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U.S. Fries to Feel the Heat of New Japan Trade Agreements

Report Categories:

Agricultural Situation

Potatoes and Potato Products

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Report Highlights:

Japan's free trade agreement with the European Union (EU) and the soon-to-be-signed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will reduce tariffs for a wide range of potato products from suppliers that compete with U.S. exports of potato products to Japan. Both agreements could enter into force as early as 2019. Japan's duties for frozen french fries (the largest U.S. potato export item) will be eliminated in four years for CPTPP members and the EU. In 2017, Japan imported \$608 million of potato products, 70.2 percent (\$427 million) was from the United States.

Key words: JA8011, potato, french fries, processed, Japan, EU, EPA, FTA, CPTPP, tariff

General Information:

On December 8, 2017, Japan and the European Union (EU) concluded negotiations on the Japan-EU Economic Partnership Agreement (EPA). Earlier in 2017, Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) published on its [website](#) a summary of the tariff reductions for several agricultural products which largely resemble the concessions that Japan made in the Trans-Pacific Partnership (TPP) Agreement negotiation. Meanwhile, Japan and other TPP-11 countries will officially sign the new TPP accord in March 2018. The accord, now known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP¹), will enter into effect without the United States. For the purpose of this report, it is assumed that Japan's TPP concessions² will remain largely unchanged in a CPTPP agreement, meaning that key suppliers to Japan (e.g., Malaysia and Canada) would enjoy virtually the same treatment as European suppliers (e.g., Belgium and the Netherlands) under the Japan-EU EPA.

Japan imported a total of \$608 million worth of potato and potato products in 2017. The United States was the leading supplier with 70.2 percent of imports valued at \$427 million. The EU (mainly Belgium and the Netherlands) and CPTPP members (mainly Malaysia and Canada) followed with 12.5 percent (\$76 million) and 10.5 percent (\$64 million) in 2017, respectively.

I. Frozen Processed Potato Products

A) Frozen French Fries

Japanese imports of french fries (HS 2004.10.100) in 2017 totaled \$288 million, accounting for 47.4 percent of Japan's total imports of potato and potato products. According to MAFF, less than one percent (by volume) of domestically produced potatoes was used for the production of french fries. The United States was the largest supplier of frozen french fries in 2017 with exports of \$218 million, accounting for 75.4 percent of Japan's market share.³ EU members (particularly Belgium and Netherlands) increased their trade share of french fries to 17.5 percent in 2017. Frozen french fries from CPTPP member peaked at 15 percent of imports in 2013, and declined to roughly 6 percent in 2017.

Table 1 – Japan's French Fry Imports (HS 200410)

French Fries (HS 200410) in 2017

¹ The CPTPP countries are: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

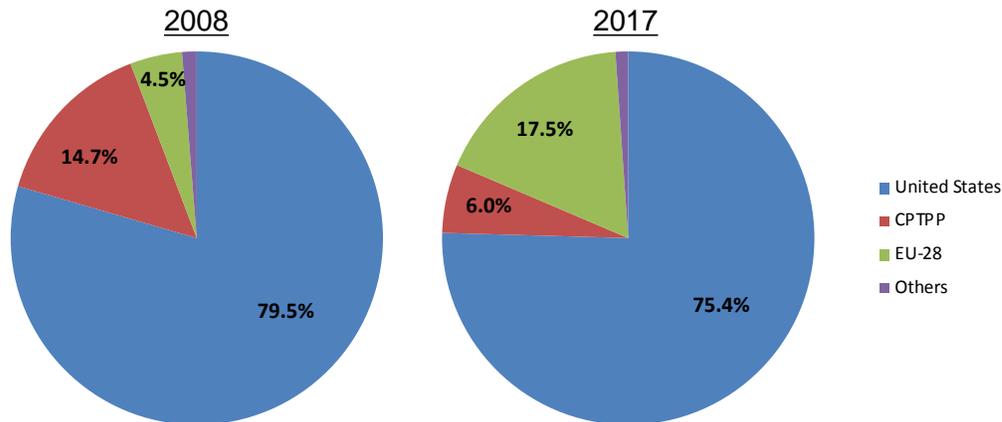
² Any concessions made to the United States under the TPP have been removed from data included in this report.

