



International Agricultural Trade Report

Dairy Livestock & Poultry Trade Update

August 6, 2002

Japan's Safeguard on Pork Imports Re-implemented – Imports Likely to Diminish

In a repeat of last year's first quarter pork imports, Japan's Ministry of Agriculture, Forestry, and Fisheries announced that the pork import quantity exceeded the 2002 quarterly (Apr-Jun) threshold of 207,038 tons, triggering the pork safeguard tariff. The tariff is effective starting August 1, 2002 and lasts until at least March 31, 2003. The minimum import price, or gate price, changes from 524 yen/kg to 653 yen/kg (\$4.37/kg to \$5.44/kg) for the balance of Japan's fiscal year (April 2002/March 2003). The 4.3% import tariff on pork will remain unchanged.

Last year, despite the safeguard, Japan's pork imports were at a record level. However, for 2002, pork market conditions have changed.

(See www.fas.usda.gov/dlp/highlights/2001/japansafeguard.html for safeguard details).

Japan's Pork Market Conditions Will Pressure Imports

Japan's pork imports are pressured by a number of factors this year, exclusive of the safeguard:

- Beef demand has gradually rebounded following last year's BSE crisis in Japan that caused consumers to seek alternative meats, such as pork. Beef consumption is reportedly near the pre-crisis levels.
- Domestic pork prices in Japan have been falling, making imported chilled pork less competitive with domestic pork.
- Import competition has stiffened since the EU regained access to the Japanese market following temporary restrictions during 2001 imposed after the EU outbreaks of Foot and Mouth Disease. The EU is expected to regain part of its market share lost to the U.S. last year. The EU Commission for the first time allocated \$650,000 to promote pork in Japan.

Japan's Record Pork Imports From the United States Will Be Difficult to Sustain

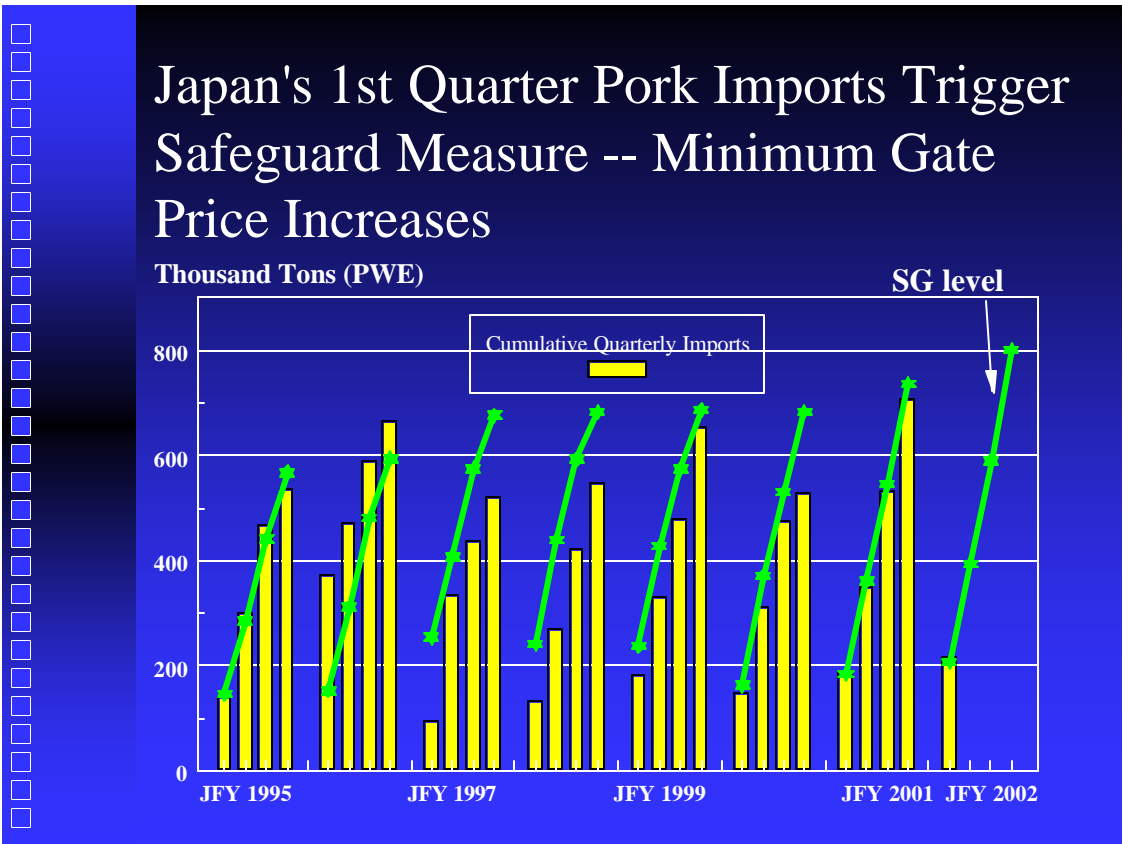
In 2001, the United States had record pork exports of \$850 million to Japan. The U.S. was able to increase its market share 5 percentage points to 36 percent of total Japanese pork imports. However, these 2001 levels will be difficult to sustain for the U.S. this year.

