.S. market.

The fifth firm buys all * * *, it judges solely on the basis of certain standards * * *, price then becomes a consideration in the purchase. * * *

the foreign mushrooms are lighter in color and more uniform in size. Within the past few years, China has been the major source of canned mushrooms for this company.

The sixth company is a * * *. This company confirmed that most of its purchases are mushrooms processed in China, and the primary reason for purchasing such mushrooms is price. Color is not that important to the firm. However, the Chinese mushrooms appear to be more uniform in size, which is an advantage. They have bought from a domestic processor in the past, but not recently. The most recent price quotation they obtained from a domestic firm was at a price that was comparable to prices of Chinese mushrooms.

Buyers of retail-size cans.--The following information was gathered from telephone conversations with individual purchasers of canned mushrooms in retail-size containers.

The seventh company is * * * that purchases both domestic and Chinese canned mushrooms. Its purchases of Chinese mushrooms increased over the past year relative to purchases of domestic mushrooms. This company rates quality and price equally. The representative stated that Chinese mushrooms are lighter in color and more uniform in size than domestic mushrooms, and are a very good quality product.

The eighth company is * * * that purchases both domestic and foreign-produced canned mushrooms for * * *. The foreign product constitutes about 90 percent of its purchases, which come from both Taiwan and China; purchases of canned mushrooms from China have increased since 1981. This company rates quality and price equally as factors affecting its purchase of mushrooms. It feels that the Chinese mushrooms are a better quality product than domestic mushrooms.

The ninth company is * * * that buys both domestic and foreign canned mushrooms. This company's policy is to buy domestic products unless a foreign product of equal quality is available at a lower price. This company confirmed that its purchases from China increased in the past year, primarily due to price. It feels that * * *, price is the most important factor affecting purchases.

The tenth company is * * *. It buys both domestic and imported canned mushrooms, and has increased purchases of Chinese mushrooms in the last year. Its purchasing decisions are primarily a function of price, although the Chinese mushrooms have an edge on quality by being lighter in color and more uniform in size. However, these mushrooms may also be blander. The firm estimated that over the last year, Chinese mushrooms have been about 8 cents per pound (50 cents per case) lower in price than domestic mushrooms.

Buyers of both institutional-size and retail-size cans.--The following information was gathered from conversations with individual purchasers of canned mushrooms in retail-size and institutional-size containers.

The eleventh company purchased a significant number of retail-size cans * * *. In the retail market, price is the key factor for private label brands. According to the representative, in the institutional market the Chinese mushrooms have two advantages in terms of appearance and style. Because they are packed in a liquid having a higher acid content than that in which domestic mushrooms are packed, they are a whiter color. On the other hand, they have less taste, but this is preferred by some institutional buyers. Chinese mushrooms are also cut in thinner slices, which institutional buyers like because they can use fewer mushrooms per dish. Domestic mushrooms have a lower acid content, a darker color, and more taste. They are preferred by those who use the mushrooms for sauteing, because flavor is more important in that use. This firm decreased its purchases of institutional-size cans * * * when the Chinese entered the market because the lighter colored mushrooms from China were preferred by most users. Price was also an important factor, but the representative believes it was secondary.

The twelfth company buys institutional-size cans from China and all retail-size cans from domestic sources. Prices of the mushrooms imported from China are considerably less than those of mushrooms from other sources, and the whiter color of the Chinese mushrooms is also preferred by some customers. This purchaser stated that imports from China have been beneficial to purchasers in the market in that they have held down prices of canned mushrooms from all sources.

The thirteenth firm buys institutional- and retail-size cans from Taiwan only.

APPENDIX A
NOTICE OF THE COMMISSION'S INSTITUTION OF A
PRELIMINARY ANTIDUMPING INVESTIGATION

SUPPLEMENTARY INFORMATION:**Background**

This investigation is being instituted in response to a petition filed October 18, 1982, on behalf of the Four "H" Corporation. A copy of the petition is available for public inspection in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. The Commission must make its determination in this investigation within 45 days after the date of the filing of the petition or by December 2, 1982 (19 CFR 207.17). Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided for in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than November 5, 1982. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Written Submissions

