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Free Trade Agreements Pose Challenges for U.S. Processed Products

Report Categories:

Agricultural Situation
Vegetables
Tomatoes and Products
Fresh Fruit
Tree Nuts
Oilseeds and Products

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Report Highlights:

A free trade agreement (FTA) between Japan and members of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), as well as a soon-to-be effectuated FTA between Japan and the European Union (EU) will lead to increased market competition for U.S. exports of processed products to Japan. In 2017, Japan imported \$3.32 billion of processed products (classified under Chapter 20 of harmonized code), of which \$626 million (19 percent) was from the United States.

Key words: JA8053, processed, vegetable, fruit, nut, Japan, EU, EPA, CPTPP, tariff

General Information:

On July 17, 2018, Japan and the European Union (EU) signed on the Japan-EU Economic Partnership Agreement (EPA). Japan's Ministry of Foreign Affairs (MOFA) published on its [website](#) a summary of the tariff reductions for several EU processed products (defined in this report as products under Chapter 20 of the harmonized schedule (HS), such as fruit juices and processed sweet corn), which provide the similar concessions to those Japan made in the Trans-Pacific Partnership (TPP) agreement negotiation (now completed as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (herein referred to as CPTPP¹)). Although Japan's TPP concessions² appear to remain unchanged in the CPTPP agreement, CPTPP would allow it to enter into effect without the United States. The Japan-EU agreement could enter into force as early as 2019, which will increase market competition for the United States.

Japan imported \$3.32 billion worth of processed products in 2017. China was the leading supplier with 41.6 percent of imports valued at \$1.38 billion. The United States was the second largest supplier with exports of \$626 million, accounting 18.9 percent of imports in 2017. EU and CPTPP members followed with 12.5 percent (\$416 million) and 7.0 percent (\$233 million) in 2017, respectively. This report will include products in which the United States is a top five supplier to Japan and have a value of at least \$10 million in 2017 (based on Global Trade Atlas).

I. Frozen Processed Potato Products

For processed potato products such as french fries and mashed potatoes, please see GAIN report [JA8011](#).

II. Fruit and Vegetable Juice

A) The Fruit and Vegetable Juice Market in Japan

Although domestic production is unknown, industry sources suggest that the value of the fruit and vegetable juice market in Japan may be as high as \$4 billion. Trade data show that Japan imported \$654 million of fruit and vegetable juices (fresh and concentrated) in 2017. The United States was the second largest supplier after Brazil with a value of \$109 million, accounting for 16.7 percent of Japanese imports. The CPTPP, as a group, and the EU followed the United States with 16.3 and 15.6 percent of Japanese imports, respectively. The leading type of juice supplied by the United States was carrot juice, followed by grape. These two juices accounted for approximately 70 percent of U.S. juice exports by value.

¹ The CPTPP countries are: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

² Any concessions made to the United States under the TPP have been removed from data included in this report.

Japan imported \$88.8 million of carrot juice (HS 2009.89.231) in 2017. The United States was the largest supplier with 60.3 percent of imports that were valued at \$53.5 million in 2017. Following the United States, CPTPP (primarily New Zealand) and the EU (mainly Poland) had 26.7 and 11.1 percent of imports, respectively.

Table 1 – Japan’s Carrot Juice Imports

Carrot Juice (HS 2009.89.231) in 2017			
	Value	Share	Volume (Liter)
World	\$88,788,304		31,072,319
United States	\$53,535,331	60.3%	18,145,023
CPTPP	\$23,707,625	26.7%	6,998,866
New Zealand	\$23,012,469		6,691,706
EU-28	\$9,815,018	11.1%	5,042,765
Poland	\$9,306,035		4,902,678
Others	\$1,730,330	1.9%	885,665
China	\$1,604,583		851,825

Source: Global Trade Atlas

Table 2 – Japan’s Grape Juice Imports

Grape Juice (HS 2009.69.210) in 2017			
	Value	Share	Volume (Liter)
World	\$88,130,698		31,171,755
United States	\$22,314,430	25.3%	6,951,846
CPTPP	\$22,482,840	25.5%	7,506,568
Chile	\$18,727,131		6,407,006
Australia	\$3,755,709		1,099,562
EU-28	\$8,733,051	9.9%	2,973,156
Spain	\$3,396,114		1,321,256
Others	\$34,610,715	39.3%	13,743,179
Argentina	\$26,564,215		11,776,663
Brazil	\$4,646,133		1,137,484

