

# JAPAN- AUSTRALIA

## ECONOMIC PARTNERSHIP AGREEMENT



## Factsheet: Agriculture and Processed Food

Japan is Australia's second-largest agricultural, forestry and fisheries export market, worth \$5.4 billion in 2017.

The Japan-Australia Economic Partnership Agreement (JAEPA) is delivering significant benefits and opportunities to Australian farmers and agricultural producers in a highly valuable market.

### Snapshot of key outcomes

#### Beef

Japan is Australia's largest market for beef, with exports totalling \$2 billion in 2017, and we are their largest supplier.

Prior to JAEPA, Australian beef exports to Japan faced a high 38.5 per cent tariff. Additionally, if Japan's imports of beef from all sources increased rapidly, that tariff automatically jumped to 50 per cent under Japan's "global snapback" safeguard mechanism. Australia has faced the 50 per cent tariff jump three times since 1995.

JAEPA beef outcomes include:

- For frozen beef, the tariff facing Australia fell from 38.5 per cent to 30.5 per cent on 15 January 2015, giving an immediate competitive advantage, and phases down to 19.5 per cent over 18 years.
- For fresh beef, the tariff facing Australia fell from 38.5 per cent to 32.5 per cent on 15 January 2015, giving an immediate competitive advantage, and phases down to 23.5 per cent over 15 years.
- Australia (unlike any other country) will never again be subjected to the automatic 50 per cent "global snapback" tariff.
- Japan has the ability to apply a discretionary safeguard and raise the tariff back to 38.5 per cent if the import volume exceeds Australia-specific triggers within a given year.
- The starting triggers are set well above current trade levels (14.5 per cent above 2013 exports for frozen beef and 12 per cent above 2013 exports for fresh beef) and rise each year for ten years before being reviewed.

Japan is also a vital market for Australian beef offal and beef products, with exports of \$139 million in offal and \$27 million in preserved and prepared beef in 2017.

- Beef offal tariffs of up to 50 per cent were reduced immediately to 30 per cent, under a growing quota large enough at the start to cover most of Australia's beef offal exports.
- Tariffs on prepared and preserved beef meat were reduced upon entry into force, under a quota that expands until 2019.
- The beef safeguard does not apply to beef offal or preserved and prepared beef.

Under JAEPA, the market access outcomes on beef are to be reviewed, providing a framework for further liberalisation and protection against competitors securing a better deal. This included:

- A review triggered immediately if Japan provides one of our competitors a better deal on beef, aimed at providing Australia equivalent treatment.



- An automatic review aimed at improving access five years after entry into force of JAEPA.
- An additional review of the beef safeguard mechanisms after ten years to consider abolishing the safeguard or increasing the safeguard trigger levels.

### Grains / oilseeds

Grains such as wheat, barley, and sorghum, and their milling products, are one of Australia's biggest agricultural exports to Japan, worth \$646 million in 2017. Australia's wheat exports to Japan were worth \$317 million in 2017. Despite relatively low general tariffs, Japan's grain trade is highly regulated, and includes WTO quotas, duties and other mark-ups, as well as complicated tendering arrangements. Outside the quota system, wheat (for food) and wheat (for feed) face prohibitive tariffs meaning hardly any wheat enters outside the quotas.

Under JAEPA, Australia:

- Secured access to the more efficient "simultaneous buy and sell" process for some wheat varieties (Australian Hard and Australian Premium White) allowing more efficient trade.
- Is the only country that can export wheat (for feed) duty-free outside of the existing complicated quota system, giving the opportunity for increased exports and streamlined export processes.
- Is the only country that can export barley (for feed), duty-free to Japan without using the complex quota system.
- Secured elimination of the 21.3 per cent tariff on wheat gluten and milled corn products by 2024.
- Secured tariff elimination for some canola and other vegetable oils by 2024. Olive oil already enters duty-free.

Consistent with all of Japan's other EPAs, rice receives no tariff concessions. Australian rice producers will retain access to the Japanese market through the existing WTO tariff rate quota.

