

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 12/28/2017

GAIN Report Number: JA7153

Japan

Post: Tokyo

Competitive Field Tilts Against US Wheat in Japan

Report Categories:

Agricultural Situation

Grain and Feed

Market Promotion/Competition

Approved By:

Gary Meyer

Prepared By:

Christopher Riker and FAS/Tokyo Staff

Report Highlights:

A free trade agreement between Japan and the European Union (EU) and a rapidly closing Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) arrangement will lead to increased market competition for wheat and wheat product exports to Japan. The two agreements are likely to contain similar tariff concessions for a wide range of wheat products including food wheat, pasta, and flour. The Japan-EU agreement could enter into force as early as 2019 while Japan continues to advocate for a CPTPP without the United States. Meanwhile, the Government of Japan is strengthening opportunities for domestically produced wheat and wheat products through countermeasures. In 2016, Japan imported \$1.4 billion of wheat, 45 percent from the United States.

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 EU agricultural products which largely resemble the concessions that Japan made in the Trans-Pacific Partnership (TPP) agreement negotiation. Meanwhile, Japan is advocating for modifications under the Comprehensive and Progressive Trans-Pacific Partnership (herein referred to as CPTPP¹) that would allow it to enter into effect without the United States. For purposes of this report it is assumed that Japan's TPP concessions² for wheat and wheat products will remain largely unchanged in a CPTPP agreement, meaning that key suppliers to Japan (e.g., Canada and Australia) would enjoy virtually the same treatment as EU suppliers (primarily Italy) under the Japan-EU EPA.

I. Wheat, Wheat Flour, Processed Wheat and Wheat Products

Wheat, wheat flour, processed wheat and wheat preparations containing more than 85 percent of wheat flour, groats, meal and pellets are subject to Japan's state trading system (for a more detailed explanation of Japan's state trading system for wheat, see [Wheat and Barley Policies in Japan](#) and [JA7081](#)). These products are covered by a single tariff-rate quota (TRQ) of 5.74 million metric tons (MMT). In addition to the 5.74 MMT quota, an EU quota and TPP Country Specific Quotas (CSQs) were established under the Japan-EU Economic Partnership Agreement (EPA) and the TPP agreement. Within these quotas, the level of Japanese government markups are reduced for food wheat and in-quota tariffs are abolished for wheat flour, processed wheat and wheat preparations.

1) Food Wheat

Japan imports a total of approximately 5.2 MMT of food wheat per year, and almost all food wheat is imported under the state trading system. No more than 2,000 MT of food wheat is imported outside the state trading system. Within the World Trade Organization (WTO)-established TRQ of 5.74 MMT, wheat is imported duty free with a markup capped at 45.2 yen/kg (currently 17 yen/kg) under Japan's state trading system. Outside of the state trading system and the TRQ, however, a variable duty of 55 yen/kg is imposed on wheat imports.

Under the import system operated by the state, the five major classes of wheat (i.e., U.S. Dark Northern Spring (DNS), U.S. Western White (WW), U.S. Hard Red Winter (HRW), Canadian Western Red Spring (1CW), and Australian Standard White (ASW)) account for 95 percent of Japan's wheat imports. The remaining five percent (Canadian Durum, French wheat and some additional types of food wheat) are imported under the Simultaneous Buy and Sell (SBS) system.³

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 MAFF operates SBS tenders to allow imports of food wheat in bulk shipments (a Category I Import) and container shipments (a Category II Import). For a detailed explanation of Japan's SBS import system for wheat, see [JA7081](#).

In 2016, 2.5 MMT of U.S. food wheat (49 percent of imports), 1.7 MMT of Canadian food wheat (34 percent of imports) and 840,000 MT of Australian food wheat (17 percent of imports) were imported by Japan. Nearly half of Japan's imported wheat is hard wheat (DNS and 1CW) used for making bread, and Canada has recently increased its 1CW market share, at the expense of U.S. DNS exports, due to its price competitiveness.

In addition to the WTO's TRQs, a limited EU quota is established under the Japan-EU EPA, and set at 200 MT (0.005 percent of total imports) in Year 1, which will increase annually to 270 MT in Year 7. Within the EU quota, the markup will decrease annually, and in Year 9 will be reduced by 45 percent from current levels (to 9.35 yen/kg).

Under the TPP agreement, CSQs were established for Canada and Australia, and will increase annually from 40,000MT to 53,000MT and 38,000MT to 50,000MT, respectively, from Year 1 to Year 7. Like the EU EPA, the markup within TPP CSQs and the WTO quota (for TPP countries only) will decrease annually, and in Year 9 will be reduced by 45 percent from current levels (to 9.35 yen/kg). Also within the TPP CSQs, the markup for wheat other than the five major classes will decrease annually, and in Year 9 will be reduced by 50 percent from current levels (to 8.5 yen/kg).⁴