Source: Global Trade Atlas

Japan imported \$88.1 million of grape juice in 2017. The United States was the third largest exporter after Argentina and CPTPP with 25.3 percent of imports, valued at \$22.3 million in 2017. CPTPP (Chile and Australia) and the EU had with 25.5 and 9.9 percent of imports, respectively. (*Note: Most U.S. exports under HS 2009.69.210 were of grape concentrate.*)

B) Carrot and Grape Juice Tariffs

Table 3 – Japan’s Fruit and Vegetable Juice Tariffs (HS 2009)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
200961200	Grape Juice (Including Grape Must), of a Brix value not exceeding 30, not containing added sugar	19.1 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200969210	Grape Juice (Including Grape Must), of a Brix value exceeding 30, not containing added sugar	19.1 %	Immediate elimination	Immediate elimination
200989231	Carrot Juice, not containing added sugar, not in airtight containers	7.2 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%

Source: Japan’s Ministry of Agriculture, Forestry and Fisheries (MAFF)

*Tariff concessions in Japan take place on April 1 of each year.

III. Sweet Corn

A) The Processed Sweet Corn Market in Japan

Japan produced 150,700 MT of sweet corn in 2016 (the latest data available), accounting 59.0 percent of national consumption. The remaining 41.0 percent (114,152 MT) was imported either in the form of frozen (52,287 MT) or processed (61,865 MT) at a value of \$78.3 million and \$ 98.6 million in 2017, respectively. Imports of processed fresh sweet corn are negligible. (*Note: This section only considers processed sweet corn.*)

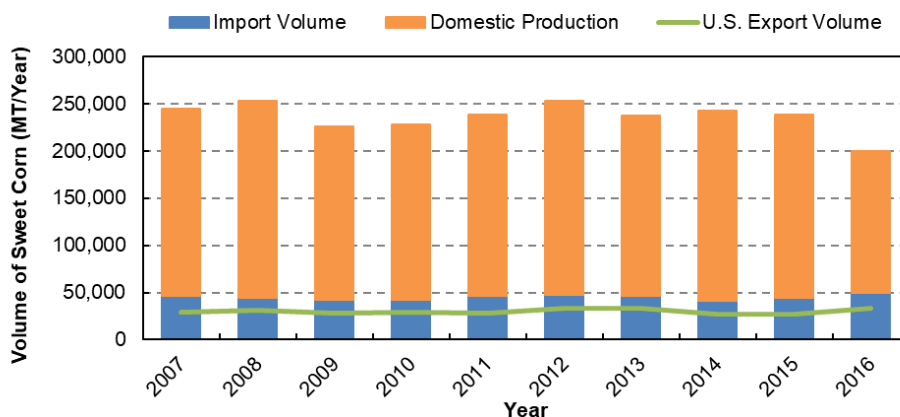
The United States was the second largest processed sweet corn supplier to Japan after Thailand in 2017, with a value of \$41.0 million and 41.6 percent of Japan’s imports. Thailand exported \$46.8 million in 2017. The United States and Thailand supplied 89 percent of non-frozen processed sweet corn exports to Japan. CPTPP members (mainly New Zealand) had 7.8 percent of imports, valued at \$7.7 million in 2017. The EU’s share of processed sweet corn imports was 0.19 percent, valued at \$0.19 million in 2017.

Table 4 – Japan’s Processed Sweet Corn Imports

Processed Sweet Corn (HS 2005.80.100 + 2005.80.200) in 2017			
	Value	Share	Volume (MT)
World	\$98,625,204		61,865
United States	\$41,042,375	41.6%	20,375
CPTPP	\$7,695,380	7.8%	1,054
New Zealand	\$7,695,380		1,054
EU-28	\$190,017	0.2%	102
France	\$190,017		102
Others	\$49,697,432	50.4%	40,334
Thailand	\$46,811,268		39,188
China	\$2,822,195		1,122

Source: Global Trade Atlas

Chart 1 - Japan's Sweet Corn Consumption



Source: MAFF and Global Trade Atlas

B) Processed Sweet Corn Tariffs

Table 5 – Japan’s Duty for Processed Sweet Corn (HS 2005.80)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
200580100	Sweet Corn (Zea Mays Var. Saccharata), Prepared or Preserved, Containing Added Sugar, Not Frozen	14.9%	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200580200	Sweet Corn (Zea Mays Var. Saccharata), Prepared or Preserved, Not Containing Added Sugar, Not Frozen	10%	Immediate elimination	Immediate elimination

Source: Japan’s Ministry of Agriculture, Forestry and Fisheries (MAFF)

*Tariff concessions in Japan take place on April 1 of each year.