### Dairy

Japan's dairy industry is heavily regulated, with a complex network of WTO quotas and domestic laws and quotas controlling all aspects of production and importation. Despite this, Japan is Australia's second largest dairy market, and Australian dairy exports to Japan were valued at \$498 million in 2017, including \$426 million of cheese, which previously faced tariffs up to 29.8 per cent.

Key JAEPA outcomes include:

- Immediate Australia-only duty-free quotas for:
  - Natural cheese for processing (Australia's largest dairy export) growing from 4,000 tonnes to 20,000 tonnes over 20 years (Australia also continues to have access to Japan's global quota for cheese, under which around 30 per cent of Australia's cheese already entered duty-free);
  - Cheese for shredding growing from 1,000 to 5,000 tonnes over ten years.
- Immediate elimination on 15 January 2015 of tariffs of up to 8.5 per cent on casein, lactose, albumin, and milk protein concentrates with trade worth \$32 million in 2017.
- Preferential Australia-only quotas for:
  - Grated / powdered cheese growing to 1,000 tonnes over ten years;
  - Processed cheese growing to 100 tonnes;
  - Ice-cream and frozen yoghurt.
- Preferential access for blue veined cheese, with no volume restrictions.

Consistent with Japan's other EPAs, JAEPA does not provide specific preferential access for Japan's most sensitive dairy products (fresh milk, milk powders, butter and dairy spreads). However, under JAEPA, market access for key dairy exports (milk powders, butter and dairy spreads) will be automatically reviewed five years after entry into force, with a view to improving access; and if Japan provides one of our competitors a better deal, a

review will be automatically triggered with the aim of providing Australia equivalent treatment. Australian milk powder, butter and dairy spread exporters will continue to have access to Japan's WTO duty-free quotas, under which Japan currently conducts the bulk of its trade in these products.

## Sugar

Australia's raw sugar exports to Japan were worth \$441 million in 2017, making Japan our third-largest export market for sugar.

Most export markets trade in high polarity raw sugar. However, Japan imposes a range of tariffs and levies on high polarity (more refined) raw sugar, making it prohibitive to export to Japan. This effectively pushes exporters to sell only low polarity raw sugar to Japan, which has to be processed specifically for the Japanese market.

Under JAEPA, Japan immediately eliminated its 21.5 yen/kg tariff on high polarity raw sugar and reduced the levy. Australia alone receives this preferential access, meaning Australian producers can sell the same standard of raw sugar to Japan as it exports to other markets, providing greater efficiency and new opportunities for Australian producers.

## Seafood

Australia's seafood exports to Japan were worth \$169 million in 2017.

Key outcomes included:

- Immediate elimination of tariffs up to 9.6 per cent on lobsters, shrimps and prawns, abalone (fresh or preserved), oysters, crabs, fresh sea urchins, fish oils and some fish; and
- Tariffs on tuna, fresh or chilled swordfish, fresh marlin and Atlantic salmon are being eliminated over ten years.

## Horticulture

Japan is an important horticultural market for Australia, with exports of fruit and nuts worth \$137 million and vegetables worth \$34 million in 2017.

JAEPA provides a very liberalising outcome across horticulture, resulting in quick tariff elimination on the vast majority of Australian exports. Key outcomes included:

- Immediate elimination of tariffs on fresh asparagus (exports were worth \$21 million in 2017), carrots, potatoes, truffles and many other fresh vegetables.
- Immediate elimination of tariffs up to six per cent on macadamia nuts (exports worth \$33 million in 2017), almonds, pecans and hazelnuts and phased elimination of the 10 per cent tariff on walnuts over five years and chestnuts over ten years.
- Immediate elimination of tariffs on fresh mangoes, dried grapes and a range of berries.
- Elimination of tariffs up to 10 per cent for grapefruit, pears, apricots, peaches and plums by 2019, and elimination of the 17.5 per cent tariff on apples by 2024.
- To take advantage of counter-seasonal production, JAEPA also gives preferential access for Australian produce such as table grapes, oranges (exports worth \$54 million in 2017) and cherries during Australia's exporting season.

