



August 14, 2014

The Honorable Thomas J. Vilsack
Secretary of Agriculture
United States Department of Agriculture
Room 200-A Jamie Whitten Building
14th Street & Independence Ave., S.W.
Washington, D.C. 20250

Ambassador Michael Froman
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Secretary Vilsack and Ambassador Froman:

I am writing to you about Japan's complex tariff system for pork imports, commonly referred to as the Gate Price. As you know, the U.S. pork industry's highest priority in the Trans-Pacific Partnership (TPP) negotiations is the elimination of the Gate Price, as well as the elimination of all Japanese import duties on U.S. pork. Pork producers' support for a final TPP Agreement is conditioned on the elimination of all tariff and non-tariff barriers to U.S. pork exports in each of the TPP nations, including the elimination of the Gate Price in Japan.

The elimination of all protection on pork in Japan is the most important commercial issue ever to face U.S. pork producers. While Japan's current offer on pork, if implemented, might allow a modest increase in U.S. pork exports, it would rob the U.S. pork industry of hundreds of millions of dollars in annual pork exports to Japan and would stymie the creation of thousands of U.S. jobs that the industry would realize if the Gate Price and tariffs on pork were eliminated. Further, the disposition of this issue will impact our producers for the next 25 years. The agreement reached between the No. 1 and No. 3 economies in the world – the two economic cornerstones of the TPP – will either enhance or significantly diminish the value of all future free trade agreements for our producers.

There are compelling factors in Japan that weigh strongly in favor of abolishing the Gate Price. First, there is a long history of fraud and criminal activity surrounding the Gate Price – with some Japanese importers inflating invoices to prices above the Gate Price to minimize import duties – that has been [well documented in the Japanese press](#). Additionally, sources in Japan have informed us that there is widespread opposition within Japanese government ministries to the continued operation of the Gate Price. Only the Ministry of Agriculture, Forestry and Fisheries (MAFF) staunchly supports the continued operation of the Gate Price. We find it odd – to say the least – that anyone in the Japanese government would defend a system that generates fraud and criminal behavior. Over 20 years of fraudulent activity demonstrates that the system is unworkable.

Second, consumer groups in Japan oppose the Gate Price because of the inflationary impact it has on already high Japanese food prices. Japan maintains some of the highest agricultural tariffs in the world to protect its agricultural sector, despite its heavy dependence on food imports to feed its population. As a result, Japanese consumers face some of the highest food prices in the world. High food prices have been exacerbated in recent years by a significant weakening of the yen. With respect to pork, an Iowa State University study found that the price of pork carcasses in Japan was 30 to 40 percent higher than the delivered price of equivalent U.S. chilled pork. Moreover, the Gate Price has forced the Japanese pork processing industry to use expensive cuts, such as loins, to make sausages and other processed items, which further inflate consumer prices. These problems have been compounded by a recent increase in Japan's consumption tax, from 5 to 8 percent.

Third, Japan is losing jobs as a result of the Gate Price. Japanese pork processors are beginning to move off shore because the Gate Price deprives them of the competitively-priced, high-quality imported pork they need to remain competitive. For example, in March 2009, Ito Ham established in Thailand a joint venture company to produce sausages. In March 2012, Marudai Foods completed the construction of a ham and sausage production factory in Thailand. This trend can be expected to accelerate if Japan does not abolish the Gate Price in the TPP.

Fourth, there is a constitutional challenge to the Gate Price. Japanese plaintiffs in the case, one of them a former high-ranking Japanese government official, are challenging the legality of the Gate Price under the Japanese Constitution, which requires that obligations contained in treaties be given legal precedence over domestic laws. Japan regards the World Trade Organization's "Marrakesh Agreement," which established the existing body of WTO rules, as a treaty. The plaintiffs argue that the Gate Price is in violation of provisions of the WTO Agreement on Agriculture, which prohibit the use of variable import levies. The plaintiffs further argue that, because the Gate Price violates Japanese treaty obligations contained in the Marrakesh Agreement, it violates Japan's constitution.

In sum, Japan's Gate Price generates fraud and criminal activity; it discriminates against Japanese consumers by putting upward pressure on food prices; it threatens Japanese jobs by forcing the meat processing sector to look at other Asian nations as a production platform; and it is under constitutional challenge.

We appreciate the efforts you are making as part of the TPP negotiations to fully open the Japanese market to U.S. pork products. We hope the information in this letter will be helpful to you in achieving that goal. We stand ready to work with you in whatever way possible to achieve the elimination of the Gate Price, as well as all Japanese import duties on U.S. pork.

Sincerely,



Dr. Howard Hill
President
National Pork Producers Council

The Global Voice for the U.S. Pork Industry