IV. Tomato Puree and Tomato Paste

A) The Tomato Puree and Paste Market in Japan

Virtually all Japanese production of processing tomatoes is used for tomato juice. Therefore, Japan relies on imports (tomato puree and tomato paste) to make processed tomato products. Japan imported \$164.4 million of processed tomatoes (excluding whole or diced tomatoes, which belong to HS 2002.10) in 2017. The EU (primarily Portugal, Spain and Italy) was the leading supplier of tomato puree and tomato paste with 45.1 percent of trade in 2017, followed by the United States with 25.1 percent of imports and a value of \$41.3 million. CPTPP members (Chile, Australia and New Zealand) had a share of 9.5 percent in 2017.

Table 6 – Japan’s Tomato Puree and Paste Imports

Tomato Puree and Paste (HS 2002.90) in 2017			
	Value	Share	Volume (MT)
World	\$164,420,666		148,803
United States	\$41,291,952	25.1%	38,812
CPTPP	\$15,690,639	9.5%	15,697
Chile	\$12,589,396		13,018
Australia	\$1,612,109		1,441
New Zealand	\$1,348,931		1,140
EU-28	\$74,191,157	45.1%	63,397
Portugal	\$33,769,845		30,547
Spain	\$27,146,759		21,320
Italy	\$12,108,129		10,401
Others	\$33,246,918	20.3%	40,334
China	\$21,390,874		23,995
Turkey	\$8,271,649		5,180

Source: Global Trade Atlas

B) Duty Treatment for Tomato Puree and Paste

Japan set a tariff-rate quota of 37,800 MT in Japanese fiscal year (April-March) of 2017. Tomato puree and paste is imported duty free within this quota. However, this quota is available to tomato puree and paste for the production of ketchup only. Japan applies a 16 percent ad-valorem tariff to tomato puree and paste outside the quota.

Japan will reduce the duty levied on tomato puree and paste annually and eliminate the duty from the sixth year under the Japan-EU EPA and the CPTPP agreements. The government of Japan has not made any announcement on review of the quota volume. Therefore, FAS/Tokyo assumes the quota volume is maintained as is even after EU and CPTPP members become tariff-free.

Table 7 – Japan’s Duty for Prepared/Preserved Tomatoes (HS 2002.90)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
200290211	Tomato Puree and Paste, Prepared or Preserved, In Airtight Containers, Not Added Sugar, For the Pooled Quota	0 %	N/A	N/A
200290219	Tomato Puree and Paste, Prepared or Preserved, In Airtight Containers, Not Added Sugar, Outside of the Pooled Quota	16 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200290221	Tomato Puree and Paste, Prepared or Preserved, Excluding Airtight Containers, Not Added Sugar, For the Pooled Quota	0 %	N/A	N/A
200290229	Tomato Puree and Paste, Prepared or Preserved, Excluding Airtight Containers, Not Added Sugar, Outside of the Pooled Quota	16 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200290290	Other Tomatoes, Prepared or Preserved, (Other than whole or in pieces, or tomato puree and paste) Not Added Sugar,	9 %	Immediate elimination	Immediate elimination

Source: Japan’s Ministry of Agriculture, Forestry and Fisheries (MAFF)

*Tariff concession in Japan takes place April 1 of each year.

V. Prepared/Preserved Nuts

A) Processed Nut Market in Japan

Japan imported \$294 million in processed nuts (tree and ground nuts) in 2017. The United States was the second largest supplier after China with 12.7 percent of imports valued at \$37.4 million. Processed cashew nuts were the highest value type of processed nuts supplied by the United States, followed by processed peanuts. These two processed nuts accounted for 73.8 percent of U.S. nut exports to Japan by value (43.3 percent and 30.5 percent, respectively).