## Processed foods

JAEPA provides improved market access for many Australian processed food exports to Japan. Key outcomes include:

- Tariffs up to seven per cent on: vegetable juices (carrot and mixed vegetables) are being eliminated by 2021; grape and mixed vegetable juices by 2019; and apple and grapefruit juices over 2024. Exports of juices to Japan were worth \$10 million in 2017.
- The nine per cent tariff on canned tomatoes is being eliminated by 2021 and tariffs up to 10.8 per cent on canned and preserved fruits, such as peaches and pears, are being eliminated by 2021.
- Tariffs on prepared foods such as soups, broths, jams and peanut butter are being eliminated by 2024. Exports were worth \$77 million in 2017.
- Reduction of tariffs on various pet foods beginning from entry into force, with elimination by 2024. Exports were worth \$69 million in 2017.
- Around 95 per cent of Australia's chocolate exports can enter Japan duty-free or at a reduced tariff rate. Exports were worth \$44 million in 2017.
- The nine per cent tariff on crisp breads is being eliminated over 15 years and tariffs on biscuits, pastry, cakes and breakfast cereals is being reduced. Exports were worth \$9 million in 2017.
- The tariff of 17 per cent on tea is being eliminated over ten years. Exports were worth \$4 million in 2017.
- The 25.5 per cent tariff on honey will be eliminated over ten years under a growing quota. Exports were worth \$2 million in 2017.

### Wine / beer

Australia's wine exports to Japan were worth an estimated \$46 million in 2017. Prior to JAEPA, Australian wine exports to Japan faced a tariff of 15 per cent, or for some products, fixed tariffs of up to 182 yen per litre. Beer already enters Japan duty-free.

Key JAEPA outcomes included:

- Tariffs on Australian bottled and sparkling wine will be eliminated by 2021.
- Tariffs on bulk wine eliminated immediately for wine in containers of more than 150 litres, and eliminated over ten years for containers between two and 150 litres.
- Tariffs on fortified wine, cider, perry (a drink made from fermented pears) and mead eliminated by 2019.

### Other meats

Australian sheep meat (valued at \$122 million in 2017) and goat meat (\$4 million) exports already enter Japan duty-free.

Australian pork exports to Japan were worth around \$3.4 million in 2017. Pork faces significant general tariffs (up to ¥482 (\$5.07) per kilogram), or variable duties that raise import prices to a standard level. In addition, a global safeguard mechanism, known as the "gate price safeguard", operates to allow Japan to effectively increase costs for exporters if global imports increase significantly.

Under JAEPA, Australia gained preferential access for a large volume of pork (more than ten times current trade) via an Australia-only quota. Within the quota, the ad-valorem portion of the high tariff was halved immediately on entry into force (not the specific tariff), and Australian product became exempt from Japan's global "gate price safeguard."

Australian chicken meat gained preferential access under a country specific quota.

(The full schedule of tariff concessions is available at <http://www.dfat.gov.au/fta/jaepa>)

## Tariff Rate Quotas (TRQs)

Under JAEPA, Australian exporters can access to exclusive Australian-only tariff rate quotas (TRQs) on 19 agricultural products. These products are identified by a "Q" or "QS" in the staging category column on the schedule. Some of these agricultural TRQs are administered by Australia, and some are administered by Japan.

TRQ Products administered by Australia included:

- Pork
- Edible bovine offal
- Poultry offal
- Honey
- Prepared or preserved meats (two TRQs)
- Orange juice
- Apple juice.

Information about how to apply for a certificate of TRQ for these Australian administered TRQs may be found on [the Australian Department of Agriculture website](#).

TRQ Products administered by Japan included:

- Horses
- Frozen yoghurt
- Cheese (four TRQs)
- Malt
- Confectionary
- Chocolate
- Ice cream
- Esterified starches (and derivatives).

Information about how to apply for a certificate of TRQ for these Japan administered TRQs can be found on the [Japanese Ministry of Agriculture, Forestry and Fisheries website \(Japanese only\)](#)

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