HS	WTO	Japan-EU EPA	TPP
110111010, 100111090, 100119010, 100119090, 100191011, 100191019, 100191091, 100191099, 100199011, 100199019, 100199091, 100199099, 100860210, 100860290	TRQ 5.74 MMT 0 % tariff within the TRQ (20% for meslin) plus a markup 55 yen/kg tariff for outside the TRQ	EU quota Year 1: 200 MT ↓ increase annually Year 7: 270 MT 0 % tariff within the quota Markup ↓ decrease annually Year 9: by 45%	CSQs Year 1: Canada 40,000 MT Australia 38,000 MT ↓ increase annually Year 7: Canada 53,000 MT Australia 50,000 MT 0 % tariff within the CSQ Markup for TPP Members ↓ decrease annually Year 9: by 45% Markup for TPP CSQs ↓ decrease

⁴ NOTE: The EU quota and the TPP CSQs are imported under the SBS system.

			annually Year 9: by 50% for wheat other than DNS, WW, HRW, 1CW, ASW
--	--	--	---------------------------------------------------------------------------------

Source: MAFF

The current market preference for 1CW over DNS may be compounded in the coming years by the reduction in the Japanese government markup for 1CW if the CPTPP is effectuated.

NOTE: In order to protect the interests of Japanese millers and food manufacturers, the Government has established EU EPA and CPTPP countermeasures whereby the markup for durum wheat imports for Japanese pasta production will reportedly be lowered, and additional assistance measures will be established for Japanese confectionary and pasta manufacturers (at some point in the future). As these measures are a countermeasure for the Japan-EU EPA, they are expected to be implemented upon effectuation of the Japan-EU EPA.

2) Wheat Flour, Processed Wheat, Wheat Preparations

Wheat flour, processed wheat and wheat preparations containing more than 85 percent of wheat flour, groats, meal and pellets are administered by Japan's state trading system, and are covered by the WTO TRQ. Imports within the TRQ are subject to ad valorem duties of 12.5 percent, 20 percent or 25 percent plus mark-ups which are capped at 62.6 yen/kg, 80.6 yen/kg, 72.4 yen/kg, or 99.6 yen/kg (see the chart below). For imports outside of the TRQ, variable duties of 90 yen/kg, 112 yen/kg, 134 yen/kg are imposed.

Because of high tariffs plus a government-imposed markup, Japanese imports of wheat flour, processed wheat and wheat preparations are small -- 3,638 MT in 2016 (of which wheat flour (HS110100) accounted for 86 percent). The EU has been the leading exporter of these products, accounting for 85 percent of the volume (65 percent from Italy) and 67 percent of the value in 2016. Imports from CPTPP countries accounted for 37 MT -- 1.3 percent of the value of this category in 2016. While imports from the United States were relatively small in 2016 (155 MT or 4.3 percent of the volume), U.S. imports accounted for 27 percent of the value.

In addition to the WTO TRQ, an EU quota and a TPP quota were established under the Japan-EU EPA and the TPP agreements, respectively.⁵ The EU quota is set at 3,700 MT in Year 1, which increases annually to 4,200 MT in Year 6. The TPP quota is set at 5,000 MT in Year 1, which will increase annually to 7,500 MT in Year 6. Within the EU and TPP quotas, the ad valorem duties are abolished immediately, but the markups will be maintained.

⁵ These imports will be administered by the SBS system.

HS	Product	WTO		Japan-EU EPA	TPP
		In quota tariff	Outside quota tariff		
110100011	Wheat flour for manufacturing sodium glutamate	12.5% + markup		EU quota Year 1: 3,700 MT ↓ increase annually	TPP quota Year 1: 5,000 MT ↓ increase annually
110100091, 110100200	Other wheat flour	25%+ markup	90 yen/kg		
110290210, 110290290	Triticale flour	25%+ markup	90 yen/kg	Year 6: 4,200 MT	Year 6: 7,500 MT
110311010,110311090 110320110,110320190	Wheat groats, meal and pellets	25%+ markup	90 yen/kg		
110319210,110319290, 110320510,110320590	Triticale groats, meal and pellets	20%+ markup	90 yen/kg		
110419111,110419119	Rolled or flaked wheat	25%+ markup	112yen/kg		
110419121,110419129	Rolled or flaked triticale	20%+ markup	112yen/kg	In quota tariff is abolished immediately while the mark-up is maintained.	Tariffs within the quota are abolished immediately while the mark-up is maintained.
110429111,110429119	Worked wheat	25%+ markup	90 yen/kg		
110429121,110429129	Worked triticale	20%+ markup	90 yen/kg		
110811010,110811090	Wheat starch	25%+markup	134 yen/kg		
190120131,190120139	Wheat mixes and doughs >85% of wheat	25% + markup	90 yen/kg		
190120151,190120152	Wheat mixes and doughs >85% of wheat starch	25% + markup	134 yen/kg		
190190151,190190159	Baking related preparations >85% of wheat content	25% + markup	90 yen/kg		
190190171, 190190172	Baking related preparations based on wheat starch	25% + markup	134 yen/kg		

Source: MAFF, Japan Customs

3) Food Preparations containing Wheat or Processed Wheat

Certain wheat preparations are also covered by the WTO TRQ and administered by the state trading system. Within the TRQ, these products are imported with ad valorem duties of 19.2 or 25 percent plus a markup which is capped at 58.8 yen/kg. For trade outside of the TRQ, a variable duty of 85 yen/kg is imposed.

