



Statement of Mr. Kevin Kester, President, National Cattlemen's Beef Association
Submission for the record to the
Office of United States Trade Representative
Hearing on USTR–2018–0034,
“Negotiating Objectives for a U.S.-Japan Trade Agreement”
December 10, 2018

The National Cattlemen's Beef Association (NCBA) has represented America's cattlemen and women since 1898, preserving the heritage and strength of the industry through education and public policy. As the largest and oldest national association of cattle producers, NCBA represents a very diverse beef industry that strives to meet demand in emerging markets and increase demand for beef. NCBA appreciates the opportunity to provide comments for the Office of the United States Trade Representative (USTR) regarding USTR–2018–0034, “Negotiating Objectives Regarding a U.S.-Japan Trade Agreement.”

According to the U.S. Department of Agriculture, the U.S. beef industry consists of 913,000 cattle and calf operations, with a national herd size of 94 million head of cattle, accounting for roughly \$64 billion in annual farm gate receipts. The U.S. beef herd represents 9 percent of the global beef herd, but accounts for 19 percent of global beef production. It is estimated that we only export 10 to 15 percent of overall U.S. beef production, but that amounts to over \$7.2 billion in total sales and an average of \$320 per head (not including hides and tallow) in value attributed solely to exports—a value that increases to \$359 per head when hides are taken into consideration.

Japan is the top export market for U.S. beef exports in both volume and value, accounting for 25 percent of total U.S. beef export sales in 2017 at a total of \$1.9 billion. Under our current terms of access to Japan, U.S. beef faces a tariff rate of 38.5 percent and a volume-based safeguard that can trigger a 50 percent snap back tariff. Addressing these tariff rate issues should be the primary objectives of the negotiations.

In a separate issue, U.S. beef exports to Japan are also limited to cattle slaughtered under 30 months of age. U.S. beef is considered some of the safest beef in the world and is designated by the World Organization for Animal Health (OIE) as having “negligible risk” status for bovine spongiform encephalopathy (BSE). We hope that Japan will lift the current age restriction on U.S. beef soon, consistent with recommendations of the OIE.

NCBA supports the full elimination of tariffs, quotas, and other trade-restrictive measures on U.S. beef exports to any market, including Japan. NCBA supported the negotiated compromise under Trans-Pacific Partnership (TPP) because it reduced the massive tariff applied to U.S. beef, diminished the likelihood of triggering snap back tariffs, and established strong, objective, and predictable sanitary and phytosanitary standards and other rules-based trade standards. Considering the benefits this presents for U.S. beef producers and Japanese consumers alike, we expect nothing less under a U.S.-Japan Trade Agreement.

With the pending implementation of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the European Union-Japan Economic Partnership, the U.S. beef industry is at risk of losing significant market share in Japan unless immediate action is taken to level the playing field. According to USDA, “Under CPTPP, there will be significant reductions and elimination of tariffs for beef and beef products into Japan. Under the CPTPP, Australian beef exporters will enjoy a tariff reduction of 27.5 percent in the first year of the agreement for fresh and frozen products while U.S. beef tariffs will remain at

38.5 percent. In general, duties for TPP-11 countries will see their tariff rates for beef exports decline to 9 percent within 15 years. In addition, Japanese tariffs on processed meat products will drop to zero within 15 years.”¹

Furthermore, Japan’s tariff rates for chilled and frozen beef will be cut from 38.5 percent to 27.5 percent on December 30, to 26.6 percent on April 1, then phased down to 9 percent over 16 years. Duties on beef variety meat including tongues and skirts will be cut to 6.4 percent on implementation and to 5.7 percent on April 1, then phased to zero over 10 to 12 years. The tariff rate disadvantage facing U.S. beef is just one reason why NCBA strongly encourages the prioritization and expedition of negotiations between the United States and Japan for the immediate and long-term benefit of U.S. beef producers and our Japanese consumers.

Another area that should be addressed is the volume-based quota restrictions and the snapback tariff of 50 percent. Due to the prolonged drought and herd shortage in Australia, U.S. beef sales skyrocketed in 2017, reaching nearly \$1.9 billion. Unfortunately, our resounding success in Japan triggered a “snapback” tariff of 50 percent on frozen beef that was in effect from August 1, 2017 to March 31, 2018.

In July 2017, NCBA President Craig Uden issued the following statement in response to implementation of the snapback tariff: “We are very disappointed to learn that the tariff on frozen beef imports to Japan will increase from 38.5 percent to 50 percent until April 2018. Japan is the top export market for U.S. beef in both volume and value, and any safeguard that restricts our sales to Japan will have a negative impact on America’s ranching families and our Japanese consumers. NCBA opposes artificial barriers like these safeguards because it unfairly distorts the market and punishes both producers and consumers. Nobody wins in this situation. Our producers lose access, and beef becomes a lot more expensive for Japanese consumers.”²

Australia is our leading competitor in Japan. Under the Japan-Australia Economic Partnership Agreement, Australian beef imports are not subject to the 50 percent snapback tariff. That benefit will be expanded under the CPTPP. According to the USDA-Foreign Agricultural Service, “Instead of current country-specific safeguard trigger levels, the CPTPP safeguard will work on an aggregated volume of imports from all parties to the agreement. The safeguards will start at 590,000 MT and gradually increase. Under CPTPP, Australia will be able to exceed its JAEPA safeguard volumes.”³

Unfortunately, not having preferential access like the CPTPP has left U.S. beef exports vulnerable to triggering the safe guard in the future. According to Reuters, on August 2, 2017, Japan’s Finance Minister Taro Aso was asked about the safeguard frozen beef tariff and said: “This measure would be abolished if the TPP were implemented, but it remains because the U.S. withdrew from TPP.”⁴ The U.S. beef industry needs a long-term solution to the snapback tariff issues we currently face, and those terms need to meet or exceed the terms our competitors have under the CPTPP.

¹ “Increased Market Access Under the TPP-11 Agreement,” USDA GAIN Report No. AS1812, May 1, 2018.

² NCBA Press Release, NCBA Responds to Japan Raising Tariff on U.S. Beef Imports: “Underscores Urgent Need for Bilateral Trade Agreement,” July 28, 2017.

³ “Increased Market Access Under the TPP-11 Agreement,” USDA GAIN Report No. AS1812, May 1, 2018.

⁴ Kajimoto, Tetsushi, “Japan’s Aso says Tokyo to discuss frozen beef import tariffs in talks with U.S.” *Reuters*, July 31, 2017.



In addition to CPTPP, Japan is moving forward with agreements with other competitors. For example, Japan and the European Union will soon implement a trade agreement where the Japanese will give the European Union beef producers similar terms to those negotiated in CPTPP.

Some analysts predict that the continued high price of Australian beef will help U.S. beef remain competitive in the short term, but we are concerned about the long-term implications once our luck runs out and the Australian herd recovers. It will be difficult for U.S. beef to remain competitive in the long run if our competitors have preferential tariff treatment in Japan. Unfortunately, we do not have access to any other markets that can absorb the high-value demand we currently enjoy in Japan.

For these reasons, NCBA strongly supports prioritizing and expediting negotiations for a U.S.-Japan Trade Agreement that will provide rules-based, science-based, and market-based trade that is beneficial for U.S. beef producers and our Japanese consumers.