

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Pakistan

Post: Islamabad

Pakistan Subsidizes Wheat Exports

Report Categories:

Grain and Feed

Trade Policy Monitoring

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Report Highlights:

The Government of Pakistan has authorized an export subsidy of up to \$159 per metric ton to facilitate exports of up to 2.0 million metric tons of wheat. A relatively high wheat support price, rising procurement, and flat offtake resulted in record stocks of government-held wheat following the 2017 harvest. The subsidy is intended to reduce stocks prior to the conclusion of the upcoming 2018 harvest. Except to some regional markets, exports without a subsidy are not commercially viable because Pakistan's domestic wheat prices are significantly higher (80 percent) than prevailing international prices.

General Information:
Pakistan Subsidizes Wheat Exports

Pakistan has authorized a sizeable export subsidy to facilitate exports of wheat. The federal and provincial governments will offset the price of up to 2.0 million metric tons (1.5 million from the Province of Punjab and 500,000 metric tons from the Province of Sindh) of wheat exports with a subsidy of up to \$159 per metric ton. The generous subsidy, which is in effect through June 30, 2018, could result in public expenditures of up to \$320 million if the full amount is exported at the full subsidy. This is in addition to the \$145 million Pakistan is expected to spend on sugar export subsidies. Pakistan supports the domestic wheat price with a generous support price of \$310 per metric ton. While the government only procures about a quarter of the crop (half remains in villages and a quarter enters the “open” market directly) the high procurement price effectively boosts the price of domestic wheat well above prevailing international prices, effectively halting wheat exports from Pakistan to all but neighboring Afghanistan and a few regional government-to-government sales. Pakistan imposes a tariff of sixty percent on wheat imports.

Government-held stocks of wheat have been rising, reaching a record 10.5 million metric tons at the conclusion of the 2017 harvest. The increase is largely the result of rising annual procurements in the face of flat offtake levels. It is not entirely clear why the government has increased procurement levels in recent years, but government purchases give a guaranteed return to the farmers who are able to sell to the government and provide a strong incentive for farmers to continue producing wheat during the Rabi (winter season), thereby supporting Pakistan’s goal of self-sufficiency in wheat. However, as global wheat prices have declined, the pursuit of wheat self-sufficiency through support prices has become increasingly costly. Accumulating stocks have led to rising storage costs and with another bumper crop likely in 2018, it seems the government was faced with two primary options heading into the upcoming 2018 harvest, either reduce 2018 procurement drastically or reduce the volume of stocks in Pakistan by subsidizing exports. While the subsidized exports will reduce stock levels, combining that policy with reduced procurement would likely lead to a more cost effective wheat policy.