Because of high tariffs plus a government-imposed mark-up, imports of wheat preparations have also been limited, totaling 140 MT in 2016. The EU and Turkey were the major exporters of this product group, accounting for 39 percent (31 percent by Italy) and 37 percent, respectively, by volume. Imports from CPTPP countries and the United States accounted for 1.4 percent and 2.1 percent, respectively, in volume, and 5.2 percent and 4.6 percent, respectively, by value in 2016.

Outside of the WTO TRQ, EU and TPP quotas have been established under the Japan-EU EPA and the TPP agreements, respectively.⁶ The EU quota is set at 100 MT in Year 1, which increases annually to 200 MT in Year 6. The TPP quota is set at 7,500 MT in Year 1, which will increase annually to 10,000 MT in Year 6. Within both quotas, the ad valorem duties are abolished immediately, but the government imposed markup will be maintained.

HS	Product	WTO		Japan-EU EPA	TPP
		In quota tariff	Outside quota tariff		
190410221,190410229	Wheat preparations from swelling or roasting	19.2% + markup	85 yen/kg	EU quota Year 1: 100 MT ↓ increase annually	TPP quota Year 1: 7,500 MT ↓ increase annually
190420221,190420229	Prepared foods >50% of wheat flakes	19.2%+ markup	85 yen/kg	Year 6: 200 MT	Year 6: 10,000 MT
190430010,190430090	Bulgur wheat	25%+ markup	85 yen/kg	Tariffs within the quota are abolished immediately while the mark-up is maintained.	Tariffs within the quota are abolished immediately while the mark-up is maintained.
190490210,190490290	Other prepared foods of wheat or triticale	25%+ markup,	85 yen/kg		
210690214, 210690215	Food preparations >30% of wheat or triticale	25%+ markup,	85yen/kg		

Source: MAFF, Japan Customs

II. Wheat Flour Preparations not subject to WTO TRQ

For wheat flour preparations that are not subject to the WTO TRQ or the state trading system (i.e., cake mix and wheat flour preparations for bakeries and wheat flour preparations other than for bakeries), EU and TPP-specific quotas have been established under the Japan-EU EPA and the TPP agreements, and tariffs within these quotas will be abolished immediately.

1) Cake Mix and Wheat Flour Preparations for Bakeries

⁶ These imports will be administered by the SBS system.

Under the WTO's most-favored-nation (MFN) treatment, cake mix and bakery wheat flour preparations are imported with ad valorem duties of 16 percent, 23.8 percent or 28 percent. In 2016, approximately 42,000 MT of these products were imported by Japan, of which the EU, CPTPP countries and China accounted for 24.5 percent (10,250 MT), 23.1 percent (9,654 MT) and 22.1 percent (9,239 MT), respectively. South Korea and the United States, representing 15.1 percent (6,316 MT) and 13.5 percent (5,662 MT), respectively, accounted for most of the remainder.

Under the Japan-EU EPA, an EU quota has been established and set at 10,400 MT in Year 1 which will increase annually to 14,200 MT in Year 6. Under the TPP agreement, a quota is established 6,800 MT in Year 1 which will increase annually to 8,000 MT in Year 6. The ad valorem duties are abolished immediately within these quotas.

HS	Product	WTO MFN Duty	Japan-EU EPA	TPP
190120222,190120232	Cake mixes containing added sugar	23.8%	EU quota Year 1: 10,400 MT ↓ increase annually	TPP quota Year 1: 6,800 MT ↓ increase annually
190120235	Wheat flour preparations containing added sugar	23.8%	Year 6: 14,200 MT	Year 6: 8,000 MT
190120243	Wheat flour preparations	16%	Tariffs within the quota are abolished immediately.	Tariffs within the quota are abolished immediately.

Source: MAFF, Japan Customs

2) Wheat Flour Preparations Other than for Bakeries

Wheat flour preparations, other than for bakeries, are imported with ad valorem duties of 16 percent, 23.8 percent, 24 percent or 28 percent under the WTO's MFN treatment. In 2016, roughly 54,000 MT of these products were imported by Japan. South Korea and CPTPP countries accounted for 51 percent (27,536 MT) and 40.3 percent (21,769 MT) of the trade volume, respectively. In contrast, imports from the EU and the United States accounted for 2.7 percent (1,480 MT) and one percent (557 MT), respectively.

Under the Japan-EU EPA, an EU quota is established at 2,000MT in Year 1 which will increase annually to 3,000 MT in Year 6. Under the TPP agreement, a TPP quota is established at 15,000 MT in Year 1 which will increase annually to 22,500 MT in Year 6. The ad valorem duties are abolished immediately within these quotas.

