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U.S. Nuts Less Competition Under New Japan Free Trade

Agreements

Report Categories:

Agricultural Situation

Tree Nuts

Oilseeds and Products

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Report Highlights:

Japan's free trade agreement with the European Union (EU) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) will increase market competition for U.S. nut exports to Japan. The agreements could enter into force as early as 2019. In 2017, Japan imported \$557 million in fresh and dried nuts (excluding processed such as roasted), of which 70.7 percent (approximately \$394 million) was from the United States.

Key words: JA8054, almond, walnut, peanut, pistachio, nuts, Japan, EU, EPA, CPTPP, tariff

General Information:

On July 17, 2018, Japan and the European Union (EU) signed the Japan-EU Economic Partnership Agreement (EPA). Japan's Ministry of Foreign Affairs (MOFA) published on its [website](#) a summary of the tariff reductions for several EU nuts which mostly provide similar concessions to those Japan made in the Trans-Pacific Partnership (TPP) agreement negotiation (now completed as the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (herein referred to as CPTPP¹)). Although Japan's TPP concessions² appear to remain unchanged in the CPTPP agreement, CPTPP would allow it to enter into effect without the United States. The Japan-EU agreement could enter into force as early as 2019, which will increase market competition for products from the United States.

Japan imported \$557 million worth of fresh or dried nuts (including peanuts) in 2017. The United States was the leading supplier with 70.7 percent of trade valued at \$394 million. CPTPP members (mainly Australia) followed the United States with 6.6 percent, and EU members had 1 percent of imports in 2017. For the purpose of this report, we have limited analyses to U.S. nut exports to Japan valued at \$10 million or more in 2017 (based on Global Trade Atlas data). However, Annex-1 at the end of this report contains a table describing tariff schedules of other nut products.

I. Almonds

A) The Almond Market in Japan

Japan imports almost all the almonds consumed in Japan and domestic production is negligible. In 2017 Japan imported \$222.3 million of almonds, of which almost all were shelled almonds. The United States was the largest supplier with 96.5 percent of the import share, valued at \$214.7 million. The EU (mainly Spain and Italy) and the CPTPP members (Australia) followed with 1.8 and 1.7 percent, respectively. Although Australia's market share is little changed, Australia's trade volume and value increased 10-fold since 2015 when the Japan-Australia EPA removed duties for almonds. Furthermore, although the EU import share is small in Japan, 70 percent of the EU's nuts exports are almonds.

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.

Table 1 – Japan’s Almond Imports

Shelled Almonds (HS 0802.12.200) in 2017			
	Value	Share	Volume (MT)
World	\$221,973,714		33,134
United States	\$214,321,335	96.5%	32,231
CPTPP	\$3,938,758	1.8%	573
Australia	\$3,938,758		573
EU-28	\$3,713,621	1.7%	331
Spain	\$2,762,560		239

Source: Global Trade Atlas

B) Duty Treatment for Almonds

Table 2 – Japan’s Duty for Almonds (HS 0802.12)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
080211200	Sweet Almonds, In Shell, Fresh or Dried	2.4 %	Immediate elimination	Immediate elimination
080212200	Sweet Almonds, Shelled, Fresh or Dried	2.4 %	Immediate elimination	Immediate elimination

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

Under the Japan-EU EPA and the TPP agreements, the tariff on almonds will have immediate tariff elimination after implementation.

II. Walnuts

A) Walnut Market in Japan

Japan consumes approximately 18,000 MT of walnuts, of which Japan produces about one percent. Japan imported \$146.8 million of walnuts in 2017. The United States was the largest supplier with 95.2 percent of imports valued at \$139.8 million in 2017. The CPTPP (mainly Chile and Australia) and EU members (France) followed the United States with 2.9 and 0.2 percent of Japanese imports, respectively.

Table 3 – Japan’s Walnut Imports

Shelled Walnuts (HS 0802.32) in 2017			
	Value	Share	Volume (MT)
World	\$146,801,351		19,179
United States	\$139,803,250	95.2%	18,397
CPTPP	\$4,318,864	2.9%	463
Chile	\$3,329,784		363
EU-28	\$292,405	0.2%	22
France	\$292,405		22
Others	\$2,386,832	1.7%	297
China	\$2,330,079		294

Source: Global Trade Atlas

B) Duty Treatment for Walnuts

Table 4 – Japan’s Duty for Walnuts (HS 0802.32)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
080232000	Walnuts, Shelled, Fresh or Dried	10.0 %	Immediate elimination	Immediate elimination

