

Impact of TPP on Production Value of Agricultural, Forestry and Fishery Products

December 24, 2015
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ORIGINAL DOCUMENT

「農林水産物の生産額への影響について」(Written in Japanese)
http://www.cas.go.jp/jp/tpp/kouka/pdf/151224/151224_tpp_keizaikoukabunnseki03.pdf

EXPLANATORY NOTES FOR TRANSLATION

The following is a partial translation of the document entitled *Regarding Impact on Production Value of Agricultural, Forestry and Fishery Products*, which is attached to another document *Economic Impact Analysis on TPP Agreement*. Forestry and fishery parts of “Standpoint on trial calculation for each product” and background materials are not translated. The other parts are translated as a whole.

This is the result of the third and the latest trial calculation done by the Ministry of Agriculture, Forestry and Fishery (MAFF). It shows a noticeable change from the MAFF’s second trial calculation published in March 2013. According to the third calculation, the decline in production value caused by TPP would be only around 4% to 7% of the one predicted previously.

The causes of the change in the result include (1) reflecting specific terms of TPP broad agreement, (2) assumption that production amount would be maintained at the current level, in spite of price decline, by virtue of response policy measures, and (3) supposing that domestic products are less competing with foreign ones and price decline would be limited to some extent. The assumption (2) is called “standpoint” and “standpoint (scenario)” in background materials. Qualitative description on the results of the calculation, as translated, overlaps with the “scenario”.

On the other hand, the previous calculation assumes total market liberalization where domestic production of products (or parts of products) competing with import would disappear and domestic prices would decline to the level of foreign prices.

Notes: In the translation text, words in the brackets ([]) are added by the translator.

TRANSLATION

Regarding Impact [of TPP] on Production Value of Agricultural, Forestry and Fishery Products (Trial Calculation)

1. Method for the trial calculation

(1) Product items covered in the trial calculation

The trial calculation covers 19 agricultural products and 14 forestry and fishery products listed below, of which tariff rates are greater than or equal to 10% as well as domestic production values are greater than or equal to 1 billion Japanese Yen.

Agricultural products (19 items): rice, wheat, barley, sugar, raw-material crops for starch, beef, pork, milk & dairy products, azuki beans, kidney beans, ground nuts, *konnyaku* potato (or konjac corn), tea, tomato for processing, citrus, apple, pineapple, chicken, and egg.

Forestry and fishery products (14 items): plywood, horse mackerel, mackerel, sardine, scallop, cod, squid & dried squid, bonito & tuna, salmon & trout, kelp, laver, eel, brown seaweed (*wakame*), and *hijiki* seaweed.

(2) Countries considered in the trial calculation

TPP participating countries: the US, Australia, New Zealand, Singapore, Malaysia, Vietnam, Burney, Peru, Chile, Mexico, and Canada.

(3) Method for calculation of effect on production value

Taken into consideration in the calculation are broad agreement on TPP, and policy responses based on “comprehensive TPP related policy framework.”

Specifically, on the basis of impact analysis (“Regarding Impact on Agricultural, Forestry and Fishery Products by Production Items”) published in November 2015, impact on value of agricultural, fishery and forestry products was calculated by accumulating the impact for each product. For each product, impact on production value in the final year of terms of the agreement was calculated by using prices of domestic and imported products as the basis, and assuming (i), (ii), and (iii) as shown below in principle (see Note 1).

(i) Each product is divided into two parts, from a viewpoint of difference between domestic and foreign prices, difference in quality, and etc. The one part competes with imported products and the other part does not.

(ii) With respect to [domestic] price, it is anticipated that the price of the competing part would decline as far as tariff cut equivalent, and the price for the not-competing part would decline by a half of decline rate for the competing part (i.e. tariff cut equivalent / domestic production price), in principle (see Note 2).

(iii) With respect to production amount, effects of domestic response measures are taken into consideration.

Notes:

- 1) Assumptions for each product can differ from (i), (ii) and (iii) shown above depending on circumstances of the product.
- 2) With respect to [domestic] prices for some products, upper limit is anticipated as shown below, and lower limit is anticipated as described in (ii), taking into account effects of domestic response measures, which promote quality improvement, high value added products and so on.

- a. Price decline for the competing part would be a half of tariff cut equivalent.
- b. Price decline rate for the not competing part would be a half of the rate for the competing part (a.).

2. Results of the trial calculation

Though price decline, in consequence of tariff cut and so on, would cause decrease in production value, it is anticipated that production and farm income would be continuously ensured and the amount of domestic production would remain [at the current level], with domestic response policy measures. Such measures include ones which strengthen agriculture, by reduction in production cost and improvement in quality, and which stabilize farm business.

Decline in production value of agriculture, forestry and fishery products: around 130 to 210 billion Japanese Yen.