Any person may submit to the Commission on or before November 15, 1982, a written statement of information pertinent to the subject matter of this investigation (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of 201.6 of the Commission's rules (19 CFR § 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m., on November 10, 1982, at the U.S. International Trade Commission Building, 701 E Steet NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisor for the investigation, Mr. Edward Furlow, telephone 202-724-0068, not later than November 5, 1982, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation 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.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and B (19 CFR Part 207, 47 FR 6182, February 10, 1982 and 47 FR 33682, August 4, 1982) and Part 201 subparts A through E (19 CFR Part 201, 47 FR 6182, February 10, 1982; 47 FR 13791, April 1, 1982; and 47 FR 33682, August 4, 1982). Further information concerning the conduct of the conference will be provided by Mr. Furlow.

This notice is published pursuant to § 207.12 of the Commission's Rules (19 CFR 207.12).

Issued: October 28, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-20028 Filed 10-28-82; 8:45 am]
BILLING CODE 7020-02-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-115
(Preliminary)]

Canned Mushrooms From the People's Republic of China

AGENCY: International Trade Commission.

ACTION: Institution of a preliminary antidumping investigation and scheduling of a conference to be held in connection with the investigation.

EFFECTIVE DATE: October 18, 1982.

SUMMARY: The United States International Trade Commission hereby gives notice of the institution of an investigation under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the People's Republic of China of mushrooms, prepared or preserved, other than frozen, currently provided for in item 144.20 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value.

FOR FURTHER INFORMATION CONTACT: Mr. Edward Furlow (202-724-0068), Chief, Agriculture, Fisheries, and Forest Products Division, Office of Industries, U.S. International Trade Commission.

APPENDIX B
NOTICE OF THE DEPARTMENT OF COMMERCE'S INSTITUTION
OF AN ANTIDUMPING INVESTIGATION

DEPARTMENT OF COMMERCE**International Trade Administration****Initiation of Antidumping Investigation;
Canned Mushrooms From the People's
Republic of China****AGENCY:** International Trade
Administration Commerce.**ACTION:** Initiation of antidumping
investigation.

SUMMARY: On the basis of a petition filed with the United States Department of Commerce, we are initiating an antidumping investigation to determine whether canned mushrooms from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether there is a reasonable indication that imports of canned mushrooms from the PRC are materially injuring, or are threatening to materially injure, a United States industry. If the investigation proceeds normally, the ITC will make its preliminary determination on or before December 2, 1982, and we will make ours on or before March 28, 1983.

EFFECTIVE DATE: November 16, 1982.

FOR FURTHER INFORMATION CONTACT: Michael Ready, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-2613.

SUPPLEMENTARY INFORMATION:*Petition*

On October 18, 1982, we received a petition filed by counsel on behalf of the Four "H" Corporation. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports from the PRC of canned

mushrooms 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 Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act) and that these imports are materially injuring, or threatening to materially injure, a United States industry. The petition further alleges that the PRC is a state-

controlled economy country within the meaning of the Act. The petitioner states that sales of canned mushrooms in the PRC do not permit a determination of foreign market value and that the Department of Commerce must choose a non-state-controlled economy country to be used as a surrogate for the purpose of determining the foreign market value of this product.

The allegation of sales at less than fair value is supported by information on United States price which is derived from import statistics or information obtained from importers. Foreign market value information presented by the petitioner consists of both information concerning the price of mushrooms from a third country imported into the United States (as derived from either import statistics or a price list) and the constructed value of a United States producer.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether a petition sets forth the allegations necessary for initiation of an antidumping investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on canned mushrooms and have found that it meets these requirements.

Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigation to determine whether canned mushrooms from the PRC are being, or are likely to be, sold in the United States at less than fair value. If the investigation proceeds normally, we will make our preliminary determination by March 28, 1983.

Scope of the Investigation

For purposes of this investigation, the term "canned mushrooms" covers mushrooms, prepared or preserved, other than frozen, currently provided for in item 144.20 of the *Tariff Schedules of the United States*.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided that the ITC confirms it will not disclose such information either publicly or under an administrative protective order without the written consent of the

Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by December 2, 1982 whether there is a reasonable indication the imports of canned mushrooms from the PRC are materially injuring, or are threatening to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise, the investigation will proceed according to statutory procedures.

Judith Hippler Bello,

Acting Deputy Assistant Secretary for Import Administration.

