

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Pakistan

Post: Islamabad

Changes in Pakistan Wheat Export Subsidy and Import Tariff

Report Categories:

Grain and Feed

Trade Policy Monitoring

Approved By:

David Williams

Prepared By:

Asmat Raza

Report Highlights:

Pakistan has announced that 900,000 metric tons of wheat will be available for export with a subsidy of \$120 per metric ton. The subsidy will be shared by the federal government and the provinces of Sindh and Punjab. The subsidy does not appear to be large enough to generate significant interest in Pakistani wheat which priced significantly higher than wheat from Black Sea ports. Pakistan has also announced an increase in its temporary “regulatory duty” on wheat imports from 40 percent to 60 percent. The move is aimed at shielding Pakistan’s domestic market from lower-priced imports of wheat.

General Information:**Wheat Import Tariff Increased**

On August 29, 2016, the Government of Pakistan announced an increase in the “regulatory duty” for wheat imports from 40 percent to 60 percent. The move is aimed at shielding the large supply of domestic wheat from cheaper imports. While “regulatory duties” are considered temporary, it is not clear when the tariff, which falls within Pakistan World Trade Organization bound rate, will be lifted. Given the significant price disparity between Pakistan’s domestic wheat prices and international prices, the duty is likely to be in effect for the foreseeable future.

Wheat Available for Export via Subsidy

The Government of Pakistan has also allowed exports of up to 900,000 metric tons of wheat with an export subsidy of \$120 per ton as of August 29, 2016. The decision was taken at a meeting of the Economic Coordination Committee (ECC) of the Cabinet presided over by the Finance Minister. The cost of the subsidy will be shared by the federal and the provincial governments of Punjab and Sindh, the two main wheat producing provinces.

The Government established lower subsidies previously and extended the availability of the subsidies several times, but the lower effective export prices did not result in significant export volumes aside from Afghanistan. The Government of Pakistan procured 6.0 million metric tons of wheat from the recently concluded wheat harvest at \$310 per metric ton. The government spent approximately \$1.8 billion for wheat procurement this year. With around 4.0 MMT in carryover stocks this year’s procurement boosted public stock levels to around 10 million tons shortly after the start of the marketing year. The subsidies are aimed at moving some of Pakistan’s growing wheat stocks out of the country. However, Pakistan’s FOB Karachi export wheat price is likely in the neighborhood of \$350 per metric ton. By subtracting \$120, one arrives at a subsidized FOB export price of \$230 per metric ton; in short, Pakistan’s FOB wheat export price is still significantly higher (about 40 percent) than wheat originating from the Black Sea ports that are Pakistan’s closest export competitors.