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Livestock Market Report: Update - Japan's Pork Market

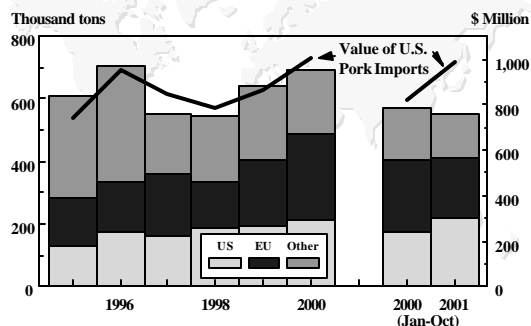
Japan's BSE Softens Blow of Pork Import Safeguard Imposed on August 1

Despite earlier concerns that the triggering of Japan's pork import safeguard on August 1 would hinder the flow of U.S. pork into the Japanese market, Japan's pork imports from the United States for the first 10 months of 2001 increased 26 percent in volume and 20 percent in value, compared with the same period last year. In October, Japan's pork imports strengthened following an initial setback after the imposition of the safeguard. The increase in pork imports is due mainly to consumer reaction over Bovine Spongiform Encephalopathy (BSE). Japan's Ministry of Agriculture, Forest, and Fishery reported that pork prices in November are 34 percent above the same time a year ago.

Japan's pork import safeguard, negotiated under the Uruguay Round Agreement, is intended to protect Japan's domestic pork industry from import surges. The pork import safeguard was triggered on August 1, as fiscal year first quarter (April-June) imports totaled 189,955 tons, exceeding the trigger level of 183,850 tons. The safeguard raises the minimum import price, or gate price, from 524 yen/kg to 653 yen/kg for the balance of Japan's fiscal year (April/March). The import duty of 4.3 percent remains unchanged. (See www.fas.usda.gov/dlp/highlights/2001/japansafeguard.html for safeguard details).

U.S. Share of Japan's Pork Market Increases in 2001 Despite Safeguard

Japan's Pork Imports from the U.S. in the First 10 Months of 2001 are Already Record High in Volume and Near Record in Value



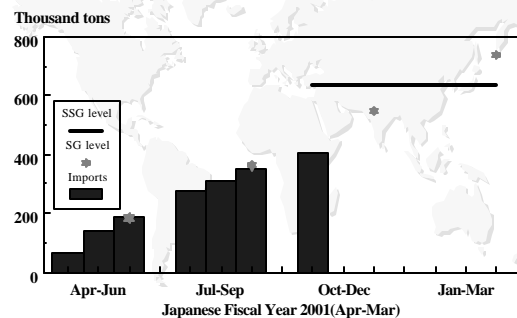
Japanese Customs' October trade data show that Japan imported a total of 554,812 tons of pork in the January-October period, a 3-percent decrease from the same period in 2000. However, Japan's pork imports from the United States for the same period increased 26 percent to 218,083 tons, and were up 20 percent in value to \$992 million, compared with the corresponding period a year ago. The U.S. share of Japan's pork market strengthened from 30 percent to 39 percent in volume and 30 to 36 percent in value.

Japan's pork imports from the United States for the first 10 months in 2001 exceeded the level for all of 2000. Most gains are seen in frozen cuts, but imports of fresh cuts also slightly increased.

Special Safeguard Level May also be Reached, but Impact on Trade is Uncertain

The current safeguard (SG) measure will remain in effect until March, 31, 2002 when the Japanese fiscal year (JFY) 2001 ends. For JFY 2001, the annual pork safeguard trigger level is 737,133 tons. Nearly 55 percent of that level has already been reached through the April-October period. If Japan's pork imports in JFY 2001 exceed 737,133 tons in the fourth quarter, the safeguard will be extended to the first quarter (April-June) of JFY 2002 as agreed to under the Uruguay Round.

Cumulative Imports Appear Headed for Special Safeguard Level; Timing of Imports Will Determine Whether Additional Duty Imposed



Japan's pork safeguard is a negotiated concession between the United States and Japan under the Uruguay Round, but is applied on a most-favored-nation (MFN) basis. Once it triggers, the effect of the safeguard applies to all pork exporting countries.

