

Impact of Japan-EU EPA on Agricultural, Forestry and Fishery Products by Commodities

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Ministry of Agriculture, Forestry and Fishery

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* Hirasawa translated the part other than milk and dairy products.

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ORIGINAL DOCUMENT

「日 EU・EPA における品目ごとの農林水産物への影響について」(Written in Japanese)
http://www.maff.go.jp/j/kanbo/eu_epa/attach/pdf/index-7.pdf accessed November 4,
2017

「日 EU・EPA における品目ごとの農林水産物への影響について(総括表)」(Written in
Japanese) http://www.maff.go.jp/j/kanbo/eu_epa/attach/pdf/index-10.pdf accessed
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EXPLANATORY NOTES FOR TRANSLATION

The following is a partial translation of the document entitled *Impact of Japan-EU EPA on Agricultural, Forestry and Fishery Products by Commodities*. Translated are evaluation on beef, pork, and dairy products, which the document expects to be affected in the long term, and a summary table. The three commodities are sequenced in the same order as the original document.

This is the first time that the Japanese government published evaluation on the impact of Japan-EU Economic Partnership Agreement (JEEPA) on domestic products. The evaluation is based on an agreement in principle between Japan and EU on the main elements of JEEPA, which was reached on July 6, 2017. As such, the nature of the evaluation is tentative. The whole evaluation is qualitative and does not include quantitative estimation.

TRANSLATION

BEEF

Basic data

Domestic production (FY 2016)	Main production area (prefecture) and share based on number of cattle, as of Feb. 1, 2017		
324 kilotons	Hokkaido 516 kilo heads (21%)	Kagoshima 322 kilo heads (13%)	Miyazaki 244 kilo heads (10%)

Price, production volume and import volume (Yen/kg, kilotons)

Fiscal year	2012	2013	2014	2015	2016
Domestic price (wagyu)	2,487	2,750	2,977	3,580	3,821
Domestic price (crossbred cattle)	1,560	1,741	1,893	2,347	2,350
Domestic price (dairy cattle)	884	1,113	1,251	1,561	1,456
International price	445	508	633	654	573
Domestic production volume	360	354	352	332	324
Import volume	506	536	517	487	526

Tariff rates 38.5%

Summary of border measures

Based on the result of consultation with countries concerned in the Uruguay Round, provisional tariff rate is set at 38.5% which is lower than conventional tariff (50%).

Import (FY 2106)		Main exporting countries to Japan (top 4 and the share in import)			
World	526 kilotons	Australia 278 kilotons (53%)	USA 208 kilotons (39%)	NZ 18 kilotons (39%)	Canada 15 kilotons (3%)
EU	0.6 kiloton				

Results of negotiation

Item / existing tariff rate	Terms of agreement	(Cf.) Terms of TPP agreement
Beef 38.5%	<ul style="list-style-type: none"> - Elimination of tariff was avoided. Final tariff rate is 9% from the 16th year. - Period for tariff reduction as long as 16 years was acquired. - Safeguard against rapid increase on imports will be introduced. (From the 16th year, tariff rate will be 9% and afterwards safeguard will be discontinued if it is not triggered for four consecutive years. The volume trigger on the 16th year is 53 kilotons.)	Same as on the left The volume trigger on the 16th year is 738 kilotons.)

Results of analysis

- Australia and the USA account for around 90% of import (530 kilotons). Import from EU was 985 kilotons even at its record high on fiscal 2015.

- Tariff elimination was avoided and long period for tariff reduction was acquired. Safeguard will be introduced.
- Among domestic beef (wagyu, crossbred, and dairy cattle), wagyu and crossbred cattle are differentiated from imported beef in terms of quality and price. Then the extent of competition with imported beef is expected to be small.
- Hence, rapid increase in import is not expected for the time being.
- On the other hand, EU accounts for about 10% of beef production volume in the world and the potential capacity to export is large. Besides, EU is strongly oriented toward expansion of export to Japan with entry into force of EPA. Therefore, in the long term and along with the reduction of tariff, there is a concern over decline in price of domestically produced beef as a whole with focus on dairy cattle competing with imported beef. Hence, as regards domestic production of beef cattle, strengthening measures for the sector to ensure advantage of domestic products such as reduction of production cost and improvement of quality need to be conducted, after necessary stocktaking in the light of examination of the past results. In addition, it is needed to give necessary consideration to farm income stabilization measures in light of the state of TPP.

