

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** USJTA TRQs Remain Underutilized in First Half of JFY 2020

**Country:** Japan

**Post:** Tokyo

**Report Category:** Country/Regional FTA's, Trade Policy Monitoring

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**Report Highlights:**

The U.S.-Japan Trade Agreement (USJTA), which entered into force on January 1, 2020, improved market access for U.S. products through the creation of tariff-rate quotas (TRQs) for food wheat, wheat products, malt, processed cheese, whey, glucose and fructose, potato starch, corn starch, and inulin. However, with exception of food wheat, fill rates for these TRQs remained low in the first half of Japanese Fiscal Year (JFY) 2020. This report provides the latest data on TRQ allocation and fill rates as well as a brief overview of the TRQ application process.

## General Information:

Under the U.S.-Japan Trade Agreement (USJTA), which entered into force on January 1, 2020, Japan created nine tariff-rate quotas (TRQs) for a selection of U.S. agricultural products, allowing these products to be imported with lower tariffs or tariff-free. The USJTA TRQs are Mixes, Doughs, and Cake Mixes (TRQ-JP1), Food Wheat (TRQ-JP2), Malt, Not Roasted (TRQ-JP3), Malt, Roasted (TRQ-JP4), Processed Cheese (TRQ-JP5), Whey (TRQ-JP6), Glucose and Fructose (TRQ-JP7), Corn and Potato Starch (TRQ-JP8), and Inulin (TRQ-JP9). For more details on each of the TRQs, see [USTR: U.S.-Japan Trade Agreement Annex 1: Tariffs and Tariff-Related Provisions of Japan](#).

## Current Status of TRQ Allocations and Fill Rates under USJTA

During the first half of Japanese Fiscal Year 2020 (April 1, 2020 – September 30, 2020), TRQ allocations were made for Mixes, Doughs and Cake Mixes, Wheat, Whey, and Glucose and Fructose. However, with the exception of wheat, the volumes allocated represented only 17-42% of the total TRQ available. No allocations were made for Malt, Processed Cheese, Corn and Potato Starch, and Inulin. Allocations for wheat reached 100 percent in June 2020 and the full volume has already been imported. For other products with allocations, the fill rate has remained low at only 8-18% percent of the total TRQ volumes. See Table 1 for details.

**Table 1: TRQ Allocations and Actual Imports under USJTA**

(Unit: MT)

Products	Quota volume	Allocation to date	Allocation rate	Actual Imports (JFY2020 1H, Apr-Sep)			
				In-quota	TRQ fill rate	Out-of-quota	Total
Mixes, Doughs, and Cake Mixes	11,000	1,917	17%	842	8%	2,632	3,474
Wheat	126,000	126,000	100%	126,000	100%	1,168,645	1,294,645
Malt, Not Roasted	24,800	-	-	-	-	37	37
Malt, Roasted	770	-	-	-	-	-	-
Processed Cheese	110	-	-	-	-	2	2
Whey	5,800	1,390	24%	601	10%	641	1,242
(Whey)	-	-	-	137	-	290	427
(Products consisting of natural milk constitutions used for infant formula)	-	-	-	464	-	351	815
Glucose and Fructose	630	262	42%	116	18%	39	155
Corn and Potato Starch	2,800	-	-	-	-	311	311
Inulin	210	-	-	-	-	0	-

Note: Wheat is state-traded and imported by MAFF.

Source: MAFF, Japan Customs, Trade Data Monitor

<b>Definitions</b>	
Allocation to date	The volume covered by TRQ import licenses issued by Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF) to importers who applied for the TRQ.
Allocation rate	The allocation volume divided by the total volume of the TRQ.
In-quota imports	The volume of products imported with the in-quota tariff applied (based on Japan Customs data)
Fill rate	The in-quota imported volume divided by the total TRQ volume

For several products, notably Mixes, Doughs, and Cake Mixes, Whey, and Corn and Potato Starch, out-of-quota imports exceeded in-quota imports. This suggests that Japanese importers may be underutilizing the tariff benefits of USJTA. In the case of Mixes, Doughs and Cake Mixes, out-of-quota tariffs range from 16-24% whereas in-quota tariffs are zero. However, through the first half of JFY 2020, in-quota imports of these products accounted for less than a quarter of total imports. U.S. exporters of products eligible for TRQs are encouraged to work with their Japanese importers to ensure that they fully explore the new opportunities created by USJTA. More information on USJTA is available at [www.usdajapan.org/usjta](http://www.usdajapan.org/usjta).

### **Basic Requirements to Apply for USJTA TRQs**

The Ministry of Agriculture, Forestry and Fisheries (MAFF) requires importers to meet specific requirements when applying for USJTA TRQs. In general, Japanese importers must:

- Prove (via documents) that they are legitimate businesses that use, sell, or import the allocated good(s)
- Submit documents including past/future import (and sales) plans of the allocated good(s)
- For certain product categories, submit a copy of actual import customs clearance and sales results on either a monthly basis or by a certain date:
  - For Wheat, Glucose and Fructose, Corn and Potato Starch, and Inulin: on a monthly basis regardless of whether or not the product was imported during that month
  - For Whey: by May 31, 2021 (for whey only) for allocations made during JFY 2020

In addition, importers may receive suspensions and penalties in the following cases:

- **Suspensions:** If MAFF confirms that the applicant violated any law or regulation in relation to the quota allocation and/or has made a false declaration, applications for the related tariff quota shall not be accepted for the period starting from the next day until the last day of the next fiscal year.
- **Penalties:** If the allocation usage rate by the importer, calculated based on the customs clearance quantity, is less than 90 percent, then the maximum volume available for application in JFY 2022 will be limited to the customs clearance quantity used to calculate the usage rate in JFY 2020 (the numerator in Chart 1).

### Chart 1: Calculation Method to Determining the Usage Rate of TRQs

$$\text{Usage Rate} = \frac{\text{Sum of customs clearance quantities confirmed by the Customs quota certificates allocated in FY2020 (A)}}{\text{Sum of the quota quantity in Customs quota certificates allocated in FY2020 (B)}}$$

Full details of the requirements for Japanese importers to apply for TRQs (excluding wheat) are available in Japanese at: [MAFF: Tariff quotas based on the U.S.-Japan Trade Agreement for Fiscal Year 2020](#). For state-traded food wheat imports, importers who already possess import qualifications and/or purchase qualifications do not need to make additional applications. Details on the requirements for importing state-traded wheat under the USJTA is available in Japanese at: [MAFF: Wheat imports under the state trading system based on the U.S.-Japan Trade Agreement](#).

For the latest data on USJTA TRQ allocation rates, as well as USJTA safeguard fill rates, please visit [www.usdajapan.org/usjta](http://www.usdajapan.org/usjta).

#### Attachments:

No Attachments.