November 8, 1982.

[FR Doc. 82-31278 Filed 11-15-82; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX C

LIST OF WITNESSES APPEARING AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-115 (Preliminary)

CANNED MUSHROOMS FROM THE PEOPLE'S REPUBLIC OF CHINA

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigation on November 10, 1982, in the Commission's Hearing Room, 701 E Street NW., Washington, D.C.

In support of the imposition of dumping duties

Myron Solter
Washington, D.C.
on behalf of

The Four "H" Corporation

Myron Solter -- OF COUNSEL

In opposition to the imposition of dumping duties

Baker & McKenzie
Washington, D.C.
on behalf of

China National Cereals, Oils and
Foodstuffs Import and Export Corporation

Pete Pizzo, Sales Manager
Nature's Farm Products
Paul Bernard, President
American Intercontinental Marketing Company
Dr. Yung-Chun Lu, President
Great World Trading Company

Bruce Clubb]
Winston K. Zee] -- OF COUNSEL
Thomas Peele]

APPENDIX D
PREVIOUS COMMISSION INVESTIGATIONS INVOLVING MUSHROOMS

There have been several Commission investigations concerning mushrooms in the last 18 years. In 1964, domestic canners of mushrooms filed a petition with the U.S. Tariff Commission (the former name of the U.S. International Trade Commission) for an "industry" investigation under section 301(b) of the Trade Expansion Act of 1962. In that investigation, the Commission found that canned mushrooms were being imported in increased quantities within the meaning of section 301(b) of the act, but that such increased imports were not attributable in major part to trade-agreement concessions. 1/ In 1966, the canners requested the President to enter into negotiations under section 204 of the Agricultural Act of 1956 with Taiwan, the principal supplier of imported canned mushrooms, for the purpose of limiting that country's exports to the United States. 2/ Following a review by an interagency task force, the request for negotiations was denied; the primary reason given for the denial was that canners' profits were above the level that prevailed before imports assumed a significant role. 3/

In 1968, Taiwan took steps to place a limit on its shipments of canned mushrooms to the United States in that year only. The limitation permitted some growth in U.S. imports from Taiwan over those in 1967 but amounted to a substantial reduction in Taiwan's initial export target for the U.S. market. The limitation was operative only in 1968.

In 1972, the domestic canners again sought Presidential approval for the initiation of discussions with the Governments of Taiwan and the Republic of Korea under section 204 of the Agricultural Act of 1956 for the purpose of obtaining agreements to limit their exports of canned mushrooms to the United States. Thereupon, the President requested the Commission, under section 332 of the Tariff Act of 1930, to conduct an investigation on the competitive conditions in the United States between domestically produced and imported fresh and processed mushrooms. 4/ The report on this investigation was

1/ The Commission's report, Mushrooms, Prepared or Preserved: Report to the President on Investigation No. TEA-I-8 . . ., TC Publication 148, was sent to the President on Jan. 27, 1965.

2/ Sec. 204 of the Agricultural Act of 1956 authorizes the President to negotiate with representatives of foreign governments to obtain agreements limiting the export from those countries and the importation into the United States of any agricultural commodity or product manufactured therefrom. The President is authorized to issue regulations governing the importation of these products. If a multinational agreement has been concluded under this authority among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue regulations governing the importation of the same articles which are the products of countries not parties to the agreement.

3/ U.S. Department of Agriculture, Foreign Agricultural Service, Canned Mushrooms: A Situation Report, July 5, 1972.

4/ The Commission's report, Mushrooms: Report to the President on Investigation No. 332-72 . . ., TC Publication 580, May 1973, was sent to the President on May 30, 1973.

reviewed by the Interagency Trade Staff Committee, which was to recommend a course of action. Subsequently, discussions were held by the United States with Taiwan and Korea concerning unilateral restraints on their mushroom exports to the United States, but no agreements resulted.