PORK

Basic data

[Pork] Domestic production (FY 2016)	[Pork] Main production area (prefecture) and share based on number of pigs, as of Feb. 1, 2017		
894 kilotons	Kagoshima 1,327 kilo heads (14%)	Miyazaki 847 kilo heads (9%)	Chiba 664 kilo heads (7%)

[Pork] Price, production volume and import volume (Yen/kg, kilotons)					
Fiscal year	2012	2013	2014	2015	2016
Domestic price	629	713	847	771	754
International price	526	529	556	532	526
Domestic production volume	907	917	875	888	894
Import volume	760	744	816	826	877

[Ham and bacon] Price, production volume and import volume (Yen/kg, kilotons)					
Fiscal year	2012	2013	2014	2015	2016
Domestic production volume	522	534	536	535	541
Import volume	241	254	229	228	225

Tariff rates (summary of border measures)

[Pork] (gate price system)

- When 524 Yen/kg is less than import price: 4.3%
- When 524 Yen/kg is greater than or equal to import price: difference between 546.23 Yen and import price
- When 64.53 Yen/kg is greater than or equal to import price: 482 Yen/kg

[Ham and bacon] (gate price system)

- When 897.59 Yen/kg is less than import price: 8.5%
- When 897.59 Yen/kg is greater than or equal to import price: 614.85 – 0.6 x import price

(Yen/kg)

[Sausage] - 10%

[Other prepared pork products] - 20%

[Pork] Import (FY 2106)		[Pork] Main exporting countries to Japan (top 4 and the share in imports)			
World	877 kilotons	USA	Canada	Denmark	Spain
EU	341 kilotons	270 kilotons (31%)	187 kilotons (21%)	117 kilotons (13%)	90 kilotons (19%)

Results of negotiation

Item / existing tariff rate	Terms of agreement	(Cf.) Terms of TPP agreement
<p>Pork (gate price system)</p> <ul style="list-style-type: none">- When 524 Yen/kg is less than import price: 4.3%- When 524 Yen/kg is greater than or equal to import price: difference between 546.23 Yen and import price- When 64.53 Yen/kg is greater than or equal to import price: 482 Yen/kg	<p>Gate price system and gate price (524 Yen/kg) will continue.</p> <p>Period for tariff reduction as long as 10 years was acquired. (Specific tariff of 50 Yen/kg corresponds to about twice the average tax charge in recent years. Ad valorem tariff will be eliminated.)</p> <p>Until the 11th year, safeguards against steep rise in import will be set. (volume trigger on the 11th year is 105 kilotons)</p>	<p>Same as on the left</p> <p>(volume trigger on the 11th year is 150 kilotons)</p>
<p>Ham and bacon (gate price system)</p> <p>Sausage - 10% Other prepared pork products - 20%</p>	<p>[Ham and bacon] Reduction by 50% on the 1st year, additional reduction every year step-by-step, and elimination on the 11th year. Until the 11th year, safeguards against steep rise in import will be set.</p> <p>[Sausage and other prepared pork products] Reduction with the same rate every year, and elimination on the 6th year.</p>	<p>Same as on the left</p>

Results of analysis

- Long period for tariff reduction was acquired; gate price system and gate price will continue; safeguards will be introduced.
- Because gate price system will continue, “combination” import, which is prevailing under the existing system, is assumed to be kept.

- Given that demand for pork outside Japan would increase rapidly, competition for purchase with other pork importing countries can be intensified.
- Hence, rapid increase in import is not expected for the time being.
- On the other hand, in the long term and along with the reduction of specific tariff, there is a undeniable possibility that low-price parts will be partly imported without “combination”. This leads to a concern over a decline in price of domestically produced pork. Hence, as regards domestic pork farming, strengthening measures for the sector to ensure advantage of domestic products such as reduction of production cost and improvement of quality need to be conducted, after necessary stocktaking in the light of examination of the past results. In addition, it is needed to give necessary consideration to farm income stabilization measures in light of the state of TPP.
- As regards ham and bacon, long period for tariff reduction was acquired and safeguards will be introduced.
- Domestic prepared pork is mainly made of imported frozen pork. Hence, import of frozen pork can act as a substitute for imported prepared pork. Therefore effect on domestic pork is expected to be limited.