The safeguard measure is expected to affect both chilled and frozen pork imports. Recovery in the Japanese beef market, declining domestic pork prices, and the higher gate price may slow sales of U.S. pork this summer (starting August). The United States supplies about two-thirds of Japan's chilled pork market. U.S. chilled pork holds a greater market share of Japan's pork imports compared to our market share for frozen pork. According to Japanese Customs data, for January - June 2002, U.S.

product supplied 67,871 tons out of 100,863 tons of Japan's total chilled pork imports, up 4 percent from the comparable 2001 period.

Although the United States supplied 22 percent of Japan's frozen pork imports in 2001 (109,859 out of 508,125 tons), the EU still dominates the market segment with half of Japan's frozen pork imports (236,219 tons). For January - June 2002, Japan imported 65,113 MT of U.S. frozen pork out of 290,774 MT of Japan's total frozen pork imports, up 5 percent from the same period last year.

Imported frozen pork stocks have built up since the beginning of the year. Demand for raw material frozen pork in the processing sector may slow which would affect shipments of frozen pork to Japan. During the safeguard tariff period this year, imports of U.S. frozen pork are unlikely to attain last year's levels.



Note: The most current U.S. export data (Jan – May) for 2002 shows that U.S. fresh/chilled and frozen pork sales to Japan are down 2 percent in volume. Japan’s Customs data, on the other hand, carry fresh/chilled and frozen pork imports higher than last year. This difference is the result of Japanese customs clearance practices. Imports are the summation of direct imports and product released from bonded warehouses.

DLP Contact: Tim Rocke (202) 720-7715

Monitoring Chart of Japanese Pork Safeguard (SG) for JFY 1995 - JFY2002

Pork Safe Guard Trigger Levels for JFY1995 and Results

| JFY 1995 | Trigger Levels | Otr. Total | Cum. Total | 1st Month | 2nd Month | 3rd Month |
|-----------------------|----------------|------------|------------|-----------|-----------|-----------|
| I (Apr. - Jun.) | 146,965 | 142,727 | 142,727 | 48,857 | 51,483 | 42,387 |
| I - II (Apr. - Sep.) | 286,215 | 158,424 | 301,151 | 58,604 | 53,328 | 46,492 |
| I - III (Apr. - Dec.) | 440,494 | 168,540 | 469,691 | 115,194 | 24,363 | 28,983 |
| I - IV (Apr. - Mar.) | 567,029 | 66,856 | 536,547 | 21,837 | 25,181 | 19,838 |
| SSG | 516,674 | | 536,560 | | | |

| JFY 1996 | Trigger Level | Otr. Total | Cum. Total | 1st Month | 2nd Month | 3rd Month |
|-------------------|---------------|------------|------------|-----------|-----------|-----------|
| I (Apr. - Jun.) | 152,488 | 373,184 | 373,184 | 133,094 | 94,261 | 145,829 |
| II (Apr. - Sep.) | 311,736 | 97,842 | 471,026 | 40,900 | 28,581 | 28,361 |
| III (Apr. - Dec.) | 482,268 | 117,182 | 588,208 | 41,923 | 31,541 | 43,718 |
| IV (Apr. - Mar.) | 594,000 | 77,388 | 665,596 | 34,254 | 19,814 | 23,320 |
| SSG | 537,199 | | 665,635 | | | |