³ Half of the U.S. potato exports to Japan were in the form of frozen french fries.

	Value	Share	Volume (MT)	CIF Unit Price
United States	\$217,665,555	75.40%	192,911	\$1,128.32
EU-28	\$50,481,723	17.50%	51,014	\$989.56
Belgium	\$25,439,496		26,420	\$962.90
Netherlands	\$19,039,641		20,083	\$948.04
Germany	\$3,959,818		2,871	\$1,379.30
CPTPP	\$17,169,790	6.00%	14,305	\$1,200.28
Canada	\$14,264,484		11,950	\$1,193.68
New Zealand	\$2,905,306		2,355	\$1,233.77
Others	\$3,177,480	1.10%	3,531	N/A

Source: Global Trade Atlas

Chart 1: Change in Japan's Imports of French Fries



Under World Trade Organization (WTO) most-favored nation (MFN) treatment, Japan applies an 8.5 percent ad-valorem tariff to frozen french fries (HS 2004.10.100). Under the Japan-EU EPA and the TPP agreements, the tariff on frozen french fries will be reduced annually and eliminated in the fourth year.

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
200410100	Potatoes, Cooked, Not Otherwise Prepared, Frozen	8.5 %	Decreases Annually* ↓ Year 4: 0%	Decreases Annually* ↓ Year 4: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

B) Potatoes, Uncooked or Cooked, Frozen

Under the WTO's most-favored-nation (MFN) treatment, frozen potatoes are imported with an ad valorem duty of 8.5 percent. In 2017, Japan imported approximately 35,000 MT of frozen potatoes, of which the United States was the largest supplier with approximately 18,000 MT valued at nearly \$22 million. China was the second leading supplier with nearly 15,000 MT, followed by EU Member States with 647 MT. CPTPP members did not export frozen potatoes to Japan in 2017.

Under the Japan-EU EPA and the TPP, Japan will reduce this tariff in equal parts until the tariff is eliminated in the 6th year after effectuation.

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
071010000	Potatoes, Uncooked or Cooked, Frozen	8.5 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

C) Frozen Mashed Potatoes

Under the WTO's most-favored-nation (MFN) treatment, frozen mashed potatoes are imported with an ad valorem duty of 13.6 percent. In 2017, roughly 1,800 MT (\$2.4 million) in frozen mashed potatoes were imported by Japan, of which Belgium supplied 96 percent (1,722 MT) and the United States supplied the remainder (67 MT).

Under the Japan-EU EPA and the TPP, Japan will reduce the tariff for frozen mashed potatoes in equal parts until the tariff is eliminated in the 6th year after effectuation.

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
200410210	Mashed Potatoes, Frozen	13.6 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

D) Other Frozen Potatoes Products

Under the WTO's most-favored-nation (MFN) treatment, other frozen potato products are imported with an ad valorem duty of 9 percent. Japan imported approximately 79,000 MT of other frozen potato products in 2017 worth just over \$135 million. The leading supplier to Japan in 2017 was the United States with 64,000 MT (\$112 million), followed by EU Member States with 9,000 MT, CPTPP members (4,000 MT), and the remainder being filled by China (1,500 MT) and Thailand (24 MT).

Under the Japan-EU EPA and the TPP, Japan will reduce the tariff for frozen potatoes in equal parts

until the tariff is eliminated in the 6th year after effectuation.

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
200410220	Potatoes (Others), Prepared, Frozen	9.0 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

II. Other Potato Preparations and Processed Products

Domestically produced Japanese processing potatoes are largely utilized in the manufacture of potato chips. Other processed potato products therefore rely on the import of potato preparations (such as potato flakes). In 2017, Japan imported approximately \$118 million of these potato preparations, accounting for 19.4 percent of Japan's total import value of potato products. The United States is the largest supplier of this category with a share of 44 percent (\$52 million), more than half of which is in the form of potato flakes. The CPTPP members were the next largest supplier with 33.6 percent, attributed mostly (over 90 percent) to Malaysia. EU Member States supplied 9.4 percent in 2017.