MILK AND DAIRY PRODUCTS

Basic data

Domestic production (FY 2016)	Main production regions and the share based on raw milk production of FY 2016		
	Hokkaido 3,896 kilotons (54%)	Kanto 1,171 kilotons (16%)	Kyushu 640 kilotons (9%)
7,346 kilotons			

Price, production volume and import volume (Yen/kg, kilotons)

Fiscal Year	2012	2013	2014	2015	2016
Domestic price (skimmed milk powder)	591	600	619	650	650
Domestic price (butter)	1,150	1,178	1,208	1,268	1,254
International price (skimmed milk powder)	314	421	426	324	275
International price (butter)	280	470	464	434	384
Domestic raw milk production volume	7,607	7,447	7,331	7,407	7,346
Import volume of dairy products	4,195	4,057	4,425	4,633	4,553

Note: CIF price(Average price in ‘Trade of Statistics Japan’)

Tariff rates(Tariff-rate Quote)

Items	Primary duty rate	Secondary duty rate
Butter	State Trade:35%, Non-governmental Trade:35%	29.8% + 985Yen/kg, 29.8% + 1,159Yen/kg
Skimmed milk powder	State Trade:25%,35% Non-governmental Trade: 0%,25%,35%	396Yen/kg (for school lunches etc.), 425Yen/kg (for school lunches etc.), 21.3% + 396Yen/kg, 29.8% + 425Yen/kg etc.
Whey	State trade:25%,35%, Non-governmental trade: 0%,10%,25%,35%	29.8% + 425Yen/kg, 29.8% + 687Yen/kg etc.
Cheese	0% for the natural cheese imported tying the production of the process cheese which uses Japanese natural cheese as the ingredient. (*1)	29.8%
		40% etc.

Summary of border measures

- Under the state trading system and tariff rate quota, the impact of imports on domestic demand is being mitigated.
- Natural cheese destined as an ingredient for processed cheese (*1) is imported to Japan duty free up to 2.5 times the amount of the Japanese domestic natural cheese production used for processed cheese. This institutional framework creates the demand for Japanese natural cheese.

Imports (FY 2106, a whole-milk equivalence)		Main exporting countries to Japan (top 4 and the share in imports, a whole-milk equivalence)			
World	4,553 kilotons	Australia 1,212 kilotons (27%)	NZ 1,030 kilotons (23%)	Singapore 495 kilotons (11%)	The Netherlands 403 kilotons (9%)
EU	1,218 kilotons				

Results of negotiation

Item / current tariff rate	Terms of agreement	(Cf.) Terms of TPP agreement
Skimmed milk powder 25%,35% + 'mark-up', Butter 35% + 'mark-up'	<ul style="list-style-type: none"> • For butter and skimmed milk powder, the current state-trading system will be maintained. And additional tariff quota ('EU quota' as non-governmental trade) will be provided. • The quantity of 'EU quota' was set lower than the recent additional import volume to current TRQ and it is 15 thousand ton (a whole-milk equivalence). 	<ul style="list-style-type: none"> • For butter and skimmed milk powder, the current state-trading system will be maintained. And additional tariff quota ('TPP quota' as non-governmental trade) will be provided. • The quantity of 'TPP quota' was set lower than the recent additional import to current TRQ and it is 70,000 tons (a whole-milk equivalence).
Whey 25%,35% + 'mark-up'	<ul style="list-style-type: none"> • For whey (protein content 25-45%), which could be compete with (domestic) skimmed milk powder (protein content 34%), tariff will be reduced, but not eliminated. 	<ul style="list-style-type: none"> • For whey (protein content (domestic) skimmed milk powder (protein content 34%), the longest period (25-45%), which could be compete with 20 years) for the elimination of tariff will be