| JFY 1997 | Trigger Levels | Otr. Total | Cum. Total | 1st Month | 2nd Month | 3rd Month |
|-----------------------|----------------|------------|------------|-----------|-----------|-----------|
| I (Apr. - Jun.) | 254,431 | 94,698 | 94,698 | 42,155 | 34,410 | 18,133 |
| I - II (Apr. - Sep.) | 407,643 | 240,733 | 335,431 | 123,037 | 69,890 | 47,806 |
| I - III (Apr. - Dec.) | 575,268 | 100,951 | 436,382 | 37,641 | 32,421 | 30,889 |
| I - IV (Apr. - Mar.) | 677,074 | 83,593 | 519,975 | 30,482 | 27,248 | 25,863 |
| SSG | 626,576 | | 543,437 | | | |

| JFY 1998 | Trigger Levels | Otr. Total | Cum. Total | 1st Month | 2nd Month | 3rd Month |
|-----------------------|----------------|------------|------------|-----------|-----------|-----------|
| I (Apr. - Jun.) | 242,209 | 131,498 | 131,498 | 46,102 | 43,175 | 42,221 |
| I - II (Apr. - Sep.) | 439,345 | 138,937 | 270,435 | 52,042 | 46,015 | 40,880 |
| I - III (Apr. - Dec.) | 592,726 | 153,000 | 423,435 | 55,631 | 53,011 | 44,358 |
| I - IV (Apr. - Mar.) | 683,104 | 124,693 | 548,128 | 38,893 | 38,008 | 47,792 |
| SSG | 612,854 | | 548,167 | | | |

| JFY 1999 | Trigger Levels | Otr. Total | Cum. Total | 1st Month | 2nd Month | 3rd Month |
|-----------------------|----------------|------------|------------|-----------|-----------|-----------|
| I (Apr. - Jun.) | 237,754 | 183,694 | 183,694 | 67,771 | 54,811 | 61,112 |
| I - II (Apr. - Sep.) | 427,168 | 147,952 | 331,646 | 59,462 | 41,866 | 46,624 |
| I - III (Apr. - Dec.) | 574,385 | 146,149 | 477,795 | 45,687 | 49,746 | 50,716 |
| I - IV (Apr. - Mar.) | 687,703 | 178,033 | 655,828 | 56,609 | 58,401 | 63,023 |
| SSG | 591,350 | | 665,870 | | | |

| JFY 2000 | Trigger Levels | Otr. Total | Cum. Total | 1st Month | 2nd Month | 3rd Month |
|-----------------------|----------------|------------|------------|-----------|-----------|-----------|
| I (Apr. - Jun.) | 162,590 | 148,296 | 148,296 | 45,926 | 51,082 | 51,288 |
| I - II (Apr. - Sep.) | 371,880 | 162,007 | 310,303 | 53,564 | 58,379 | 50,064 |
| I - III (Apr. - Dec.) | 530,586 | 166,054 | 476,357 | 52,545 | 59,684 | 53,825 |
| I - IV (Apr. - Mar.) | 683,826 | 177,997 | 654,354 | 53,645 | 55,755 | 68,597 |
| SSG | 605,207 | | 654,362 | | | |

| JFY 2001 | Trigger Levels | Otr. Total | Cum. Total | 1st Month | 2nd Month | 3rd Month |
|-----------------------|----------------|------------|------------|-----------|-----------|-----------|
| I (Apr. - Jun.) | 183,850 | 189,955 | 189,955 | 65,779 | 72,520 | 51,656 |
| I - II (Apr. - Sep.) | 361,914 | 160,077 | 350,032 | 87,373 | 35,621 | 37,083 |
| I - III (Apr. - Dec.) | 546,449 | 183,907 | 533,939 | 54,120 | 65,097 | 64,690 |
| I - IV (Apr. - Mar.) | 737,133 | 175,621 | 709,560 | 68,979 | 58,305 | 48,337 |
| SSG | 636,373 | | | | | |

| JFY 2002 | Trigger Levels | Otr. Total | Cum. Total | 1st Month | 2nd Month | 3rd Month |
|-----------------------|----------------|------------|------------|-----------|-----------|-----------|
| I (Apr. - Jun.) | 207,038 | 218,151 | 218,151 | 94,683 | 71,682 | 51,786 |
| I - II (Apr. - Sep.) | 393,487 | 0 | 0 | 0 | 0 | 0 |
| I - III (Apr. - Dec.) | 590,281 | 0 | 0 | 0 | 0 | 0 |
| I - IV (Apr. - Mar.) | 801,163 | 0 | 0 | 0 | 0 | 0 |
| SSG | 636,373 | | 218,151 | | | |

