

POLICY REVIEW

State Council targets rising food prices

CPI increase sees cabinet move to secure supplies of fruit, vegetables and pork

By XU WEI  
xuwei@chinadaily.com.cn

The State Council has moved to stabilize the price of agricultural products amid rising vegetable, fruit and pork prices, as experts call for the establishment of a long-term warning mechanism for price hikes.

An executive meeting of the cabinet on Wednesday, presided over by Premier Li Keqiang, adopted a string of measures to bolster market supply of meat, fruit and vegetables and stabilize consumer prices.

Ensuring adequate supply of agricultural products is an important foundation to secure commodity prices and market expectations and to safeguard public livelihood, a statement released after the meeting said.

The meeting also highlighted the significance of steady price indexes in coping with complex circumstances, expanding consumption and ensuring healthy performance of the economy.

In April, China's consumer price index, the main gauge of inflation, quickened to the highest level in six months as tighter supplies of vegetables, pork and fruit drove up food prices, the National Bureau of Statistics said last month.

The NBS, which is expected to release May's CPI figure on Wednesday, said food prices, which account for nearly one-third of the CPI weighting, rose 6.1 percent year-on-year in April. Vegetable prices were up 17.4 percent year-on-year and fruit prices up 11.9 percent.

A large quantity of fresh fruits, such as watermelons, grapes, mangoes and peaches, has come into season and their increased supply will reduce the hyped price of other fruits."

Jiang Chao, an economist with Haitong Securities

Gao Ming, an analyst with the Ministry of Agriculture and Rural Affairs' Research Center for Rural Economy, said low springtime temperatures in Shaanxi province, a main production area for fruits, had been an important factor in the reduction of supply.

The price hike had underscored the importance of an early warning mechanism in the market that could coordinate agricultural production in different areas, he said.

He gave the example of such a mechanism in Japan.

"If farmers in an area have been hit by extreme weather and supply is expected to fall short, then farmers in other areas will be

encouraged to boost their production," Gao said.

In April, pork prices rose 14.4 percent year-on-year, with the NBS attributing the price hike to African swine fever, which has resulted in sharp decreases in stocks of hogs and breeding sows.

The State Council meeting also called for better prevention and treatment of African swine fever and multiple measures to boost the supply of meat, including pork, mutton, beef and poultry. The production of soybeans and other oil-producing plants will also be expanded.

Local authorities must scale up efforts to ensure the harvesting and purchasing of summer crops,

and adopt forceful measures to control pests, especially fall armyworm, the State Council said.

Jiang Chao, an economist with Haitong Securities, said even though the wholesale price of fruit in May stood at the highest point since June 2014, it is unlikely that the price hike will continue this month. "A large quantity of fresh fruits, such as watermelons, grapes, mangoes and peaches, has come into season and their increased supply will reduce the hyped price of other fruits," he said.

However, he cautioned that the effect of high pork and fruit prices could result in high food CPI this year.

But Jiang said high inflation has

to be accompanied by quicker money supply growth, and M2, a broad measure of money supply that covers cash in circulation and all deposits, only rose by 8.5 percent in April, a low figure for China, which has been used to double-digit increases.

"We expected the CPI will climb within a moderate range of 2 to 3 percent this year," he said.

Gao, the analyst, said another key measure to stabilize fruit and vegetable prices is to expand supply channels and reduce transport costs. "The building of a mechanism that connects consumers directly with producers is also important, such as the development of e-commerce in rural areas," he said.

POLICY RESPONSE

Textbook content, VAT exemption and insect control among initiatives

By XU WEI

Several ministry-level departments, including those for education, finance, transport and agriculture and rural affairs, have responded recently to issues of public concern.

Advertisements prohibited in school textbooks

The Ministry of Education said on Thursday that commercial advertisements must not be included in textbooks for middle and primary school students.

The ministry said internet links or QR codes leading to websites containing supplementary learning materials are also prohibited in textbooks. Publishers will, however, be encouraged to provide free digital audio products matched with textbooks on the internet. Local education authorities must ramp up checks on the use of textbooks, and schools that fail to abide by regulations will face penalties, the ministry said.



VAT exemption for HIV drugs extended

China will continue with measures to exempt domestic anti-HIV medicine from value-added tax in a bid to prevent and control the spread of the virus.

The Ministry of Finance and the State Administration of Taxation said in a joint statement on Wednesday that the VAT exemption — effective from Jan 1, 2019,

to Dec 31, 2020 — will cover all anti-HIV drugs during their production and distribution.

China has eight types of anti-HIV drugs that are officially designated medicines to be purchased by the government and distributed free to AIDS patients. Drug production and distribution enterprises shall retain drug supply contracts for inspection by the tax authorities, the statement added.

Chinese authorities will expand a healthcare program to help people from impoverished families in rural areas receive treatment for 25 major diseases, including HIV-related infections, this year.