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

III. Peanuts

A) Peanut Market in Japan

Japan consumed 47,500 MT of shelled, fresh, and dried peanuts in 2017, of which Japan produced roughly 11,500 MT, and 36,015 MT (75.8 percent) were imported. China exported the largest volume to Japan with 51.3 percent of imports by value at \$36.7 million in 2017. The United States was the second largest supplier, exporting \$20.4 million that accounted for 28.5 percent of imports. The United States generally exports Virginia-type peanuts and China largely exports non-Virginia peanuts. Japan maintains separate tariff-rate quotas (TRQ) for each type of peanut, and trade outside the TRQ is minimal. CPTPP members have less than 1 percent of imports, while EU members had no record of exporting peanuts to Japan.

Table 5 – Japan’s Peanut Imports

Shelled Peanuts (HS 1202.42) in 2017			
	Value	Share	Volume (MT)
World	\$71,493,148		36,015
United States	\$20,375,517	28.5%	12,487
CPTPP	\$724,676	1.0%	298
Australia	\$724,676		298
Others	\$50,392,955	70.5%	23,230
China	\$36,685,882		15,485
South Africa	\$6,658,996		3,415
Argentina	\$5,763,966		3,584

Source: Global Trade Atlas

B) Duty Treatment for Peanuts

Japan has a WTO tariff-rate quota (TRQ) for peanuts. In Japanese fiscal year (April-March) of 2017, there was a TRQ of 13,200 MT for Virginia-type peanuts, and 60,000 MT for non-Virginia peanuts. In addition, Japan maintains a special TRQ for Okinawa to import 1,800 MT of peanuts tariff-free. Japan applies a 10 percent ad valorem tariff to peanuts within the TRQ, and a duty of 617 Japanese Yen (JPY) per kilogram (kg) outside the TRQ.

Table 6 – Japan’s Duty for Peanuts (HS 120242)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
12024 2091	Ground-Nuts, Not Roasted or Otherwise Cooked, Other than Seed, Shelled, Excluding Those for Oil Extraction, For "The Pooled Quota"	10 %	Immediate elimination	Immediate elimination
12024 2099	Ground-Nuts, Not Roasted or Otherwise Cooked, Other than Seed, Shelled, Excluding Those for Oil Extraction, Outside of "The Pooled Quota"	617 JPY/kg	Decreases Annually* ↓ Year 8: 0%	Decreases Annually* ↓ Year 8: 0%

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

*Tariff concession in Japan is to take place April 01 of each year.

IV. Pistachios

A) Pistachio Market in Japan

Japan imports almost all fresh and dried pistachios consumed domestically, valued at approximately \$18.7 million in 2017. The United States was the leading exporter with 74.3 percent of imports valued at \$13.9 million in 2017. The major competitor was Iran. However, Iran supplies shelled pistachios where the United States exports shelled and in-shell pistachios. The EU members had 6.1 percent of imports, while CPTPP members had no record of exporting pistachios to Japan.

Table 7 – Japan’s Pistachio Imports

In-Shell and Shelled Walnuts (HS 0802.51 + 0802.52) in 2017			
	Value	Share	Volume (MT)
World	\$18,727,440		1,600
United States	\$13,910,813	74.3%	1,394
EU-28	\$1,137,579	6.1%	22
Italy	\$292,405		22
Others	\$3,679,048	19.6%	184
Iran	\$3,654,817		182

Source: Global Trade Atlas

B) Duty Treatment for Pistachio

Currently, Japan does not apply a duty to fresh or dried pistachios.

Table 8 – Japan’s Duty for Pistachios

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
080251000	Pistachios, In Shell, Fresh or Dried	0 %	N/A	N/A
080252000	Pistachios, Shelled, Fresh or Dried	0 %	N/A	N/A

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

V. Other Nuts

In 2017, Japan imported 99.9 percent of pecans from the United States, valued at \$5.7 million. A CPTPP member (Peru) filled the remaining 0.1 percent.

The United States did not export hazel nuts or macadamia nuts to Japan in 2017.

Table 9 – Japan’s Duty for Other Nuts (under HS code of 0802)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
080222000	Hazelnuts or Filberts (Corylus Spp.), Shelled, Fresh or Dried	6 %	Immediate elimination	Immediate elimination
080262000	Macadamia Nuts, Shelled, Fresh or Dried	5 %	Immediate elimination	Immediate elimination
080290300	Pecans, Fresh or Dried	4.5 %	Immediate elimination	Immediate elimination

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