On September 17, 1975, the Mushroom Cannery Committee of the Pennsylvania Food Processors Association and the Mushroom Processors Tariff Committee filed a petition with the Commission pursuant to section 201 of the Trade Act of 1974 for relief from imports of mushrooms. Upon completion of that investigation, the Commission determined that mushrooms, prepared or preserved, except fresh or dried, provided for in TSUS item 144.20, were being imported in such increased quantities as to be a substantial cause of serious injury or the threat thereof to the domestic industry producing articles like or directly competitive with the imported articles, and recommended the provision of adjustment assistance to effectively remedy the serious injury or threat thereof found to exist. 1/

In response to the Commission's recommendation of adjustment assistance, the President called for expeditious consideration of petitions for such assistance by the Secretaries of Labor and Commerce. From April 1, 1976, to February 28, 1982, 18 firms petitioned the U.S. Department of Commerce for adjustment assistance, with 14 of the firms being certified for such assistance. Assistance totaling \$851,500 was provided during the 6-year period. During the same period, worker petitions for adjustment assistance were received by the U.S. Department of Labor from three groups of workers. Two of these petitions were certified, and 327 workers received a total of \$643,249 in trade adjustment assistance.

On September 20, 1976, the Commission received a letter from the United States Trade Representative 2/ requesting an expedited investigation pursuant to section 201(b)(1) of the Trade Act of 1974. Having determined, pursuant to section 201(e) of the Trade Act, good cause to exist for a reinvestigation within 1 year since the Commission made its report to the President on its previous investigation on mushrooms, the Commission instituted the requested investigation on October 5, 1976.

On the basis of that investigation, the Commission determined that mushrooms, prepared or preserved, except fresh or dried, provided for in TSUS item 144.20, were being imported in such increased quantities as to be a substantial cause of serious injury or the threat thereof to the domestic industry producing articles like or directly competitive with the imported

1/ The Commission's report, Mushrooms: Report to the President on Investigation No. TA-201-10 . . ., USITC Publication 761, March 1976, was sent to the President on Mar. 17, 1976.

2/ At that time, known as the Special Representative for Trade Negotiations.

articles. 1/ A majority of the Commission recommended imposing a tariff-rate-quota system for the ensuing 5-year period, but two Commissioners recommended the provision of adjustment assistance to the domestic industry.

Upon consideration of the Commission's recommendation, the President determined that provision of import relief would not be in the national economic interest. However, on March 10, 1977, the President, pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), requested the Commission to conduct an investigation to obtain certain information necessary for the monitoring of import competition in the domestic market for canned mushrooms. More specifically, the Commission was requested to prepare quarterly statistical reports providing the following information on canned mushrooms: production, sales, and inventories of U.S. producers, according to size and style of pack; U.S. imports for consumption (total and by country of origin); U.S. exports, to the extent they could be readily determined; and apparent U.S. consumption. The Commission subsequently issued 15 quarterly statistical reports on canned mushrooms. 2/

On May 28, 1981, the Commission instituted an investigation under section 203(i)(2) of the Trade Act of 1974 for the purpose of gathering information in order that it might advise the President of its judgement as to the probable economic effect on the domestic industry concerned of the termination of certain of the import relief presently in effect with respect to mushrooms, otherwise prepared or preserved. The Commission instituted the investigation following receipt of a request for such an investigation from the United States Trade Representative on May 19, 1981. 3/ On February 27, 1982, the President determined that it was in the national interest to terminate the increased rates of duty currently in effect on imports of certain mushrooms and to retain the increased rates of duty on imports of other mushrooms now provided for in that item. On December 29, 1981, the Commission instituted investigation No. TA-203-13 under section 203(i)(1) and (i)(2) of the Trade Act of 1974 for the purpose of gathering information in order that it might advise the President (1) on developments in the mushroom industry since import relief became effective, including the progress and specific efforts made by the firms in the industry to adjust to import competition, and (2) of its judgment as to the probable economic effect on the domestic industry concerned of the reduction or termination of the import relief presently in effect with respect to canned and frozen mushrooms broiled in butter or in butter sauce, provided for in item 144.20 of the TSUS. 4/ The President has yet to make a final determination in this investigation.

1/ The Commission's report, Mushrooms: Report to the President on Investigation No. TA-201-17 . . ., USITC Publication 798, January 1977, was sent to the President on Jan. 10, 1977.

2/ The Commission's most recent quarterly report, Processed Mushrooms . . .: Report to the President on Investigation No. 332-84 . . ., USITC Publication 1198, November 1981, was sent to the President on Nov. 27, 1981.