A) Dried or Dehydrated Potatoes

Under the WTO's most-favored-nation (MFN) treatment, dried or dehydrated potatoes imported in Japan receive a 12.8 percent ad valorem duty. Japan imported 53 MT of these products in 2017, of which the United States was the leading supplier with 37 MT and a value of \$97,270. Peru was the second largest supplier followed by China with 9MT and 7MT respectively, however China's exports had the greatest value at \$220,000. Germany was a leading supplier until 2015 with 90 MT, but hasn't exported to Japan in the last two years.

Under the Japan-EU EPA and the TPP, Japan will reduce the tariff for dried or dehydrated potatoes in equal parts until the tariff is eliminated in the 6th year after effectuation.

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
071290050	Potatoes, Dried/Dehydrated	12.8 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

B) Potato Flour, Meal, Flakes, Granules and Pellets

Under the WTO's most-favored-nation (MFN) treatment, Japan applies a 20 percent ad valorem duty to potato flour, meal, flakes, granules and pellets. In 2017, Japan imported just over 6,000 MT of these products. The leading supplier was the United States with approximately 3,200 MT, followed by EU Member States who exported a combined 3,000 MT. Japan's imports of these potato products were worth almost \$8.3 million in 2017.

Under the Japan-EU EPA, Japan will reduce the tariff for potato flour, meal, flakes, granules and pellets in equal parts until the tariff is eliminated in the 8th year after effectuation. Japan will reduce this duty for the TPP in equal parts until it's eliminated in the 11th year after effectuation.

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
110510000	Potato Flour and Meal	20.0 %	Decreases Annually* ↓ Year 8: 0%	Decreases Annually* ↓ Year 11: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

C) Savoury Food Products made from Potato Flour

Under the WTO's most-favored-nation (MFN) treatment, Japan applies a 9 percent ad valorem duty to the import of savoury potato products. In 2017, Japan imported nearly 7,300 MT of these products worth approximately \$42.5 million. The leading supplier was Malaysia with nearly 90 percent of imports. China was the second largest supplier with 390 MT, followed by Canada, the United States, Taiwan and South Korea, with 232 MT, 174MT, 28 MT and 25 MT, respectively. EU Member States exported 17 MT of savoury potato products to Japan in 2017.

Under the Japan-EU EPA and the TPP, Japan will reduce the tariff for savoury potato products in equal parts until the tariff is eliminated in the 6th year after effectuation.

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
190590 314	Crisp Savoury Food Products, made from Potato Powder, containing added Sugar	9.0 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
190590 323	Crisp Savoury Food Products, made from Potato Powder, Not containing added Sugar	9.0 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

D) Mashed Potatoes, Potato Flakes, and Prepared Potatoes

Under the WTO's most-favored-nation (MFN) treatment, Japan applies a 13.6 percent ad valorem duty to the import of mashed potatoes and potato flakes, a 12 percent ad valorem duty to potato preparations, and a 9 percent ad valorem duty to other prepared potatoes. In 2017, Japan imported nearly 10,000 MT of these potato products for a combined value of nearly \$32 million. The leading supplier was China, who had approximately 52 percent of Japan's imports. However, the United States was the second largest supplier by volume, but was the highest value supplier at \$15 million (compared to China's \$9.6 million). EU Member States supplied nearly 10 percent of these products with 929 MT, and CPTPP members had 171 MT in 2017.

Under the Japan-EU EPA and the TPP, Japan will reduce the tariffs for mashed potatoes, potato flakes and prepared potatoes in equal parts until the tariff is eliminated in the 11th, 6th, and 8th years after effectuation, respectively.

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
200520 100	Mashed Potatoes and Potato Flakes, Not Frozen	13.6 %	Decreases Annually* ↓ Year 11: 0%	Decreases Annually* ↓ Year 11: 0%
200520 210	Prepared Potatoes in airtight containers, Not containing added Sugar, Not Frozen	12.0 %	Decreases Annually* ↓ Year 6: 0%	Decreases Annually* ↓ Year 6: 0%
200520 220	Prepared Potatoes, Not Frozen, Others	9.0 %	Decreases Annually* ↓ Year 8: 0%	Decreases Annually* ↓ Year 8: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

III. Fresh Potatoes

Fresh Potato Market in Japan

The United States is the only country approved to export fresh potatoes to Japan, and supplies nearly 6 percent of Japan's processing potatoes, valued at \$23.1 million in 2017.