HS	Product	WTO MFN Duty	Japan-EU EPA	TPP
190190242	Wheat flour preparations containing added sugar	24%	EU quota Year 1: 2,000 MT ↓ increase annually Year 6: 3,000 MT	TPP quota Year 1: 15,000 MT ↓ increase annually Year 6: 22,500 MT
190190247	Wheat flour preparations, with sugar as the leading ingredient by weight	28%		
190190252	Other wheat flour preparations	23.8%	Tariffs within the quota are abolished immediately.	Tariffs within the quota are abolished immediately.
190190267	Wheat preparations for retail sale	16%		

Source: MAFF, Japan Customs

III. Pasta

Tariffs on macaroni and spaghetti and various kinds of pasta are phased out over an 11 year period under the Japan-EU EPA. Similarly, under the TPP agreement, tariffs on stuffed pasta and instant pasta are phased out over 11 years, but tariffs on macaroni and spaghetti, as well as other pasta are reduced annually to 12 yen/kg (by 60 percent) and 15.3 yen/kg (by 55 percent) in Year 9.

1) Spaghetti and Macaroni

Macaroni and spaghetti are imported with a variable duty of 30 yen/kg under the WTO's MFN treatment. Japan imported 144,715 MT of spaghetti and macaroni in 2016, half of which was imported from the EU (72, 175 MT -- 67,086 MT from Italy alone) followed by 49,461 MT from Turkey and 20,206 MT from the United States (accounting for 34.2 percent and 14 percent, respectively). Imports from CPTPP countries were negligible, totaling one MT.

While pasta imports from the United States have been relatively stable in recent years, pasta imports from Turkey have grown significantly due to Turkey's price competitiveness (coupled with the establishment of a Japanese pasta factory in Turkey in 2015 which has shifted some pasta production from Japan to Turkey).

Under the Japan-EU EPA, the 30 yen/kg variable duty will decrease annually to zero in Year 11. Under the TPP agreement, the 30 yen/kg variable duty will decrease annually to 12 yen/kg (a 60% reduction) in Year 9.

2) Pasta Containing Eggs

Pasta containing eggs are imported with a variable duty of 30 yen/kg under the WTO's MFN treatment. Imports of pasta containing eggs have been trending downward in recent years, totaling 306 MT in

2016. 238 MT, or 77.8 percent, were imported from the EU (215 MT -- 70.3 percent from Italy alone), followed by the United States accounting for 9.5 percent (29 MT). Imports from CPTPP countries accounted for only 1.3 percent (four MT) of all imports.

Under the Japan-EU EPA and the TPP agreement, the 30 yen/kg variable duty will decrease annually to zero in Year 9.

3) Other Pasta (Uncooked and Prepared Pasta)

Other pasta is imported with a variable duty of 34 yen/kg under the WTO's MFN treatment. Japan imported 20,606 MT in 2016, of which China accounted for 74 percent (15,235 MT), followed by Italy at 9.6 percent (1,981 MT) and South Korea at 6.3 percent (1,299 MT). Imports from the EU, CPTPP countries and the United States accounted for 10 percent, 5.7 percent and 0.1 percent, respectively, by volume.

Under the Japan-EU EPA, the variable duty of 34 yen/kg will decrease annually to zero in Year 11. The variable duty will fall to 15.3 yen/kg (a 55% reduction) in Year 9 under the TPP agreement.

4) Udon, Somen and Buckwheat Noodles

Udon and somen noodles are made of wheat flour and a variable duty of 34 yen/kg is imposed on these imports under the WTO's MFN treatment. An EU quota of 10 MT and a TPP quota of 100 MT have been established, and in-quota duties are abolished immediately. In 2016, Japan imported 266 MT of this product group, 240 MT from Australia and 23 MT from China.

5) Stuffed Pasta

Stuffed pasta (including ravioli, cannelloni and lasagna) and pasta containing sugar are imported with ad valorem duties of 5.1 percent, 21.3 percent or 23.8 percent under the WTO's MFN treatment. Japan imported 9,803 MT in 2016, of which China accounted for 66.5 percent (6,518 MT) followed by Vietnam at 15.7 percent and South Korea at 7.5 percent (735 MT). Imports from the EU, CPTPP countries and the United States accounted for 0.8 percent, 18.6 percent and 1.1 percent, respectively, by volume.

Under the Japan-EU EPA and the TPP agreement, these ad valorem duties will decrease annually to zero in Year 11.

6) Pasta Containing Sugar, Instant Noodles, Other

Pasta containing sugar, instant pasta and other pasta are imported with ad valorem duties of 23.8 percent and 21.3 percent under the WTO's MFN treatment. Japan imported 7,512 MT in 2016, of which South Korea accounted for 66.6 percent (5,006 MT), followed by Belgium (860 MT or 11.4 percent) and Thailand (618 MT or 8.2 percent). Imports from the EU, CPTPP countries and the United States accounted for 11.8 percent, 4.1 percent and 1.7 percent, respectively, by volume.

Under Japan-EU EPA and the TPP agreement, the ad valorem duty will decrease annually to zero in Year 11.