3/ The Commission's report, Certain Mushrooms: Report to the President on Investigation No. TA-203-9 . . ., USITC Publication 1184, September 1981, was sent to the President on Sept. 11, 1981.

4/ The Commission's report, Certain Mushrooms: Report to the President on Investigation No. TA-203-13 . . ., USITC Publication 1239, April 1982, was sent to the President on Apr. 15, 1982.

APPENDIX E
PRESIDENTIAL PROCLAMATIONS ON MUSHROOMS

Presidential Documents

Federal Register

Vol. 45, No. 214

Monday, November 1, 1980

Title 3—

The President

Proclamation 4801 of October 29, 1980

Temporary Duty Increase on the Importation Into the United States of Certain Mushrooms

By the President of the United States of America

A Proclamation

1. Pursuant to Section 201(d)(1) of the Trade Act of 1974 (the Trade Act) (19 U.S.C. 2251(d)(1)), the United States International Trade Commission (USITC), on August 18, 1980, reported to the President (USITC Report 201-43) the results of its investigation under section 201(b) of the Trade Act (19 U.S.C. 2251(b)). The USITC determined that mushrooms, prepared or preserved, provided for in item 144.20 of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. The USITC recommended the imposition of quantitative restrictions on imports of the above specified mushrooms.

2. On October 17, 1980, pursuant to section 202(b)(1) of the Trade Act (19 U.S.C. 2252(b)(1)), and after taking into account the considerations specified in section 202(c) of the Trade Act (19 U.S.C. 2252(c)), I determined to remedy the injury, or threat thereof, found to exist by the USITC by proclaiming a temporary duty increase. On October 17, 1980, in accordance with section 203(b)(1) of the Trade Act (19 U.S.C. 2253(b)(1)), I transmitted a report to the Congress setting forth my determination and intention to proclaim a temporary duty increase and stating the reason why my decision differed from the action recommended by the USITC.

3. Section 203(e)(1) of the Trade Act (19 U.S.C. 2253(e)(1)) requires that import relief be proclaimed and take effect within 15 days after the import relief determination date.

4. Pursuant to sections 203(a)(1) and 203(e)(1) of the Trade Act (19 U.S.C. 2253(a)(1) and 2253(e)(1)), I am providing import relief through the temporary increase of the import duty on the subject mushrooms.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States, including sections 604 and 203 of the Trade Act (19 U.S.C. 2483 and 2253), and in accordance with Article XIX of the General Agreement on Tariffs and Trade (GATT) [61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786], do proclaim that—

(1) Part I of Schedule XX to the GATT is modified to conform to the actions taken in the Annex to this Proclamation.

(2) Subpart A, part 2 of the Appendix to the TSUS is modified as set forth in the Annex to this Proclamation.

(3) This Proclamation shall be effective as to articles entered, or withdrawn from warehouse for consumption, on or after November 1, 1980, and before the close of October 31, 1983, unless the period of its effectiveness is earlier expressly suspended, modified or terminated.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-ninth of October, in the year of our Lord nineteen hundred and eighty, and of Independence of the United States of America the two hundred and



ANNEX

Subpart A, part 2 of the Appendix to the TSUS (19 U.S.C. 1202) is modified by inserting in numerical sequence the following new provision:

Item	Articles	Rates of Duty			2
		1			
		Effective on or after November 1,--			
		1980	1981	1982	
*922.35	Mushrooms, prepared or preserved, provided for in item 144.20...	The rate provided for in item 144.20 + 20% ad val.	The rate provided for in item 144.20 + 15% ad val.	The rate provided for in item 144.20 + 10% ad val.	No cha

Presidential Documents

Proclamation 4904 of February 27, 1982

Termination of Increased Rates of Duty on Certain Mushrooms and Technical Corrections in the Tariff Schedules of the United States

By the President of the United States of America

A Proclamation

1. By Proclamation 4801 of October 29, 1980, the President proclaimed increased duties on certain types of mushrooms, prepared or preserved, provided for in item 144.20 of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202). These increased duties were to be effective from November 1, 1980, through October 31, 1983, unless modified or terminated earlier. This action was taken under the following legal provisions: sections 202(b), 202(c), 203, and 604 of the Trade Act of 1974 (the Trade Act) (19 U.S.C. 2252(b), 2252(c), 2253, and 2423).

