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Report Highlights:

This report provides a synopsis of Trade Policy and Agricultural/Commodities News in China. Trade Policy News includes: 1) Textile and Apparel Export VAT May Increase; 2) Textile Profits Stagnant; and 3) Cotton Transport Subsidized. Agricultural/Commodities News includes: 1) Agricultural Products Costs up 23 percent; 2) Shandong to Boost Expenditures for Grain Purchases; 3) Yarn Production Up; 4) Furniture Exports Up, Prices Down; and 5) Textile Industry Challenged.

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

Textile and Apparel Export VAT May Increase

A recent field study on export-oriented industries in four provinces and one municipality: Zhejiang, Guangdong Province, Jiangsu, and Shanghai, concluded that the textile and garment industries are struggling. A report was submitted to the State Council suggesting re-adjustment of the VAT rebate rate to 13 (textile) and 15 (garments) percent from the current 11 percent. Industry sources believe the report is under discussion among the relevant ministries and that any change would be subject to approval by the State Council. (Source: sina.com.cn, 07/12/08)

Textile Profits Stagnant

According to China Cotton and Textile Focus, the cotton textile industry growth leveled off in the first five months of 2008, but sales revenue increased 18 percent over the same period in 2007 (in 2007, a 26-percent growth rate was recorded for the first five months of 2007 over the same period in 2006). The profit growth rate is 16 percent, down markedly from the 41 percent recorded in the same period of 2007. Cotton textile export value increased 10 percent over the previous year, down from the 13 percent in the same period of 2007. (Source: cncotton.com, 07/23/08)

Cotton Transport Subsidized

On June 13, the Ministry of Finance announced the central government would provide a transport subsidy for cotton shipped from Xinjiang to the eastern part of China. The subsidy, at a rate of \$57 (RMB400) per metric ton, will cover all cotton shipped out of Xinjiang and will be calculated annually (September 1 to August 31) by all cotton traders, mills, and gins. The subsidy will take effect from 2007 to 2010. The subsidy is aimed at reducing transport cost for Xinjiang cotton. (Source: cncotton.com, 07/04/08)

Commodities

Agricultural Products Costs up 23 percent

According to the China Agricultural Network, statistics from 31,000 agricultural producers showed that in the past half year, prices have risen 23 percent over the same period in 2007. (Source: China Agricultural Network, 07/21/08):

Shandong Province to Boost Expenditures for Grain Purchases

The Shandong Branch of the Agricultural Bank of China (ABC) reported that the Shandong provincial government has announced plans to spend \$425 million (RMB2.9 billion) to support the overall purchase of 650 million kg of summer grain. As China's largest wheat producer, Shandong will produce an estimated 9.75 billion kg of wheat. Estimates from the ABC indicate food-processing firms in the region need about \$146 million (RMB1 billion) in credit to make seasonal grain purchases, the remaining \$279 million (RMB1.9 billion) will be used to subsidize downstream food-related industries in the region. ABC has reportedly approved credit lines for grain purchases for close to 500 firms in the region. (Source: Global inside, 07/21/08)

Yarn Production Up

According to the National Development and Reform Commission, yarn production in June 2008 reached 2 MMT, a record high and up 10 percent over June 2007.

(Source: China Cotton Market Information, 07/17/08)

Textile Industry Challenged

On July 21, the slowing of industry growth was discussed at the China Textile and Denim Garment Industry Development Conference. The main reasons cited for the decline were the appreciation of the RMB, increased labor and raw material costs, higher interest rates, lower export subsidies, and the economic slowdown in the United States and Europe. According to the latest trade data released by China Customs for the month of June, garment exports were worth \$9.87 billion, a 15-percent decrease from the same period in 2007. During the first half of 2008, garment exports were worth \$49.96 billion, a 3.4-percent increase. Analysts expect total garment exports in 2008 will be less than 2007. (Source: ATO/Guangzhou Conference Participation 07/21/08)

Furniture Exports Up, Prices Down

On July 23 according to customs data, the total volume of furniture exports was up but average prices were lower in the first quarter of 2008. China exported 659 million pieces of furniture in the first quarter of 2008, up 41 percent from the same period last year. The export value was \$6.4 billion, up 30 percent however, averaged unit price dropped by about 8 percent, from \$10.61 to \$9.8. Last year, the industry saw a surge in the average unit price of 114 percent from 2006. Some analysis optimistically concluded that Chinese furniture had moved from low cost to high value production. The latest data fails to support this analysis. Pressures from environmental policies, reduced tax rebates, and increased materials and labor costs continue to squeeze profit margins in the furniture manufacturing industry. (Source: China Customs Data, 07/23/08)