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China, Peoples Republic of

Agricultural Situation

2008 China Tightens Control on Grain and Flour Exports

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Report Highlights:

To further discourage grain exports and curb domestic food price inflation, the Government of China will levy provisional export taxes on raw grains and their flour products beginning January 2008. According to a separate notice by State Council on January 8, 2008, grain and flour exports to Hong Kong, Macao and Taiwan will not be subject to export taxes. This step follows the December 2007 removal of the VAT export rebate for the same products (See GAIN Report 7093).

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Beijing [CH1]
[CH]

Summary

To further discourage grain exports, the Government of China announced in early January 2008 that it would levy provisional export taxes on grains and their flour products. This follows the December 2007 removal of the VAT export rebate for these products. These policies are designed to address concerns over rising domestic food prices and criticism that food exports might be contributing to inflationary pressures (See GAIN Report CH7093).

Food prices are estimated to account for a third of the weight used to calculate the Consumer Price Index (CPI) in China. Moreover, price hikes in grains, meat and vegetable oil were leading factors contributing to the significant food price increase in 2007. New policy controls over grain exports signal another government attempt to ease mounting inflationary pressures in 2008.

The export tax rates range from 5 percent to 25 percent, with the rates for wheat and wheat flour at 20 percent and 25 percent, respectively. The export tax rate for corn, paddy rice, milled rice and soybeans is 5 percent and the rate for corn, rice, soy flour products is 10 percent. However, according to a separate notice by the State Council on January 8, 2008, grain and flour exports to Hong Kong, Macao and Taiwan would not be subject to export taxes.

In addition to the taxation measure, the Chinese government also announced that exports of wheat, corn and rice flour products would be subject to export license management beginning January 2008. The license regime is intended to cap the export volume of such products in case flour product exports were still be viable despite a high export tax rate.

Post estimates that the combination of recent policy shifts will greatly reduce China's exports of grains and flour products in MY07/08 and for as long as the policy remains in place.

BEGIN UNOFFICIAL TRANSLATION:

China to levy provisional export tax on raw grains and their flour products in 2008

December 30, 2008

Information Office, Ministry of Finance

Approved by the State Council, effective January 1 through December 31, 2008, China will levy provisional export taxes on 57 products with 8 digital HS codes including wheat, corn, paddy rice, milled rice, soybeans and their flour products. The export tax rates range from 5 percent to 25 percent, including rates for wheat and wheat flour at 20 percent and 25 percent, respectively. The rate for corn, paddy rice, milled rice and soybeans is 5 percent, and the rate for corn, rice and soybean based flour products is 10 percent.

Attachment: List of New Export Tariff Rates

(Post Note: Soybeans are commonly used for processing traditional Chinese food in China and is classified as raw grain, rather than an oilseed.)

Attachment: List of provisional export taxes for grains and their flour products

	HS Code (2008)	Product Names	Provisional Tax Rate
	1001	Wheat	
1	10011000	Durum wheat	20
2	10019010	Wheat, seed	20
3	10019090	Other wheat and maslin	20
	1002	Rye	
4	10020010	--- Seed	20
5	10020090	--- Other	20
	1003	Barley	
6	10030010	--- Seed	20
7	10030090	--- Other	20
	1004	Oats	
8	10040010	--- Oat Seed	20
9	10040090	---Other	20
	1005	Maize (corn):	
10	10051000	Maize (corn) seed	5
11	10059000	Other maize (corn)	5
	1006	Rice:	
12	10061011	Rice in husk (paddy or rough), Shien rice (long-grained nonglutinous rice), seed	5
13	10061019	Other rice in husk (paddy or rough), seed	5
14	10061091	Other rice in husk (paddy or rough), Shien rice (long-grained nonglutinous rice)	5
15	10061099	Other rice in husk (paddy or rough)	5
		Husked (brown) rice	
16	10062010	Husked (brown) rice, shien rice (long-grained nonglutinous rice)	5
17	10062090	Other husked (brown) rice	5
18	10063010	Semi-milled or wholly milled rice, Shien rice (long-grained nonglutinous rice) whether or not polished or glazed	5
19	10063090	Other semi-milled or wholly milled rice, whether or not polished or glazed	5
		Broken rice	

20	10064010	Broken rice, Shien rice (long-grained nonglutinous rice)	5
21	10064090	Other broken rice	5
	1007	Grain sorghum:	
22	10070010	---Seed	5
23	10070090	---Other	5
	1008	Buckwheat, millet and canary seed; other cereals:	
24	10081000	- Buckwheat	20
25	10082000	- Millet	5
		Other cereals:	
26	10089010	---Seed	5
27	10089090	---Other	5
	1101	Wheat or maslin flour:	
28	11010000	Wheat or maslin flour	25
	1102	Cereal flours other than of wheat or maslin:	
29	11021000	- Rye flour	25
30	11022000	Maize (corn) flour	10
		- Rice flour	
31	11029011	Shien rice (long-grained nonglutinous rice) flour	10
32	11029019	Other rice flour	10
33	11029090	- Other	10
	1103	Cereal groats, meal and pellets:	
		-- Of wheat	
34	11031100	Wheat groats and meal	25
		-- Of maize (corn)	10
35	11031300	Maize (corn) groats and meal	10
		-- Of other cereals	
36	11031910	---Of oats	25
		---Of rice:	
37	11031921	Shien rice (long-grained nonglutinous rice) groats and meal	10
38	11031929	Other rice groats and meal	10
39	11031990	---Other	10
		-Pellets:	
40	11032010	Wheat pellets	25
41	11032090	---Other	10

	1104	Cereal grains otherwise worked (for example, hulled, rolled, flaked, pearled, sliced or kibbled), except rice of heading 10.06; germ of cereals, whole, rolled, flaked or ground:	
		- Rolled or flaked grains:	
42	11041200	-- Of oats	20
43	11041910	-- Of barley	20
44	11041990	---Other	5
		- Other worked grains (for example, hulled, pearled, sliced or kibbled):	
45	11042200	-- Of oats	20
46	11042300	Maize (corn) otherwise worked	5
47	11042910	--- Of barley	20
48	11042990	---Other	5
49	1104300	- Germ of cereals, whole, rolled, flaked or ground	5
	1108	Starches	
		- Starches:	
50	11081100	-- Wheat starch	25
51	11081200	-- Maize (corn) starch	10
	1201	Soybeans, whether or not broken:	
52	12010010	---Seed	5
53	12010091	----Yellow soybeans	5
54	12010092	----Black soybeans	5
55	12010093	----Green soybeans	5
56	12010099	----Other	5
	1208	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard:	
57	12081000	- Of soybeans	5