2. I have determined, pursuant to section 203(h)(4) of the Trade Act (19 U.S.C. 2253(h)(4)), after taking into account the advice of the U.S. International Trade Commission and after seeking the advice of the Secretary of Commerce and the Secretary of Labor as required by that section, that it is in the national interest to terminate the increased rates of duty currently in effect on imports of certain mushrooms now provided for in item 922.55 of the TSUS and to retain the increased rates of duties on imports of other mushrooms now provided for in that item.

3. I have further determined that certain technical corrections to the TSUS are necessary to embody therein, pursuant to section 604 of the Trade Act (19 U.S.C. 2423), the substance of relevant provisions of actions undertaken within the authority of the Trade Act; and that, pursuant to section 301, title 3 of the United States Code, responsibility for arranging for the certification by foreign government officials of "certified hand-loomed and folklore" products be assigned to the United States Trade Representative, and that pending completion of such arrangements, the detailed description contained in the definition of such products be removed from the TSUS. I have further determined that TSUS item 141.84, "kidney beans in airtight containers", established by Presidential Proclamation 4707 of December 11, 1979, has no classification effect since kidney beans were already provided for at a superior level in the classification hierarchy of the TSUS.

Therefore, pursuant to section 604 of the Trade Act (19 U.S.C. 2423), to make a technical correction to the TSUS, I have determined that TSUS item 141.84 should be deleted from the tariff schedules.

4. By Proclamation 4768 of June 23, 1980, the President modified the TSUS by adding numerous provisions to schedule 4 thereof for "products provided for in the Chemical Appendix to the Tariff Schedules" and by adding a Chemical Appendix to the TSUS. This action was taken under the authority of section 503(a)(1) of the Trade Agreements Act of 1979 (93 Stat. 251). The Chemical

Appendix lists chemicals and products which the President has determined were imported into the United States before January 1, 1978, or were produced in the United States before May 1, 1978. I have determined pursuant to section 604 of the Trade Act (19 U.S.C. 2483), that certain products included in the Chemical Appendix are properly classifiable in other items in schedule 4 of the TSUS, that their inclusion in the Chemical Appendix was a technical error of no classification effect, and that these products should therefore be deleted from the Chemical Appendix to the TSUS.

5. By Proclamation 4884 of November 13, 1981, the President proclaimed increased duties on certain high-carbon ferrochromium, provided for in TSUS item 607.31, effective through November 15, 1982. This action was taken under the authority of section 203 of the Trade Act (19 U.S.C. 2253). A technical error was made in incorporating these increased rates in the TSUS, in that the measure of assessment was incomplete.

6. By Proclamation 4887 of December 23, 1981, the President proclaimed import fees on certain sugars, sirups, and molasses, provide for in TSUS items 155.25 and 155.30. These import fees were imposed under the authority of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and were made effective as of December 24, 1981. A technical error was made in incorporating these import fees in the TSUS, in that the measure of assessment was incomplete.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States, including sections 203 and 604 of the Trade Act (19 U.S.C. 2253 and 2483), section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and in accordance with Article XIX of the General Agreement on Tariffs and Trade (GATT) (61 Stat. (pt. 5) A58; 8 UST (pt. 1786), do proclaim that—

- (1) Part I of Schedule XX to the GATT is modified to take into account the actions taken in paragraphs (5) and (6) below and in the Annexes to this proclamation.
- (2) The TSUS is modified as set forth in the Annexes to this proclamation.
- (3) Annexes II and III to Presidential Proclamation 4707 of December 11, 1980, are amended as provided in Annex II to this proclamation.
- (4) Annex II to Presidential Proclamation 4708 of June 28, 1980, is amended as provided in Annex II to this proclamation.
- (5) Subpart A, part 2 of the Appendix to the TSUS is amended by inserting, in the columns titled Rates of Duty 1 and 2 of item 923.18, the symbol "¢" after the numeral "4.625" in each column. This modification is effective as to articles entered, or withdrawn from warehouse for consumption, on or after November 16, 1981.
- (6) Part 3 of the Appendix to the TSUS is amended by inserting, in the column entitled Rates of Duty (Section 22 fees) for items 953.05, 956.15, and 957.15, the symbol "¢" after the numeral which precedes the word "per" in each subitem. This modification is effective as to articles entered, or withdrawn from warehouse for consumption, on or after December 24, 1981.
- (7) The modifications of Part I of Schedule XX to the GATT and of the Appendix to the TSUS made by Annex I hereto shall be effective as to articles entered, or withdrawn from warehouse for consumption, on or after March 2, 1982, and before the close of October 31, 1983, unless the period of their effectiveness is earlier expressly suspended, terminated, or modified.

