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Brazil Reduces Tariff on Non-Mercosul Wheat Imports to Zero Percent

Report Categories:

Grain and Feed
Agricultural Situation

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Report Highlights:

The Government of Brazil reduced the Common External Tariff (TEC) on wheat imports, up to one million metric tons, from ten to zero percent for non-Mercosul countries until August 15, 2014.

General Information:

The Brazilian Council of Foreign Trade (CAMEX) announced that the Common External Tariff (TEC) will be reduced from ten to zero percent on one million metric tons (mmt) of non-Mercosul wheat imports effective June 23 to August 15, 2014.

The measure was taken due to uncertainty in Argentina's ability to fill the demand combined with the need to control domestic inflation during an election year. CAMEX did not take into account a possible

reduction in domestic yields brought on by strong rains in early June, which delayed planting in some wheat producing regions. The decision was taken against the recommendation of the Ministry of Agriculture, Livestock and Food Supply (MAPA), which fears the measure could hurt domestic producers, as the harvest will be entering the market in the coming months. Producers in the largest wheat producing state of Rio Grande do Sul protested against the reduction of the tariff and have asked for a decrease in the state value-added tax (ICMS) - a tax on goods crossing state lines - from eight to two percent in order to remain competitive. However, Brazil's demand for wheat cannot be filled domestically because the domestic wheat must be blended with the higher quality imported wheat in order to achieve desired baking qualities.

In 2013, the TEC was reduced to zero between April to December. During that time, Brazil imported 3.48 mmt of U.S. wheat, making it the second largest market for U.S. wheat in 2013, just behind China. Between January and May 2014, when the TEC was at 10 percent, the U.S. exported nearly 1 mmt of wheat to Brazil.

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