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Pakistan Establishes Wheat Import Tariff

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Report Highlights:

The Government of Pakistan has increased the tariff on wheat imports from zero to twenty percent. The imposition of a tariff on imports is expected to halt wheat imports during the current marketing year except for a few shipments that were under way at the time of the announcement. Wheat imports are estimated at 600,000 metric tons for 2015/15. The Government of Pakistan has also announced an eight percent increase in the wheat support price, fixing it at Rs. 1,300 per 40 kilogram (\$318 per metric ton) effective April 1, 2015. This the first support price increase in two years.

Tariff Levied on Wheat Imports

The Government of Pakistan has increased the tariff on wheat imports from zero to 20 percent. The increase is well below Pakistan's bound tariff rate (the maximum tariff rate Pakistan can establish) for wheat of 150 percent. The cabinet-level Economic Coordination Committee (ECC) decided to raise the tariff during its October 30, 2014 meeting. The stated purpose of the decision is to discourage wheat imports. Current internal market prices in Pakistan are around \$320 per metric ton, well above the landed Karachi price of \$275 per metric ton for wheat from Black Sea ports. The 20 percent tariff lifts the landed price for wheat sourced from Black Sea ports to \$320, making it equal to local market prices. According to local trade sources, with the tariff and differences in quality, prices for Black Sea wheat would have to drop by an additional 10 percent to be competitive with local wheat.

This imposition of the tariff raises the question of how much additional wheat Pakistan is likely to import before the onset of harvest in March of 2015. According to data from Pakistan's Bureau of Statistics, wheat imports had reached 275,000 metric tons through the end of September. Allowing for additional imports during October and the expectation that an additional 200,000 of wheat was underway to Pakistani ports when the tariff was announced, imports are likely to reach at least 600,000 metric tons by the end of November. Whether some of the wheat that is underway is routed elsewhere remains to be seen. Imports beyond November seem unlikely given the current price relationships and Pakistan's usual pattern of halting imports after December. In short, FAS Islamabad's import estimates for the May/June and July/June 2014/15 marketing years remain unchanged at 600,000 tons.

Pakistan Wheat Imports 2014 (May/April Marketing Year)

Month	Quantity
May	0
June	0
July	0
August	44,832
September	230,000
Total	274,832

Source: Bureau of Statistics

Wheat Support Price for Next Crop Increased

On November 1, 2014, the Government of Pakistan announced an eight percent increase in the wheat support price for the 2015 harvest, fixing the price at Rs. 1,300 per 40 kilogram (\$318 per metric ton). The new price will be effective on April 1, 2015, when the bulk of the wheat harvest gets underway. This is the first increase in two years. The price is equivalent to current market prices and should encourage farmers to marginally expand wheat area, especially given the good moisture conditions of the past few months. The Government of Pakistan had forecast a record wheat harvest target of 26 million metric tons for 2015, before the support price was announced. The government is the key buyer of wheat in Pakistan, procuring 25 to 30 percent of the total crop and about half of the crop that is

marketed (a significant portion of the crop stays on farm or in local communities for household consumption). The Government establishes sale prices equivalent to the procurement price plus a portion of storage and transportation costs. Consequently, the higher tariff coupled with higher procurement and sales prices are expected to raise consumer prices for Pakistan's most important staple crop.