HS	WTO	Japan-EU EPA	TPP
Spaghetti and Macaroni 190219093, 190219094	30 yen/kg	Year 1: ↓ decrease annually Year 11: 0 yen/kg	Year 1: ↓ decrease annually Year 9: 12 yen/kg
Pasta containing Eggs 190211000	30 yen/kg	Year 1: ↓ decrease annually Year 9: 0 yen/kg	
Other pasta 190219099	34 yen/kg	Year 1: ↓ decrease annually Year 11: 0 yen/kg	Year 1: ↓ decrease annually Year 9: 15.3 yen/kg
Udon, Somen and Buckwheat Noodles	34 yen/kg	EU quota: 10 MT In quota tariff is abolished immediately	TPP quota: 100 MT In quota tariff is abolished immediately
Stuffed pasta 190220110, 190220190, 190220210, 190220220	5.1%, 21.3%, 23.8%	Year 1: ↓ decrease annually Year 11: 0 %	
Pasta containing sugar, Instant noodles and Other pasta 190230100 190230210, 190230290	21.3%	Year 1: ↓ decrease annually Year 11: 0 %	

Source: MAFF

IV. Cookies, Biscuits, Cake Mix, Pastry Dough, etc.

Ad valorem duties on the products in the chart below will be phased out between Year 6 and Year 11 under the Japan-EU EPA and the TPP agreements, except for food preparations for infant use under the Japan-EU EPA (which decrease to 12 and 6.8 percent) and bakery products under the TPP agreement (for which there is no change).

Japan imported 18,739 MT of biscuits, cookies and crackers (HS190531000, 190590312, 190590322) in 2016. The EU was the leading exporter with 5,315 MT (28.4 percent) followed by CPTPP countries with 3,953 MT (21.1 percent), China with 2,809 MT (15 percent) and Taiwan with 2,620 MT (14 percent). Exports from the United States have gradually decreased in recent years to 1,145 MT in 2016 - accounting for 6.1 percent.

Imports of pastry and cake (HS190590319, 190590329) have been trending downward in recent years, with 43,001 MT having been imported in 2016. China, the leading exporter, accounted for nearly half of Japan's pastry and cake imports, followed by the United States with 20.5 percent. The market share of the EU and CPTPP countries were 7.1 percent and 13.5 percent, respectively.

Imports of other products in this group are less - 7,795 MT of breakfast cereal, 5,842 MT of bread, and 2,291 MT of waffles and wafers in 2016.

HS	Product	WTO	Japan-EU EPA	TPP
----	---------	-----	--------------	-----

		MFN duty		
190510000	Crispbread	9%	The duty decreases annually to 0% in Year 11	
190520000	Gingerbread	18%	The duty decreases annually to 0% in Year 11	
190531000	Sweet biscuit	20.4%	The duty decreases annually to 0% in Year 11	
190532000	Waffles and wafers	18%	The duty decreases annually to 0% in Year 9	
190540000	Rusks, toasted bread	9%	The duty decreases annually to 0% in Year 8	
190590100	Bread	9%	The duty decreases annually to 0% in Year 8	
190590312	Biscuit, cookies and crackers (containing sugar)	15%	The duty decreases annually to 0% in Year 6	
190590322	Biscuit, cookies and crackers (not containing sugar)	13%	The duty decreases annually to 0% in Year 6	
190590313	Pizza (containing sugar)	24%	The duty decreases annually to 0% in Year 9	
190590319	Pastry and cake (containing sugar)	25.5%	The duty decreases annually to 0% in Year 6	
190590329	Pastry and cake (not containing sugar)	21.3%	The duty decreases annually to 0% in Year 6	
190110221	Food preparations for infant use (containing sugar)	24%	The duty decreases annually to 12% in Year 11	The duty decreases annually to 0% in Year 11
190110229	Food preparations for infant use (not containing sugar)	13.6%	The duty decreases annually to 6.8% in Year 11	The duty decreases annually to 0% in Year 11
190120223, 190120224	Cake mix (not containing sugar)	12%	The duty decreases annually to 0% in Year 9	
190410010, 190420100	Breakfast cereal	11.5%	The duty decreases annually to 0% in Year 8	
190120241	Bakery products (frozen pie dough etc.) (not containing sugar)	13.6%	The duty decreases annually to 0% in Year 11	-----

Source: MAFF, Japan Customs

Market Situation

Japan produces roughly 10 percent of the food wheat that it consumes. Japan imports the remaining 90 percent (mainly from the United States, Canada and Australia), approximately 5.2 MMT, including 200,000 MT of Durum wheat from Canada. Through this trade, Japan is able to produce 4.7 million MT of wheat flour, 40 percent of which is used for making bread, 34 percent for noodles, 11 percent for confectionary, and three percent for retail sales. Wheat flour production has been stable at around 4.7 MMT per year while production of bread and noodles has been increasing in recent years as a result of increasing consumption. Production of biscuits, cookies and crackers had been stable at around 240,000 MT, but increased to 260,000MT in 2015 and 2016 due to decreased imports as a result of a weaker Japanese Yen.

