

23 June 2017

More of the same - SA's wheat import tariff review outcome

The outcome of the review of the dollar-based reference price and variable tariff formula for wheat was released this morning. The review was initiated by the government in April 2016 due to concerns about the impact of the higher import duty on wheat on the price of bread and other staple food¹. However, the outcome of review presented more of the same, with adjustments on two variables of the formula, namely reference price and exchange rate adjustments.

- The report released this morning by the International Trade Administration Commission (ITAC) shows that the reference price decreased from US\$294 per tonne to US\$279 per tonne. This was calculated by taking an average price of the past 5-year of US Hard Red Wheat No.2 (as at 09 August 2016), plus adjustments for distortion factors (subsidies) in the global wheat market, then subtraction of average freight costs to South African shores.
- To adjust for the effects of inflation or negative impact of exchange rate fluctuations, ITAC will now use the Real Effective Exchange Rate Index, as published by the South African Reserve Bank.
- As of today, the current import tariff for wheat is R947.21 per tonne. This duty was calculated as the difference between US\$279 per tonne (reference price) and the price of wheat on 09 August 2016, which amounted to US\$189.67 per tonne at an exchange rate of R13.43 to the US dollar adjusted for price differentials between South Africa and its most important trading partners using the published Real Effective Rand Exchange Rate Index².

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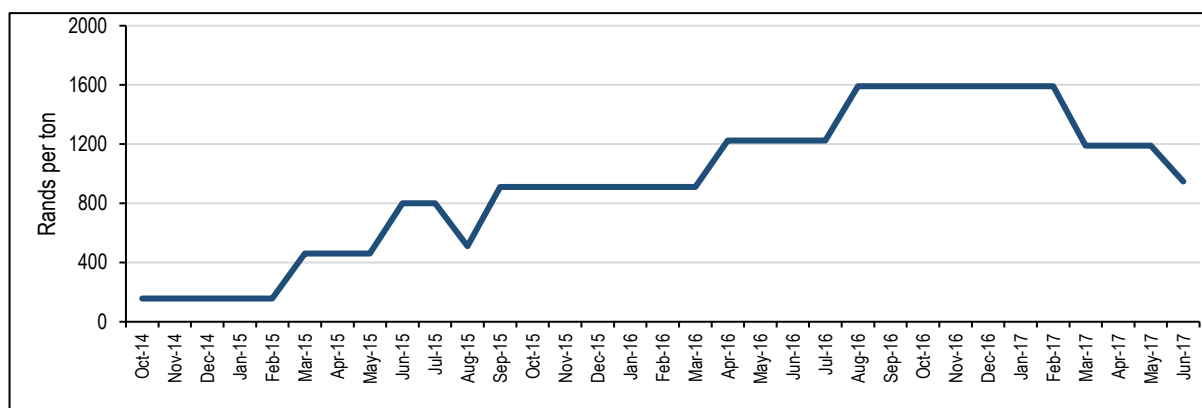


Chart 1: South African wheat import tariff

Source: SAGIS, Agbiz Research

Disclaimer:

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¹ http://www.treasury.gov.za/comm_media/press/2016/2016040802%20-%20Wheat%20Import%20Duty%20Tarrif.pdf

² See ITAC report No 538 Review of the Dollar based domestic reference price and variable tariff formula for wheat (will soon be available on the website).