Effect on food self-sufficiency ratio (2014 fiscal year):

- 2014 fiscal year [actual ratio]: calorie-based ratio 39%, production value based ratio 64%
- Based on the result of the trial calculation: calorie-based ratio 39%, production value based ratio 64%

Important Notes:

- 1) Assumption 1. (3) (iii) shown above does not take into account expansion in export.
- 2) As a result of the trial calculation, decline in planting area of paddy and upland field, and loss in multiple function of agriculture are not likely to happen, because domestic production volume is anticipated to remain [unchanged].
- 3) Total [domestic] production value of products covered in the trial calculation is around 6.8 trillion Japanese Yen, when it is computed based on price and volume of each product used in the trial calculation.

Standpoint on Trial Calculation for Each Product

	Decline in production amount	Decline in production value (bil. Yen)	Standpoint
Rice	0%	0.0	Expansion in import outside of state trading is not likely to happen, because existing state trading system and out-of-quota tariff rate would remain. In addition, government would buy in domestic produced rice, which is equivalent to import amount of country-specific quotas, for stockpiling. Therefore it is not anticipated that there would be an effect on the current production amount and farm income regarding domestic table rice.
Wheat	0%	Around 6.2	Under state trading system, imports subject to new country-specific quota would basically replace parts of imports subject to existing quota system. In addition, measures strengthening agriculture and measures stabilizing farm business would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and the amount of domestic production would remain [unchanged].
Barley	0%	Around 0.4	[Same as above.]
Sugar	0%	Around 5.2	Given that price adjustment system for sugar would remain as it is, TPP participating countries would replace only part of raw sugar currently imported from Thailand. In addition, measures strengthening agriculture and measures stabilizing farm business would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and the amount of domestic production would remain [unchanged].
Raw-material crops for starch	0%	Around 1.2	Price adjustment system for sugar would remain as it is. Tariff quota for TPP participating countries would not exceed the imports under current import quota. In addition, measures strengthening starch industry, such as reduction in production cost of domestic starch, would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and the amount of domestic production would remain [unchanged].
Beef	0%	Around 31.1 - 62.5	Long tariff-reduction period is ensured and safeguard is set. Rapid expansion in import of beef is not anticipated for the meantime, because wagyu [(Japanese beef cattle)] and crossbred beef [(between wagyu bull and dairy cow)] are differentiated from imported beef in terms of quality and price. In addition, measures strengthening agriculture and measures stabilizing farm business would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Pork	0%	Around 16.9 - 33.2	Long tariff-reduction period is ensured, differential tariff system and "gate price" remain, and safeguard is set. Rapid expansion in import of pork is not anticipated for the meantime, because

			imports [of low-priced and high-priced products] in combination are likely to continue. In addition, measures strengthening agriculture and measures stabilizing farm business would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and the amount of domestic production would remain [unchanged].
Milk & dairy products	0%	Around 19.8 - 29.1	Though additional TPP quotas of butter and skim powder milk are set, current out-of-quota tariff rates remain. For whey, long tariff-reduction period is ensured and safeguard is set. For mature cheese, long tariff-reduction period is ensured. In addition, measures strengthening agriculture and measures stabilizing farm business would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Azuki beans	0%	0.0	Because out-of-quota tariff remains, imports from TPP participating countries would not replace domestic products but replace only imports from countries outside TPP. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Kidney beans	0%	0.0	[Same as above.]
Ground nuts	0%	0.0	Imports from TPP participating countries would replace only imports from countries outside TPP, because domestic products are differentiated and imports of large grain, which competes with domestic products, are not anticipated. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
<i>Konnyaku</i> potato [(or konjac corm)]	-	-	Imports from TPP participating countries are very few. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Tea	-	-	[Same as above.]
Tomato for processing	0%	0.1	Consumption of unconcentrated juice of domestic tomato turns upward these years. Domestic production of ketchup sauce is expected to continue with contract culture expanded by domestic tomato processors. In addition, measures strengthening agriculture would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Citrus	0%	Around 2.1 - 4.2	Domestic <i>unshu mikan</i> [(satsuma mandarin)] is differentiated by the quality, though there is price disparity with imported orange. Domestic <i>mikan</i> juice is also differentiated as scarce product. In addition, measures strengthening agriculture would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Apple	0%	Around 0.3 - 0.6	Domestic apple has a high level of competitive advantage over foreign one in quality. Domestic apple juice is also differentiated as scarce product. In addition, measures strengthening

			agriculture would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Pineapple	0%	0.0	Because tariff quota system would remain, it is anticipated that production and farm income would be ongoingly ensured and domestic production amount would remain [unchanged].
Chicken	0%	Around 1.9 - 3.6	Only small amount is imported from TPP participating countries. The uses are limited because most of the imports are frozen leg meat. In addition, measures strengthening agriculture would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Egg	0%	Around 2.6 - 5.	Only small amount is imported from TPP participating countries. The uses are limited because most of the imports are processed egg. In addition, measures strengthening agriculture would be implemented appropriately. Therefore it is anticipated that production and farm income would be continuously ensured and domestic production amount would remain [unchanged].
Agricultural products total		Around 87.8 - 151.6	

Date submitted: Feb. 17, 2017

Reviewed, edited and uploaded: March 2, 2017