In addition to the safeguard, a **Special Safeguard (SSG)** is permitted to all WTO member countries for certain market sensitive products under Article 5 of the WTO Agreement on Agriculture. Within this provision, Japan sets a special safeguard on pork imports when import

volume in a Japanese fiscal year exceeds 105 percent of the previous three years' import average. Once triggered, the special safeguard will raise the ad valorem duty from 4.3 percent to 5.7 percent, and will be in effect until the end of that fiscal year. The special safeguard and safeguard can be in effect concurrently. In JFY 1999 and 2000, the special safeguard was not imposed despite pork imports above the special safeguard level as trade statistics were unavailable until the beginning of the next fiscal year.

For JFY 2001, the special safeguard level is set at 636,373 tons, of which more than 60 percent was filled in the April-October period. Since the special safeguard operates only during a given fiscal year, and given the 1-month delay in the release of trade data, pork imports must exceed the safeguard level no later than January in order for the increased duty to be imposed. In the current fiscal year, January imports will be reported in February and, if the special safeguard level is reached, the increased duty would be in effect for 1 month. If the level is not reached until February, the release of February data in late March leaves insufficient time to impose the duty increase - as occurred in JFY 1999 and 2000. The special safeguard was last in effect during the fourth quarter of JFY 1996 (January-March 1997). At that time, the safeguard was also in place.

Chronology of SG in JFY 2001 and Differences in SG and SSG

April 1, 2001:	Fiscal year 2001 starts.
July 27:	The Ministry of Finance (MOF) released trade statistics for June. MOF announced the safeguard on pork imports effective August 1.
August 1:	The pork safeguard was triggered for the balance of this fiscal year raising the minimum import price (a.k.a. the gate price) from 524 to 653 yen/kg for cuts.

February 2002:	The import duty of 4.3 percent remains unchanged. MOF releases January import data at the end of this month. If cumulative imports for the April-January period exceed the special safeguard ceiling, the ad valorem duty will be increased for the remainder of the fiscal year.
March 31, 2002:	Fiscal year 2001 ends. The pork safeguard ends.
April 1, 2002:	Fiscal year 2002 starts. The gate price will revert to 524 yen/kg for cuts.
Late April 2002:	MOF releases March import data. If cumulative pork imports for JFY 2001 exceed the annual safeguard ceiling, the safeguard will be in effect through June, raising the gate price to 653 yen/kg.
July 2002:	Release of June import data. If pork imports exceed the trigger level of 207,038 tons for the first quarter of JFY 2002, the safeguard will be imposed for the remainder of JFY 2002.

The following table shows differences in the safeguard and the special safeguard in pork imports in Japan.

	Safeguard	Special Safeguard
Definition	Quarterly import quantity exceeds 119% of the average of the same quarter of the 3 preceding fiscal years.	Annual import quantity exceeds 105% of the average of the 3 preceding fiscal years.
Legal authority	A negotiated concession between the U.S. and Japan on most-favored-nation (MFN) basis under the Uruguay Round.	Article 5 of the WTO Agreement of Agriculture
Status	Currently in effect	Not currently in effect
Once triggered	-Raises the minimum import price (a.k.a. gate price) from 524 to 653 yen/kg for cuts and from 393 to 489 yen/kg for carcasses. -Import duty remains at 4.3 percent.	-Raises the ad valorem duty from 4.3% to 5.7%. -While the safeguard is in effect, the ad valorem duty will be imposed on the raised gate price.
Duration of the effect	-Remains in effect for the fiscal year. -If pork imports exceed the annual ceiling, the safeguard will be extended to the first quarter of the following fiscal year.	Can operate only in the fiscal year in which the SSG level is reached. The release of trade data (1-month delay) determines the start date of the duty increase which will terminate at the end of the fiscal year.
Products	Meat of swine	Meat of swine and live hogs for pure breeding, weighing 50 kg or more

Ceiling for JFY 2001 (Apr-Mar)	737,133 tons	636,373 tons
Year-to-date (Apr-Oct) Imports	403,758 tons	403,764 tons

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