While the price for wheat and the exchange rates directly affect imports, trade has been relatively stable for the last decade. Imports of wheat flour preparations⁷ have gradually declined from 107,000 MT in 2010 to 91,000 MT in 2016. On the other hand, imports of macaroni and spaghetti have increased from

⁷ Wheat flour preparations containing added sugar are used mainly for making confectionary and bread, and wheat flour preparations not containing sugar are mainly used for manufacturing noodles.

121,000 MT in 2010 to 145,000 MT in 2016. Imports of biscuits, cookies and crackers were significantly affected by the exchange rates. Imports increased due to a stronger Japanese Yen between 2010 and 2012 to 22,000 MT, but decreased in 2013 as a result of a weaker Japanese Yen (16,000 MT). Since that time, imports have partially recovered (totaling 19,000 MT in 2016).

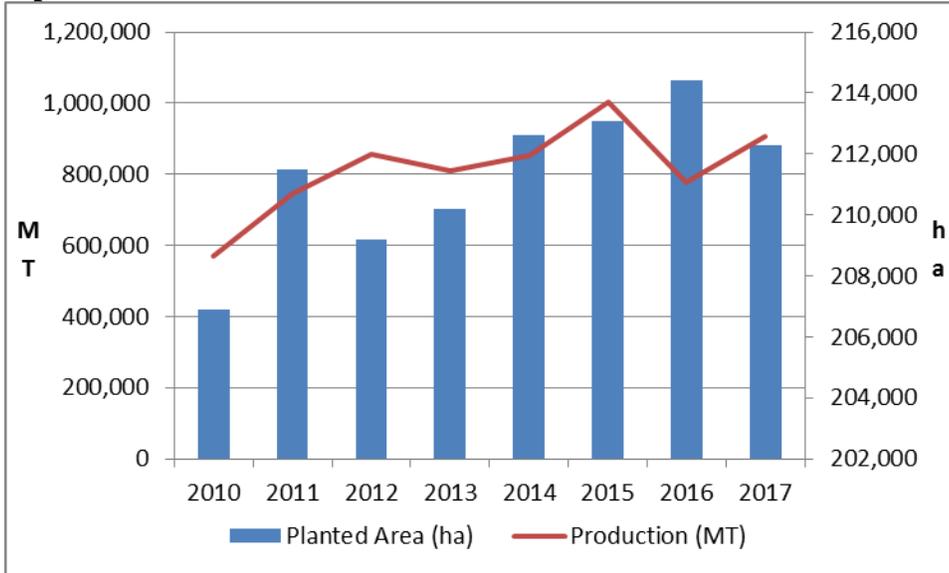
Japan exports wheat flour and wheat products to Asian countries, and wheat flour accounts for the majority of its exports. However, as a result of improved milling technologies overseas and the establishment of flour mills in exporting countries, Japanese wheat flour exports have been decreasing (191,051 MT in 2010 to 142,842 MT in 2015). Nevertheless, when Japan imports wheat, processes it, and exports wheat flour, macaroni and spaghetti, biscuits and other items, the wheat imported for the manufacture of these products enters Japan duty free (to facilitate its eventual exports). This policy is expected to remain in effect after the effectuation of the Japan-EU EPA and the CPTPP agreement.

While MAFF has forecast that an increase in the total volume of food wheat imports is unlikely, it is concerned that imports of wheat products (such as pasta and confectionaries) from the EU will increase and, in turn, prices of these products in Japan will decrease.

Japan published its Economic Effects Analysis of the Japan EU EPA and CPTPP on December 21, 2017. Although, Japan is not forecasting a decrease in domestic wheat production, it surmises that the tariff reductions for wheat products could impact domestic wheat millers and processors who consistently use domestic wheat (in turn, demand for domestic wheat may decrease). However, government countermeasures are likely to be implemented to assist domestic wheat processors, and, in turn, help Japanese wheat farmers maintain demand for their production.

