**Summary of DLA Piper Report: Impact on European Foam/Mattress Manufacturers**

**Overview**

The DLA Piper report examines the feasibility of filing an **anti-dumping complaint** against **Chinese mattress imports into the EU**, highlighting the increasing market distortions, price pressures, and adverse effects on European manufacturers. It was commissioned by **EBIA (European Bedding Industries' Association) and Europur (European Association of Flexible Polyurethane Foam Blocks Manufacturers)** on behalf of their members.

**Key Findings**

**1. Surge in Low-Priced Mattress Imports from China**

* Chinese imports of **spring interior mattresses** increased by **137%** from 2020 to the investigation period (IP).
* Chinese imports of **cellular plastics mattresses** (including polyurethane foam mattresses) increased by **56%** in the same period.
* The **price of Chinese imports dropped by 13%** from 2021 to the IP, creating downward price pressure on EU manufacturers.
* **Turkey also exports mattresses at low prices**, potentially contributing to additional price pressure.

**2. Market Distortion & Government Support in China**

* **Polyurethane foam and steel**, critical raw materials for mattresses, benefit from **Chinese state subsidies** and government price controls.
* The EU Commission has previously **recognized distortions in China’s chemical and steel industries**, which impact the production costs of Chinese mattresses.
* **Export loans, tax reductions, VAT rebates, and grants** support Chinese manufacturers, making their products artificially cheaper.

**3. Impact on European Foam and Mattress Manufacturers**

* **Declining Sales & Production Volumes:**
  + Companies producing **private-label mattresses** are suffering the most from **Chinese price competition**.
  + EU mattress manufacturers in **Categories B and C** reported production and sales declines of **15%-40% from 2021 to the IP**.
  + **Export declines** further impacted some companies, although not directly relevant for an EU anti-dumping case.
* **Profitability Under Threat:**
  + While **production costs initially increased (2022-2023)**, they fell slightly in the IP.
  + **Profit margins remained stable**, raising concerns that some manufacturers **did not fully account for idle costs** from underutilized production capacity.
  + **True profit levels may be lower than reported**, once fixed costs are properly adjusted.
* **Manufacturing Categories & Market Positioning:**
  + **Category A:** Companies with long-term contracts with large retailers are somewhat insulated.
  + **Category B:** Companies with mixed sales to retailers and other customers are experiencing substantial production and sales declines.
  + **Category C:** Online-focused businesses, most exposed to direct Chinese competition, are suffering **severe revenue losses**.

**4. Potential Anti-Dumping Measures**

* The report suggests that **anti-dumping duties** could help **restore fair competition** for European manufacturers.
* However, **EU retailers and importers may oppose these measures**, as they benefit from cheaper Chinese imports.
* The **EU Commission is expected to prioritize evidence of dumping and industry injury** over importer opposition.

**Conclusion & Next Steps**

* **Further data collection for Q3 and Q4 2024** is essential to **confirm the full extent of injury** to European manufacturers.
* The **idle cost issue needs to be clarified**, as unreported fixed costs may understate financial damage.
* **More EU mattress manufacturers must join the case** to meet the **25% EU production threshold** required to file an anti-dumping complaint.

**Implications for European Foam/Mattress Manufacturers**

* **Short-term:** Increased competition from **low-cost Chinese imports** continues to impact production, sales, and pricing.
* **Medium-term:** **If anti-dumping duties are imposed**, European manufacturers could regain pricing power and stabilize sales.
* **Long-term:** **Greater enforcement of trade protections** and supply chain adjustments may be necessary to sustain competitiveness against subsidized imports.