Japan produces a negligible volume of cashew nuts. Japan’s processed cashew nuts imports in 2017 were \$20.8 million. The United States was the leading supplier with 77.6 percent of imports valued at \$16.2 million. CPTPP members (particularly Vietnam) followed with 20.0 percent of imports. The EU contribution was negligible (0.3 percent of imports).

Table 8 – Japan’s Processed Cashew Nut Imports

Processed Cashew Nuts (HS 2008.19.191 + 2008.19.225) in 2017			
	Value	Share	Volume (MT)
World	\$20,881,697		1,593
United States	\$16,211,338	77.6%	1,157
CPTPP	\$4,184,881	20.0%	406
Vietnam	\$4,169,552		405
EU-28	\$68,896	0.3%	3
Others	\$33,246,918	2.1%	27

Source: Global Trade Atlas

Japan imported \$131.2 million in processed peanuts in 2017. China dominates the import market with 90.5 percent of imports. The United States was the second largest exporter with 8.7 percent of imports and valued at \$11.4 million in 2017. CPTPP (mainly Australia) and the EU contribution were 0.6 and 0.04 percent of imports, respectively.

Table 9 – Japan’s Processed Peanut Imports

Processed Peanuts (HS 2008.11) in 2017			
	Value	Share	Volume (MT)
World	\$131,197,280		55,410
United States	\$11,389,111	8.7%	2,251
CPTPP	\$785,763	0.6%	223
Australia	\$675,778		201
EU-28	\$51,396	0.04%	5
Others	\$118,971,010	90.5%	52,931
China	\$118,666,193		52,795

Source: Global Trade Atlas

B) Processed Nut Tariffs

Japan applies an 11 percent ad-valorem tariff to sugar-added processed cashew nuts (HS 2008.19.191), and a 10.0 percent tariff to cashew nuts processed without sugar (HS 2008.19.225). Almost all U.S. processed cashew nuts were exported to Japan without adding sugar in 2017. Under the Japan-EU EPA and the CPTPP agreement, the processed cashew nuts without sugar-added will have immediate tariff elimination after implementation, and for sugar-added cashew nuts, tariffs will be decreased annually and eliminated from the sixth year.

Table 10 – Japan’s Duty for Prepared/Preserved Nuts (HS 2008.11 and HS 2008.19)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	CPTPP
200811110	Ground Nuts, Containing Added Sugar, Peanut Butter	12 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200811120	Ground Nuts, Containing Added Sugar, Other	23.8 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200811210	Ground Nuts, Not Containing Added Sugar, Peanut Butter	10 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200811291	Roasted Ground Nuts, In-shell	21.3 %	Decreases Annually* ↓ Year 8: 0%	Decreases Annually* ↓ Year 8: 0%
200811292	Roasted Ground Nuts, Shelled	21.3 %	Decreases Annually* ↓ Year 8: 0%	Decreases Annually* ↓ Year 8: 0%
200811299	Other Ground Nuts	21.3 %	Decreases Annually* ↓ Year 8: 0%	Decreases Annually* ↓ Year 8: 0%
200819191	Cashew Nuts, Prepared or Preserved, Containing Added Sugar	11 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200819192	Roasted Nuts, Except Cashew Nuts, Containing Added Sugar	11 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200819199	Other Preserved Nuts, Containing Added Sugar	16.8 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200819221	Roasted Macadamia Nuts, Prepared or Preserved, Not Containing Added Sugar	5 %	Immediate elimination	Immediate elimination
200819222	Roasted Almonds, Not Containing Added Sugar	5 %	Immediate elimination	Immediate elimination
200819223	Roasted Pecan, Not Containing Added Sugar	5 %	Immediate elimination	Immediate elimination
200819224	Coconuts, Brazil Nuts, Paradise Nuts and Hazel Nuts, Prepared or Preserved, Not Containing Added Sugar	10 %	Immediate elimination	Immediate elimination
200819225	Cashew Nuts, Prepared or Preserved, Not Containing Added Sugar	10 %	Immediate elimination	Immediate elimination
200819228	Other Nuts, Roasted, Not Containing Added Sugar	5 %	Immediate elimination	Immediate elimination
2200819229	Other Nuts, Not Roasted, Prepared or Preserved, Not Containing Added Sugar	12 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)
*Tariff concession in Japan is to take place April 01 of each year.