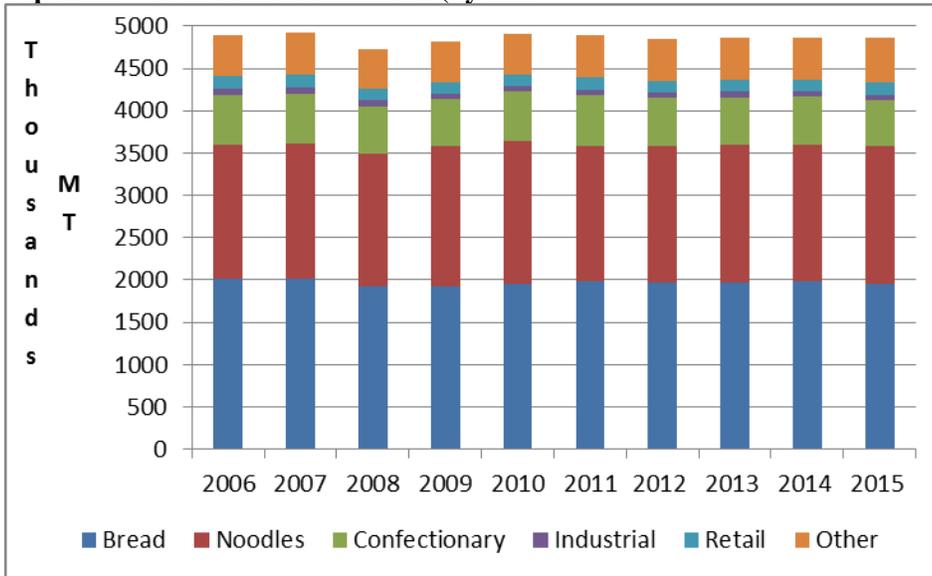
Production Charts

Japanese Wheat Production



Source: MAFF

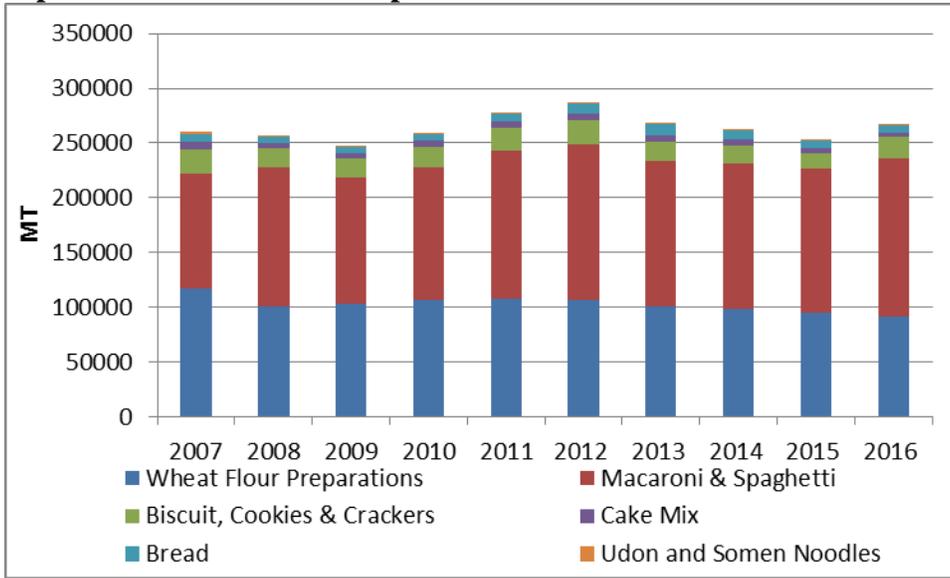
Japanese Wheat Flour Production (by Use)



Source: MAFF

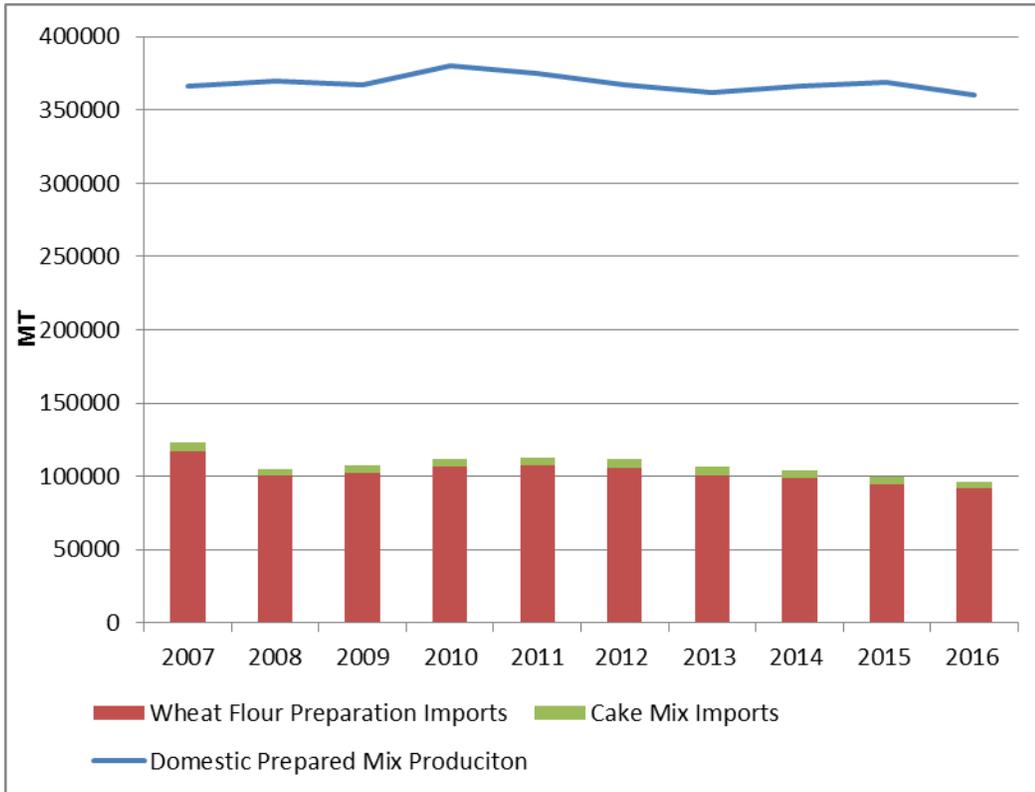
NOTE: Each Year is representative of a Japanese fiscal year (April –March)

