

**Voluntary Report** – Voluntary - Public Distribution

**Date:** January 15,2021

**Report Number:** JA2021-0009

**Report Name:** Government Supports Freezing Imported Beef Prior to Customs Clearance

**Country:** Japan

**Post:** Tokyo

**Report Category:** Agricultural Situation, Livestock and Products

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**Report Highlights:**

On January 1, the Government of Japan introduced a new payment scheme for Japanese importers to postpone customs clearance of imported chilled beef between January 1 and June 30. This announcement comes as U.S. beef imports move closer to tripping a safeguard established under the U.S.-Japan Trade Agreement. If imports surpass the safeguard trigger level, tariffs on U.S. beef would temporarily increase from 25.8 to 38.5 percent.

## General Information:

On January 1, 2021, Japan's Agriculture and Livestock Industries Corporation (ALIC), a state trading agency, introduced a new support payment program for Japanese meat importers to freeze imported chilled beef prior to custom clearance. The total budget is 1.48 billion yen (\$14.2 million). The stated objective of the program is to stabilize beef demand and supply in Japan due to potential demand declines as a result of COVID-19.

Eligible recipients are Japanese beef importers who own and store imported beef. Importers who successfully apply for the program will be paid 100 yen per kilogram for loin and 30 yen per kilogram for other cuts. Payments are designed to fill the price gap between chilled and frozen products given the deterioration in quality due to freezing. Offal and prepared products are not targeted by the program. Other related costs will be also covered. Eligible importers must submit a detailed plan explaining imports, sales and expected demand fall, and a commitment form for refund in case non-targeted beef was applied.

Eligible beef products must meet the following conditions:

- 1) Difficult to sell due to outbreak of COVID-19
- 2) Frozen at a bonded warehouse prior to custom clearance between January 1 and June 30, 2021
- 3) Stored at a bonded warehouse for at least one month from the date of freezing
- 4) Clear customs by December 31, 2021

Payments will be issued under the following sub-programs:

Sub-Program	Target	Payment
Support for freezing beef	To partially fill the price gap between chilled and frozen beef	For loin ( <i>HS 0202.30.010</i> ) 100 yen/kg For other cuts ( <i>HS 0202.10.000, 0202.20.000, 0202.30.020, 0202.30.030, 0202.30.090 and 0206.29.020</i> ) 30 yen/kg
Supports for storing beef	Storage cost for frozen beef at bonded warehouse, etc.	1 yen/kg per half month (the first period is between 1 <sup>st</sup> and 15 <sup>th</sup> of each month and the second is for the remainder of the month)
Program promotion	Miscellaneous costs to carry out program	Fixed amount

In November 2020, the average CIF price difference between U.S. chilled and frozen loin was 815 yen/kg. For chuck/clod/shoulder and brisket/plate, the price difference was 242 and 361 yen/kg, respectively. As a result, FAS/Tokyo estimates that payments issued under this program would cover around 12 to 14 percent of the price difference for the majority of U.S. beef cuts imported into Japan. See Table 1 for details.

Table 1: CIF Prices for U.S. Beef in November 2020 (yen/kg)

<b>Product</b>	<b>Chilled</b>	<b>Frozen</b>	<b>Difference</b>
Loin (boneless)	1,295	480	815
<i>Other cuts</i>			
Carcass/half carcass	N/A	N/A	N/A
Bone-in cuts	1,834	677	1,157
Chuck, clod, shoulder (boneless)	844	602	242
Brisket/plate (boneless)	581	361	220
Others cuts (boneless)	725	368	357
Cheek/head meat	N/A	N/A	N/A

Source: Japan Customs

In the first quarter of last year (Jan-Mar 2020), Japan imported 31,645 MT of chilled U.S. beef products. Chuck/clod/shoulder and brisket/plate together accounted for 28,494 MT (90 percent) of that volume. Chilled loin accounted for 2,921 MT (9 percent). Imports of bone-in and other cuts were limited. No imports were recorded for carcass/half carcasses or cheek/head meat. See Table 2 for details.

Table 2: Japan's Imports of U.S. Beef in Q1 2020 (MT)

<b>Product</b>		<b>HS code</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>3-month total</b>
Loin (boneless)	Chilled	0201.30.010	1,097	950	874	2,921
	Frozen	0202.30.010	122	155	20	297
<i>Other cuts</i>						
Carcass/half carcass	Chilled	0201.10.000	0	0	0	0
	Frozen	0202.10.000	0	0	0	0
Bone-in cuts	Chilled	0201.20.000	60	69	76	205
	Frozen	0202.20.000	34	162	14	210
Chuck, clod, shoulder (boneless)	Chilled	0201.30.020	4,766	4,744	5,008	14,518
	Frozen	0202.30.020	1,219	344	189	1,752
Brisket/plate (boneless)	Chilled	0201.30.030	4,752	4,494	4,730	13,976
	Frozen	0202.30.030	9,418	7,543	5,278	22,239
Others cuts (boneless)	Chilled	0201.30.090	12	6	7	25
	Frozen	0202.30.090	2	1	59	62
Cheek/head meat	Chilled	0206.10.020	0	0	0	0
	Frozen	0206.29.020	0	0	0	0
<b>Sub-total</b>	Chilled		10,687	10,263	10,695	31,645
	Frozen		10,795	8,205	5,560	24,560
<b>Grand total</b>			21,482	18,468	16,255	56,205

Source: Japan Customs

## **Beef Safeguard under U.S.-Japan Trade Agreement (USJTA)**

Under USJTA, U.S. beef is subject to an annual volume-based safeguard that allows for a temporary tariff increase when imports surpass a predetermined trigger level. For Japan Fiscal Year 2020 (April 1, 2020 to March 31, 2021), the USJTA beef safeguard is set at 242,000 MT. If imports surpass this volume, tariffs on U.S. beef will temporarily rise from the current 25.8 percent to 38.5 percent. The duration of the tariff increase depends on when the safeguard trigger is surpassed. If it is surpassed in January, the tariff increases until March 31, 2021. If it is surpassed in February or March, the tariff increases for 45 or 30 days, respectively. Further details on the safeguard are available at [www.usdajapan.org/usjta](http://www.usdajapan.org/usjta).

Through December 31, 2020, Japan imported 198,826 MT (82.2 percent) of U.S. beef subject to the safeguard leaving only 43,174 MT (17.8 percent) for the remaining three months of JFY 2020 (Jan-Mar 2021). Japan's other main suppliers of beef, including Australia, are subject to a separate beef safeguard under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, the CPTPP safeguard volume is set at 613,600 MT for JFY 2020 and had only filled 41.9 percent through December 31.

### **Attachments:**

No Attachments.