	<p>Since its 11th year after enactment, the tariff will be maintained at 30 % of TPP's first year level.</p> <ul style="list-style-type: none"> • Special safeguard measure will be introduced. At 20 years after enactment, the safeguard trigger level of volume will be set as 8,000 tons. 	<p>secured.</p> <ul style="list-style-type: none"> • Special safeguard measure will be introduced. At 19 years after enactment, the safeguard trigger level of volume will still be set at 16,000 tons.
<p>Cheese 29.8%,40%, etc.</p>	<ul style="list-style-type: none"> • For 'soft cheese' which includes items of which tariff was eliminated or reduced in TPP agreement, a tariff quota (tariff is gradually eliminated in 15 years) will be introduced. With consideration for the trends of domestic consumption, the quantity of the quota was decided to the extent of not hampering the domestic production enlargement (At first year 20 kilotons→at 16th year 31kilotons). • For ripened hard cheese (cheddar, gouda, etc., mainly as ingredients used),cream cheese (milk fat content less than 45%), and cheese powder (natural cheese), although tariff will be eliminated, the long period for the elimination of tariff will be secured (tariff will be eliminated step wisely in 15 years). 	<ul style="list-style-type: none"> • For a mild tasted cheese that suits Japanese people, such as mozzarella, camembert, processed cheese etc., current tariff rate will be maintained. • -For blue veined cheese, the tariff rate will be reduced by 50 % in 10 years. • For ripened hard cheese (cheddar, gouda, etc., mainly as ingredients used),cream cheese(milk fat content less than 45%), cheese powder (natural cheese and process cheese), although tariff will be eliminated, it will take for a long period (tariff will be eliminated step wisely in 15 years).

Results of analysis

-For butter and skimmed milk powder etc., the current state-trading system will be maintained. And additional tariff quota (non-governmental trade) will be introduced, although the quantity of the tariff quota is less than the recent additional import volume to current TRQ. Secondary duty rate will be maintained as current high level.

- For whey, tariff will be reduced, but not eliminated. Since the 11th year after enactment, the tariff will be maintained at 30 % of TPP's first year level. And special safeguard measure will be introduced against a surge in imports.

-For 'soft cheese' (camembert, processed cheese etc.), the elimination of tariff was avoided, and single tariff quota will be introduced. For ripened hard cheese (cheddar, gouda, etc.), the long term for the elimination of tariff will be secured.

- As a result, for the time being, it looks like there will be no rapid increase of import, and thus the negative effect will be avoided, on the domestic supply and demand of dairy products including drinking milk.

- On the other hand, in the long period, the reduction and the elimination of tariff in whey and cheese could cause the decrease in the price level of domestic skimmed milk powder and butter. And thus the price of raw milk, which is destined for dairy products (exclusive fresh products) would decrease. Therefore, it is necessary that **farm income stabilization** measure

should be reconsidered also in light of the state of TPP. Also after necessary stocktaking in the light of examination of the past result, the measure to strengthen the dairy sector should be enacted. At the same time, in order to make Japanese cheese more competitive, promotion is necessary to produce lower cost and higher quality of raw milk for cheese and for the whole dairy industry, and to produce lower cost. The dairy industry should be able to produce higher quality of branded cheese.