Japanese Wheat Product Imports



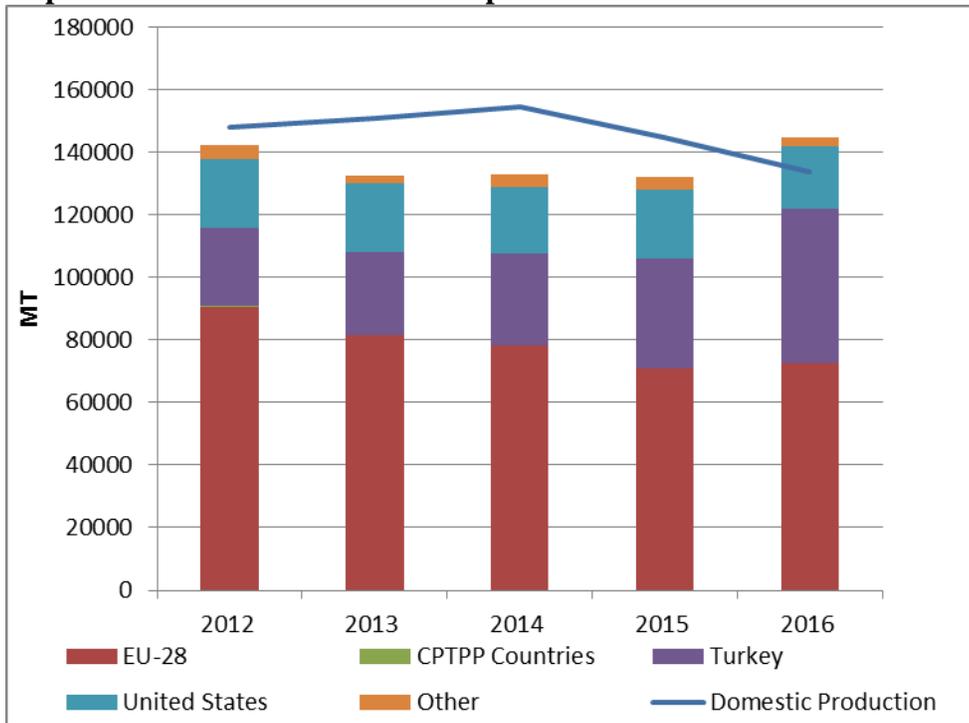
Source: MAFF

Prepared Mix Production in Japan Compared to Imports of Wheat Flour Preparations and Cake Mix



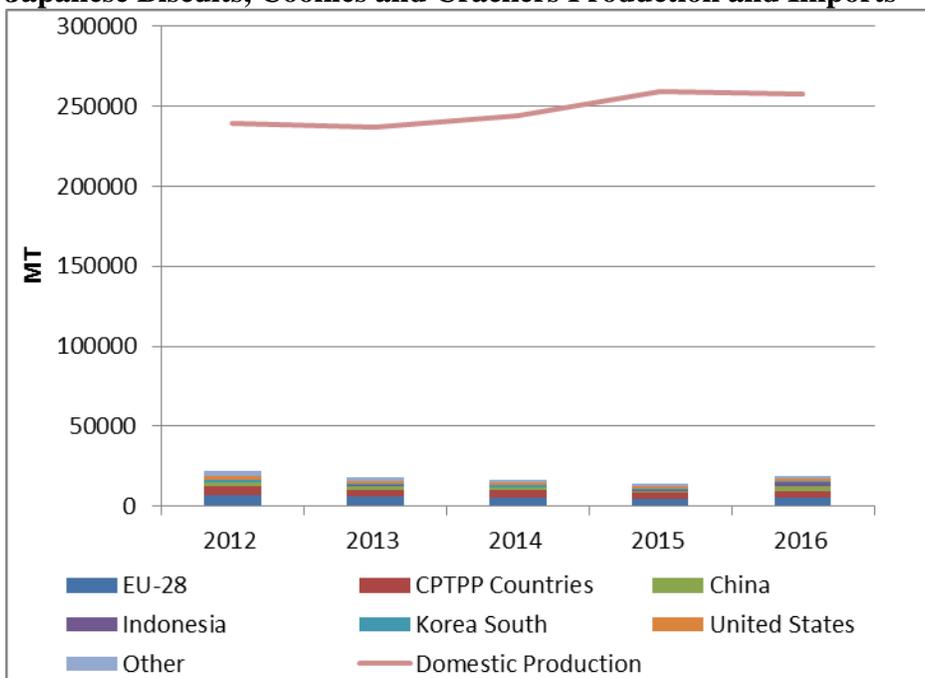
Source: MAFF

Japanese Pasta Production and Imports



Source: MAFF

Japanese Biscuits, Cookies and Crackers Production and Imports



Source: MAFF