(8) The remaining modifications made by paragraphs (1), (2), (3), and (4) hereof shall be effective as to articles entered, or withdrawn from warehouse for consumption, on or after the third day following publication of this proclamation in the Federal Register.

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of Feb., in the year of our Lord nineteen hundred and eighty-two, and of the Independence of the United States of America the two hundred and sixth.

Ronald Reagan

Billing code 3155-01-M

ANNEX I

Support A, part 2 of the Appendix to the TSUS (19 U.S.C. 1202) is modified by deleting item 922.55 and by inserting in numerical sequence the following new item:

Item	Articles	Rates of Duty		
		1	2	
		Effective on or after—		
		March 1, 1982	November 1, 1982	
922.56	Mushrooms, prepared or preserved, provided for in item 144.20 (except (1) mushrooms valued over \$1.60 per pound (drained weight) of the genera <u>Cantharellus</u> , <u>Lulicium</u> , or <u>Morchella</u> , (2) sliced mushrooms valued over \$1.60 per pound (drained weight) of two or more of the types <u>Boletus luteus</u> , <u>Lactarius deliciosus</u> , <u>Rozites caperata</u> , <u>Suillus grevillei</u> or <u>Suillus granulatus</u> , and (3) whole mushrooms (including buttons) in containers each holding not more than 9 ounces (drained weight) of the types <u>Vulvaricella vulvata</u> , <u>Pleuroclina velutipes</u> , <u>Pleurotus ascreatus</u> , or <u>Pleurotus abaloni</u>).....	The rate provided for in item 144.20 + 15% ad val.	The rate provided for in item 144.20 + 10% ad val.	No change.

APPENDIX F
LETTER FROM THE COMMISSIONER OF CUSTOMS TO THE OFFICE
OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS,
DATED MARCH 29, 1979



A-58

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON



REFER TO

ENF-1-O:D:S ES

MAR 29 1979

The Honorable
Robert S. Strauss
Special Representative
for Trade Negotiations
1800 G Street N.W.
Washington, D.C. 20506

Dear Mr. Strauss:

This is in reply to your request of October 6, 1978, that Customs investigate the allegation that transshipments of mushrooms from Taiwan, perhaps mixed with mushrooms of People's Republic of China origin, are exported to the United States from Hong Kong.

As you know by our letter of February 6, 1979, an investigation of the mushroom matter had been completed, with a report received from Hong Kong. The report required careful consideration of whether further processing of the mushrooms in Hong Kong was sufficient to constitute a "substantial transformation" and, therefore, that no transshipments were involved.

The Hong Kong investigation report (File Number HK12 CH803503, dated January 21, 1979) is enclosed for your information. You will note that it was a very comprehensive investigation.

After careful analysis of the Hong Kong report, information dealing with the further processing in Hong Kong of mushrooms from Taiwan and the PRC, we have reached the following conclusion:

On the basis of the Hong Kong processing and canning, a new and different article of commerce was fashioned and in this respect a substantial transformation was effected. Accordingly, no "transshipments" are here involved; the canned sliced mushrooms are regarded as products of Hong Kong.

Copies of all correspondence and documentation pertinent to this matter is enclosed.

If I may be of any further assistance to you in this matter, please do not hesitate to ask.