Summary Table

1. Impacts on agricultural, forestry and fishery products by commodities (28 commodities)

Impact		Commodity	Direction of Countermeasures
1	Particular effect is not expected	Azuki bean	Additional enhancement of competitiveness is needed.
		Tea	Additional enhancement of competitiveness is needed.
		Scallop	Additional enhancement of competitiveness is needed.
		Remaining 11 commodities (barley, kidney beans, groundnuts, pine apple, konnyaku potato (or konjac corm), chicken meat, sardine (<i>Sardinops melanostictus</i>), cod (<i>Gadus macrocephalus</i>), squid (<i>Todarodes pacificus</i> , <i>Ommastrephes bartramii</i> , and <i>Loligo bleekeri</i>), trout and salmon, eel)	
2	Impact is expected to be limited	Orange	There is a concern that prices of domestically-produced Unshu mikan (or Satsuma mandarin) and the juice will decline in the long term. Hence measures for strengthening of the sector such as productivity enhancement need to be conducted, after necessary stocktaking in the light of examination of the past results.
		Hen eggs	There is a concern that price of domestically-produced hen eggs will decline in the long term. Hence measures for strengthening of the sector such as productivity enhancement need to be conducted, after necessary stocktaking in the light of examination of the past results.
		<i>Caranginae</i>	There is a concern that domestic price will decline in the long term. Hence measures for strengthening of the sector such as productivity enhancement need to be conducted, after necessary stocktaking in the light of examination of the past results.
		Remaining 4 commodities (apple, processed tomato, mackerel, bonito & tuna)	
3	While increase in wheat import is not expected, there is a concern over increase in import of wheat products	Wheat	There is a concern that import of wheat products such as pasta and confectionery produced in EU will increase and domestic prices will decline. Hence it is necessary to take necessary measures from view of ensuring consistency of border measures and staple supply of raw material crops produced domestically. Additional enhancement of competitiveness is also needed.
	While particular effect on production of sugar cane and sugar beet is not expected, there is a concern over increase in import of sugar preparation	Sugar	There is a concern that import of less expensive sugar will increase and that will cause problem for stable operation of sugar price adjustment program. Hence it is needed to give necessary consideration to farm income stabilization measures in light of the state of TPP. Additional enhancement of competitiveness is also needed.
	While impact on starch made from domestically produced potatoes is expected to be limited, there is a concern over price decline in starch made of domestic potato in	Starch	While impact on starch made from domestically produced potatoes is expected to be limited, there is a concern over price decline in starch made of domestic potato in the long term. Hence measures for strengthening of the sector such as productivity enhancement need to be conducted, after necessary stocktaking in the light of examination of the past results.

	the long term		
4	Though steep increase in import is not expected for the time being, there is a concern over effects of tariff reduction in the long term	Beef	In the long term, there is a concern over decline in price of domestically produced beef as a whole with a focus on dairy breed which compete with imported beef. Hence, regarding domestic production of beef cattle, strengthening measures for the sector to ensure advantage of domestic products such as reduction of production cost and improvement of quality need to be conducted, after necessary stocktaking in the light of examination of the past results. In addition, it is needed to give necessary consideration to farm income stabilization measures in light of the state of TPP.
		Pork	Corresponding to the reduction of specific tariff, there is a undeniable possibility that low-price parts will be partly imported without “combination” in the long term. It leads to concern over decline in price of domestically produced pork. Hence, regarding domestic pork farming, strengthening measures for the sector to ensure advantage of domestic products such as reduction of production cost and improvement of quality need to be conducted, after necessary stocktaking in the light of examination of the past results. In addition, it is needed to give necessary consideration to farm income stabilization measures in light of the state of TPP.
		Milk and dairy products	In the long term, there is a concern over decline in manufacturing milk price caused by decline in price of domestically produced skimmed milk powder and cheese which compete with import. Hence, strengthening measures for the sector need to be conducted, after necessary stocktaking in the light of examination of the past results. It is also necessary to enhance competitiveness of domestic dairy products such as cheese and strengthen effort for cost reduction and quality improvement of milk for manufacturing use on the side of raw material, and to promote cost reduction, quality improvement and branding on the side of manufacturing. In addition, it is needed to give necessary consideration to farm income stabilization measures in light of the state of TPP.
		Structural laminated wood	In the long term, there is a concern over effect of tariff reduction. Hence, comprehensive strengthening measures including upstream and downstream sectors need to be considered, after necessary stocktaking in the light of examination of the past results.

Note: Commodities exempted from tariff reduction and elimination such as rice, laver, kombu , and wakame (*Undaria pinnatifida*) and hijiki (*Sargassum fusiforme*) are not examined.

2. Exports of agricultural, forestry and fishery products produced in Japan (8 key commodities)

Impact	Commodity	Direction of Countermeasures
Expansion of export is expected in the future	Key commodities (aquatic products (scallops and Japanese amberjack), beef, condiments, ingredients specific to Japan (like yuzu), rice, green tea, alcoholic beverages, and flowers and ornamental plants)	Expansion of export with a focus on demand from the restaurant industry is expected in the future. Efforts toward solutions for challenges in circumstances of exports will be accelerated to further expand exports.

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