Source: Ministry of Finance

Japan
PORK IMPORTS
(in metric tons)

| Fresh/Chilled | | | | | | | |
|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Origin | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Australia | 65 | 25 | 403 | 1,549 | 2,139 | 3,824 | 6,325 |
| Canada | 4,597 | 7,242 | 15,804 | 20,347 | 28,314 | 41,133 | 44,661 |
| EU-15 | 222 | 67 | 415 | 390 | 435 | 476 | 193 |
| Korea | 3,106 | 4,534 | 10,576 | 18,405 | 21,725 | 4,842 | 0 |
| Mexico | 17 | 23 | 267 | 1,910 | 6,622 | 12,927 | 14,356 |
| Taiwan | 83,360 | 79,772 | 12,332 | 0 | 0 | 0 | 0 |
| United States | 76,159 | 77,233 | 89,116 | 101,956 | 112,730 | 128,189 | 134,987 |
| Others | 0 | 1 | 0 | 0 | 3 | 9 | 42 |
| Total | 167,526 | 168,897 | 128,913 | 144,557 | 171,968 | 191,400 | 200,564 |

US market share 45% 46% 69% 71% 66% 67% 67%

| Frozen | | | | | | | |
|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Origin | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Australia | 314 | 447 | 2,842 | 4,395 | 2,876 | 2,326 | 2,493 |
| Canada | 26,855 | 32,088 | 38,630 | 41,496 | 62,707 | 70,033 | 108,389 |
| Chile | 0 | 0 | 768 | 5,019 | 4,708 | 8,358 | 10,112 |
| EU-15 | 152,453 | 157,426 | 194,918 | 150,529 | 213,614 | 273,645 | 236,219 |
| Hungary | 0 | 0 | 0 | 0 | 196 | 5,413 | 13,197 |
| Korea | 10,715 | 30,328 | 37,925 | 71,793 | 58,774 | 11,997 | 0 |
| Mexico | 6,847 | 13,012 | 24,771 | 28,694 | 30,167 | 26,866 | 27,844 |
| Taiwan | 183,495 | 186,454 | 35,206 | 0 | 0 | 0 | 0 |
| United States | 32,406 | 64,559 | 47,926 | 58,258 | 54,984 | 60,895 | 109,859 |
| Others | 65 | 82 | 61 | 196 | 67 | 138 | 12 |
| Total | 413,150 | 484,396 | 383,047 | 360,380 | 428,093 | 459,671 | 508,125 |

US market share 8% 13% 13% 16% 13% 13% 22%

| Processed | | | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Origin | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Australia | 0 | 0 | 0 | 2 | 1 | 0 | 166 |
| Canada | 6,614 | 14,417 | 8,546 | 9,880 | 13,674 | 14,715 | 10,291 |
| China | 140 | 332 | 927 | 1,092 | 1,655 | 2,282 | 2,696 |
| EU-15 | 2,549 | 1,379 | 591 | 1,729 | 1,764 | 2,961 | 2,043 |
| Korea | 0 | 1 | 12 | 400 | 339 | 49 | 0 |
| Mexico | 63 | 2,063 | 1,712 | 1,042 | 361 | 470 | 342 |
| Switzerland | 63 | 49 | 29 | 22 | 22 | 16 | 12 |
| Taiwan | 490 | 1,046 | 141 | 0 | 39 | 200 | 618 |
| Thailand | 349 | 104 | 90 | 96 | 73 | 49 | 52 |
| United States | 17,136 | 34,015 | 25,467 | 24,338 | 24,798 | 23,690 | 22,006 |
| Others | 3 | 2 | 0 | 3 | 0 | 1 | 8 |
| Total | 27,407 | 53,408 | 37,515 | 38,604 | 42,726 | 44,433 | 38,234 |

US market share 63% 64% 68% 63% 58% 53% 58%

Grand Total 608,083 706,701 549,475 543,541 642,787 695,504 746,923

US market share 21% 25% 30% 34% 30% 31% 36%

Source: Japan Customs