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Global Agricultural Information Network

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U.S. Ag Faces Headwinds as Japan FTAs Enter Year 2

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Approved By:

Gary Meyer

Prepared By:

FAS Japan staff

Report Highlights:

On April 1, 2019, Japan will apply a second round of tariff cuts to agricultural imports from member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Japan-European Union Economic Partnership Agreement (EPA). Although the competitive impacts on U.S. exports will be felt across much of the U.S. export community over time, impacts will likely be felt for some products more immediately. This report highlights tariff reductions for wheat, beef, pork, and wine.

General Information:

Wheat

Wheat is a state-traded item in Japan, and imported by the Japanese Ministry of Agriculture, Fisheries and Forestry (MAFF) through tenders. MAFF normally imports wheat duty-free and sells wheat to flour millers at the imported price plus a markup (which is used to promote domestic wheat production). Effective December 30, 2018, Japan instituted country-specific quotas for Canadian and Australian wheat pursuant to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan lowered the mark-up on state-traded wheat, and reduced tariffs on wheat products imported from CPTPP Member States, including U.S. wheat competitors such as Canada and Australia. Similar tariff cuts were made for EU Member States when the Japan-EU Economic Partnership Agreement (EPA) came into effect on February 1, 2019. A second round of cuts will come into effect April 1, 2019, for both CPTPP and EU Member States as outlined below and explained in greater detail in [JA7153](#).

Under the provisions outlined under the CPTPP, the mark-up for Canadian Western Red Spring (1CW) and Australian Standard White (ASW) decreased from 17,000 yen/metric ton (MT) to 16,200 yen/MT between December 30, 2018 and March 31, 2019 (Year 1), and will fall further (to 15,300 yen/MT) beginning April 1, 2019 (Year 2). Identical mark-up reductions have also been extended to wheat imports entering Japan under the much smaller EU quota (see Table 1 below). All other things being equal, Australia and Canada enjoy an immediate advantage of 1,700 yen/MT (\$15.74/MT) over U.S. suppliers for many wheats.

Beef

Effective April 1, 2019, tariffs on chilled and frozen beef from CPTPP and EU countries fell by additional 0.9 percent to 26.6 percent as Year 2 of these agreements came into effect. Tariffs will eventually fall to nine percent by 2033. Countries without a free trade agreement with Japan, including the United States, remain subject to the most-favored nation tariff rate of 38.5 percent. Beef from CPTPP countries and the EU is exempt from the World Trade Organization (WTO) most-favored nation (MFN) safeguard and instead subject to less-restrictive, volume-based safeguards. For more information see [JA8109](#). The MFN safeguard was imposed on U.S. frozen beef in August 2017 and lifted in April 2018 (see [JA8021](#)).

Pork

For pork products subject to Japan's gate price system, the ad valorem duty will fall from 2.2 percent to 1.9 percent on April 1, 2019 and continue to fall each year before reaching zero in 2027. The maximum variable duty on these products will remain at 125 yen per kilogram until 2022 when it falls to 70 yen and eventually 50 yen in 2027. Countries without a free trade agreement with Japan, including the United States, continue to pay 4.3 percent or up to 482 yen per kilogram. Under CPTPP and the Japan-EU EPA, tariffs on sausages and processed pork products (not subject to the gate price) fall to 6.6 percent and 13.3 percent compared to the most-favored nation rates of 10 percent and 20 percent, respectively. For more information on tariffs see [JA9006](#). Pork products from CPTPP countries and the

EU are exempt from Japan's WTO safeguards and instead are subject to a combination of volume-based and percentage-based safeguards (see [JA7135](#)).

Wine

Under WTO treatment, Japan applies either the lower of a 15 percent ad valorem tariff or 125 yen per liter (L) duty (with a minimum duty of 67 yen/L) to bottled wine. Under the Japan-EU EPA, these tariffs were eliminated immediately upon effectuation on February 1, 2019. The wine tariff on CPTPP countries was reduced to 10 percent (with a minimum duty of 44.67 yen/L) on December 30, 2018 and will fall to 8.5 percent (or a minimum duty of 35.73 yen/L) on April 1, 2019. The tariff for CPTPP countries will be eliminated completely in 2025.

Before CPTPP was concluded, Australia, Chile, and Mexico already reached EPA agreements with Japan and their wines have been imported at lower tariff rates compared to competitors. Mexican wine exports became tariff-free in 2005. Chilean wine will be tariff-free in 2019 and wine from Australia will be tariff-free in 2021. See [JA8023](#).

See Table 1 below for a summary of the tariff concessions described in this report.

Table 1. Market Access Concessions Under the CPTPP and Japan-EU EPA

Product	WTO	Year 1	Year 2 (Effective April 1, 2019)	Year 3 and beyond
Wheat	TRQ 5.74 MMT Zero tariff within the TRQ (20% for meslin) plus a markup 55,000 yen/MT tariff for imports outside of the TRQ	CPTPP CSQs Canada: 13,333 MT Australia: 12,666 MT Zero tariff within the CSQ Markup for CPTPP members 16,200 yen/MT ¹ 16,100 yen/MT ²	CPTPP CSQs Canada: 42,167 MT Australia: 40,000 MT Zero tariff within the CSQ Markup for CPTPP members 15,300 yen/MT ¹ 15,100 yen/MT ²	See JA7153
		EU quota: 200 MT Zero tariff within the quota EU markup: 16,200 yen/MT	EU quota: 212 MT Zero tariff within the quota EU markup: 15,300 yen/MT	
Beef (chilled/frozen)	38.5%	27.5%	26.6%	See JA8109
Pork subject to Gate Price	Variable: up to 482 yen/kg	Variable: up to 125 yen/kg	Variable: up to 125 yen/kg	See JA9006
	Ad valorem: 4.3%	Ad valorem: 2.2%	Ad valorem: 1.9%	
Sausages	10%	8.3%	6.6%	
Processed Pork not subject to Gate Price	20%	16.6%	13.3%	
Wine (Other Than Sparkling Wine), Containers of Not More than 2 Liters	15% or 125 yen/L, whichever is less, subject to a minimum customs duty of 67 yen/L	CPTPP: 10% or 125 yen/L, whichever is less, subject to a minimum customs duty of 44.67 yen/L EU: Zero	CPTPP: 8.5% or 125 yen/L, whichever is less, subject to a minimum customs duty of 35.73 yen/L EU: Zero	See JA8023

- 1) Group 1 Dark Northern Spring, Hard Red Winter, Western White, Canadian Western Red Spring and Australian Standard White
- 2) Group 2: All wheat classes other than Group 1