Control of fall armyworm stepped up across country

The Ministry of Agriculture and Rural Affairs has urged intensified measures to prevent and control the spread of fall armyworm, which has affected 228,000 hectares of farmland in 18 provincial areas.

The ministry said on Friday that the pest, which appeared in China this year, is spreading more quickly and becoming more destructive.

The pest, native to the Americas, feeds on sorghum and millet in addition to maize. It has been found in close to 100 countries since spreading out of Africa in 2016. The ministry said it could pose severe threats to the production of corn in North China between June and August.

The ministry, together with the Ministry of Finance, has launched a special fund of 500 million yuan (\$72.4 million) to control the spread of the pest. Local agricultural authorities must scale up their efforts to monitor the spread of fall armyworm, with more monitoring sites and better technologies, the ministry said.

It also called for different areas to come up with their own plans to control and



prevent the spread of the pest. More training must be given to farmers on the use of pesticides and related measures to enable effective, low-cost efforts to fight the pest.

Electronic toll collection promoted on expressways

Authorities in 29 provincial-level areas have come up with plans to promote the use of electronic toll collection as the country phases out expressway toll booths at provincial borders this year, the Ministry of Transport said on Friday.

The ministry said in a statement that electronic methods will become the main way to collect tolls on expressways before December, in a move designed to make transport more efficient. All provincial-level areas in the Chinese mainland, with the exception of the Tibet autonomous region and Hainan province, have come up with plans to promote electronic toll collection.

For expressways that still require manpower to collect tolls, the ministry said mobile payment methods must be made available to motorists.

To promote the use of ETC among motorists, the ministry said in a notice last month that transponders will be provided for free to drivers, with facilities for fitting them and setting up ETC accounts to be made available near toll stations and highway service areas.

The ministry has set a target of 80 percent of vehicles being equipped with ETC transponders before the end of this year.

Policy digest

Approval of anticancer drugs to be accelerated

China will speed up the registration and approval of anticancer drugs produced by both domestic and foreign pharmaceutical companies, according to a notice released by the General Office of the State Council on June 4.

The notice on the key tasks for deepening reform of the pharmaceutical and medical system also called for heightened efforts in cancer prevention and screening and the enabling of early diagnosis and treatment.

There will be unimpeded import channels for anticancer drugs that are desperately needed in clinical applications, the notice said.

The prevention and treatment of occupational diseases, AIDS and tuberculosis will be stepped up, and reform of public hospitals moved forward, it said.

Reforms to cut red tape and reinforce compliance oversight will be furthered in the health sector, the notice said, adding that biased policies will be scrapped so that private medical institutions can receive the same treatment and support as their public counterparts.

The ongoing Health China campaign will allow individuals, authorities and social institutions to take part in the publicizing of health knowledge, the notice said.

The early warning and monitoring system for drugs that are in shortage will be refined. For drugs that are prone to shortage and irreplaceable, the authorities will adopt measures such as

unified procurement and the designation of producers to ensure their supply.

Authorities will select 500 county-level hospitals and 500 traditional Chinese medicine hospitals to take part in a capacity-building campaign, the notice added.

Small firms to benefit from credit relaxation

China will allow a higher ratio of nonperforming loans made to micro-sized and small businesses and lower the financing costs for such businesses to boost entrepreneurship and innovation, the State Council decided at an executive meeting on Wednesday.

The ratio of nonperforming loans to micro-sized and small businesses will be relaxed to no more than 3 percentage points higher than the overall ratio, from the current 2 percentage points, according to a statement released after the meeting.

The meeting also pledged greater support to venture capital businesses as they are set to receive incentives in financing through bond issuance.

The statement also highlighted the important role of business startups and innovation in supporting employment, including creating more jobs that suit the needs of key groups of people such as college graduates and demobilized military personnel. The government will come up with regulations to improve the business environment and expand reform of government functions to lower

institutional transaction costs.

Innovation and entrepreneurship demonstration centers will be encouraged to undertake pilot programs in the approval and implementation of science and technology projects, confirmation of ownership rights to research findings and the commercialization of research findings, the statement said.

The meeting also decided on measures to build platforms for business startups and innovation, and to promote the integrated development of companies of different sizes. In a bid to promote innovation by enterprises of all types, the government will establish incentive mechanisms regarding stock rights and remuneration.

The development of the industrial internet will be accelerated, and the authorities will promote broader application of the Internet Plus model in medical care, elderly care, education and other social sectors, the statement said.

The meeting also passed a draft revision to the law on the prevention and treatment of solid waste pollution, which will be submitted to the top legislature for review.

The draft clarifies the responsibilities of entities that produce solid waste and refines the discharging permit mechanism. It also calls for quicker establishment of a system to sort domestic garbage during its collection, treatment and disposal.