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Japan

Livestock and Products

Beef Safeguard Calculation Announced for JFY2007 2006

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Report Highlights:

On December 14, Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF) set the level of beef imports in Japan fiscal year (JFY) 2007 that will trigger additional duties under Japan's 'beef safeguard.' Japan is keeping the same safeguard level that was established for JFY 2006. This means that additional duties will not be levied unless beef imports in JFY 2007 exceed an average of JFY 2002-2003 levels or 117% of the previous year imports, whichever is higher. The measure will go into effect in April 2007. A low safeguard trigger was possible under a strict reading of Japan's WTO commitments. In this context, this announcement is reasonably good news for the U.S. beef industry because it sets higher trigger levels for each quarter than would otherwise be the case. If the safeguard is triggered, beef tariffs will rise to 50% (from 38.5%) and the higher tariffs will stay in place for the entire fiscal year.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Tokyo [JA1]
[JA]

Japan to Extend the Special Beef Safeguard Measure for JFY 2007

The beef safeguard set for Japan Fiscal Year (JFY) 2006 was initially only meant to last one year and resulted from contentious talks between Japan and its two largest beef suppliers, the United States and Australia. However, shrinking beef supplies, reduced beef consumption, and high prices for domestic beef persist and MAFF recommended a simple extension of the existing formula for calculating the safeguard trigger level. Pending almost certain approval by the Diet, the measure will go into effect in April 2007.

Because imports are down this fiscal year due to an earlier ban and ongoing restrictions on U.S. beef, a low JFY 2007 safeguard trigger was possible under a strict reading of Japan's WTO commitments. Japan's closing of the beef market to the United States from January to July this year, coupled with a continued ban on U.S. beef over 21 months, are primary factors in the reduced beef supply.

In the table below, provides an assessment how the recently announced safeguard trigger level compares to what would ordinarily be calculated for JFY 2007 for both chilled and frozen beef. For the first two quarters of JFY 2007, this method of calculation provides some relief at the lower level of duty when imports pick up the pace next year. The Japanese fiscal year runs from April 2007 to March 2008.

Table 1. JFY 2007 Beef Safeguard Trigger Level Preliminary Calculation (Ordinary Vs Extended Method)

Unite: Metric Ton (Customs Clearance Basis)

Trigger Level Calculation (The Previous imports multiplied by 1.17 – 117%)	(A) Actual Imports (Base Year)	(B) Ordinary Method Based on the Previous Year	(C) Extended Method Taking Average Imports of JFY 2002 and JFY 2003	Remarks
	JFY 2006			
1st Quarter (April - June)				
Chilled Beef	57,700	64,451	74,339	
Frozen Beef	67,073	78,475	78,475 (70,716)*	Whichever the higher comparing (B) and (C) applied
2nd Quarter (April - September)				
Chilled Beef	111,133	130,260	152,455	
Frozen Beef	121,306	141,928	160,040	
3rd Quarter (April - December)				
Chilled Beef	To be filled	To be filled	To be filled	
Frozen Beef	To be filled	To be filled	To be filled	

4th Quarter (April – March)				
Chilled Beef	To be filled	To be filled	To be filled	
Frozen Beef	To be filled	To be filled	To be filled	

Note *: Number in the parenthesis 70,716 MT for the first quarter 2007 shows the level calculated based on the average of JFY 2002 and JFY 2003, which is lower by 7,759 MT than the figure calculated based on the ordinary method of 78,475 MT. For such an instance, Japan has decided to apply whichever figure is highest. This was also done when the trigger levels for JFY 2006, the current fiscal year, were calculated.

On preliminary basis, the trigger levels for the first quarter of JFY 2007 (April 07 – June 07) were calculated at 74,339 MT for chilled beef. The volume is 9,888 MT larger compared to the level calculated under the ordinary method. For frozen beef the previous fiscal year imports are used as a basis for calculating the 78,475 MT trigger point (because it produces a larger number than a calculation based on a 2002-2003 average. (See the note * in the table for explanation). For second quarter of JFY 2007 (April 07 – Sept. 07 – quarterly cumulative), the trigger levels are calculated at 152,455 MT for chilled beef, the volume is larger by 22,195 MT above the level based on the ordinary method and for frozen beef at 160,040 MT, which is also larger by 18,742 MT compared to the level based on the ordinary method.