Sincerely,

(Signed) R. E. Chase

Commissioner of Customs

Enclosures

APPENDIX G

THE EFFECT OF THE DETECTION OF BOTULISM IN CANNED MUSHROOMS
ON THE SALES OF U.S. MUSHROOM PROCESSORS

* * * * *

Table 19.--Mushrooms, canned: Sales of containers over 9 ounces by the U.S. firm subject to a recall and by other U.S. firms, and imports, by quarter, January 1979-December 1981

(In thousands of pounds, drained weight)

Quarter	:	* * *	:	* * *	:	Imports
1979:	:		:		:	
January-March-----	:	***	:	***	:	12,557
April-June-----	:	***	:	***	:	15,183
July-September-----	:	***	:	***	:	17,259
October-December-----	:	***	:	***	:	10,118
1980:	:		:		:	
January-March-----	:	***	:	***	:	14,294
April-June <u>1</u> /-----	:	***	:	***	:	24,247
July-September-----	:	***	:	***	:	15,133
October-December-----	:	***	:	***	:	14,309
1981:	:		:		:	
January-March-----	:	***	:	***	:	10,984
April-June-----	:	***	:	***	:	18,596
July-September-----	:	***	:	***	:	15,899
October-December-----	:	***	:	***	:	14,516

1/ This is the quarter in which the recall occurred.

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

Table 20.--Mushrooms, canned: Sales of containers 9 ounces or less by the U.S. firm subject to a recall and by other U.S. firms, and imports, by quarter, January 1980-June 1982

(In thousands of pounds, drained weight)

Quarter	* * *	* * *	Imports
1980:			
January-March-----	***	***	9,940
April-June-----	***	***	10,603
July-September-----	***	***	13,470
October-December-----	***	***	9,273
1981:			
January-March-----	***	***	4,374
April-June 1/-----	***	***	5,678
July-September-----	***	***	6,330
October-December-----	***	***	7,574
1982:			
January-March-----	***	***	8,390
April-June-----	***	***	3,192

1/ This is the quarter in which the recall occurred.

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

APPENDIX H

EXPLANATION OF THE USE OF LANDED DUTY-PAID UNIT VALUES

The Chinese value or price that should be compared with the U.S. processors' sales price ranges somewhere between the landed duty-paid unit value and the importers' sales price. Landed duty-paid unit values and importers' sales prices are shown in tables 12 and 14, and tables 15-18, respectively. The landed duty-paid unit values understate the total cost to the importers of mushrooms from China ^{1/} but provide a lower limit for that value or price of imported Chinese mushrooms that should be compared with the U.S. processors' sales price.

Ideally, the Commission compares prices where U.S. producers meet import competition head to head. Smaller importers of mushrooms from China generally compete only with wholesalers of U.S.-produced mushrooms rather than directly with the U.S. processors, and their prices are generally higher than processors' and large importers' prices. Therefore, their prices are not included in the importers' sales prices for mushrooms from China presented in the tables. ^{2/} U.S. processors indicated in their questionnaire responses in investigation TA-406-9 that they competed with the larger importers of Chinese mushrooms, both directly and through wholesalers of their product, indirectly. Importers' sales prices for mushrooms from China presented in the tables therefore represent prices supplied by these larger importers of mushrooms from China. These prices provide an estimate of the upper limit for the price of Chinese mushrooms to be compared with the U.S. processors' sales price.

Price data received from purchasers of both domestic and Chinese-produced mushrooms for July-December 1981 and January-March 1982 indicate that the values and prices which are closer to the landed duty-paid unit value of imports from China more accurately reflect price competition with U.S. processors. For example, purchasers' questionnaires received during investigation No. TA-406-9 showed that mushroom stems and pieces in institutional-size containers, representing 70 percent of imports from China, undersold the domestic product by an average of 9 cents per pound (\$2.30 per case) during this period. This price difference is 5 cents per pound less than the difference between landed duty-paid unit values of mushrooms from China and U.S. processors' sales prices over the same period (14 cents per pound or \$3.57 per case). This difference suggests that other importers' costs are about 5 cents per pound, and that the landed duty-paid unit values should be increased by that amount to accurately reflect importers' prices. Purchasers' questionnaires showed that in January-June 1982, the gap between domestic and Chinese mushroom prices narrowed appreciably, primarily because of the decline in domestic prices.

^{1/} The landed duty-paid unit value includes freight, insurance, and other charges from the port of exportation to the port of entry, plus the duty. It does not include any brokers' fees or commissions, the importers' inventory cost, or other administrative costs of importing. Therefore, the landed duty-paid unit value would tend to understate importers' total cost of importing canned mushrooms from China.

^{2/} In investigation No. TA-406-9, separate importers' sales price data were collected only for mushrooms from China. The importers' sales price data for other countries, collected in previous investigations, may include prices from smaller importers that do not compete directly with U.S. processors.

