

JAPAN

Market Overview

Japan was the fourth largest market for U.S. agricultural products in 2022, after China, Mexico, and Canada. The USDA's Agricultural Trade Office in Osaka (hereinafter referred to as "Post") reports in its most recent Annual Exporter Guide dated December 23, 2022, that the Japanese food market was valued at US\$698 billion in 2021, with retail sales accounting for US\$467 billion (67%) and foodservice sales accounting for US\$231 billion (33%).

Japan relies on imports from other countries for the bulk of its food supply. The U.S. is the leading agricultural product supplier to Japan, accounting for a 23% market share in 2022, more than twice the share of the second largest supplier, China. The Japanese market is highly competitive with consumers seeking quality, value, and convenience.

The U.S. exported US\$14.6 billion in agricultural products to Japan in 2022, an increase of 3.0% from 2021. There are many opportunities for U.S. exporters who are willing to follow the strict Japanese product regulations and research the latest trends in the market. Under the U.S. – Japan Free Trade Agreement (effective January 1, 2020) nearly 90% of U.S. food and agricultural imports into Japan are either duty free or receive preferential tariff access.

Japan's inflation rate, impacted by the recent depreciation of the yen versus the dollar, was the highest in over four decades in 2022, and resulted in higher prices for many food products that year. However, demand for agricultural products from the U.S. is expected to remain strong overall.

Market Opportunities and Challenges for U.S. Food Exporters in Japan

Opportunities:

- U.S. products have a favorable quality reputation and are generally priced lower than domestic products.
- The U.S. is recognized as a global leader in high standards for food safety and animal/plant health.
- Perception of the United States as a reliable supplier with large production capacity
- Diverse range of product availability from bulk to intermediate to consumer oriented.
- Increasing westernization and health consciousness of consumer food preferences.

Challenges:

- Japanese consumers generally prefer domestic products over imports and are willing to pay a premium for "made in Japan."
- Strict regulatory standards for imports that sometimes exceed U.S. domestic regulations.

- The depreciation of the yen versus the dollar in 2022 has led to an increase in the costs of importing U.S. agricultural products.

In 2022, U.S. exports of consumer ready foods totaled US\$6.8 billion, a decrease of 3% following the record high of 2021. Japan was the 4th largest market for U.S. consumer food products in 2022 after Canada and Mexico, the 3rd largest market for bulk commodities at \$6.2 billion, and the 5th largest export market for intermediate products at \$1.7 billion. Leading processed foods exported to Japan in 2022 as reported by Post included processed vegetables and pulses, prepared/preserved seafood, food preparations and ingredients, prepared/preserved meats, processed/prepared dairy products, alcoholic beverages, and non-alcoholic beverages.

Retail Food Sector

Post reports that in 2021, the total value of all retail food and beverage (F&B) sales in Japan was US\$468 billion, a 1.3% decrease over 2020 sales of US\$474 billion. At the outset of COVID-19, retail food and beverage sales surged as a result of consumers eating at home more often, especially during multiple States of Emergency throughout Japan when the government urged citizens to stay home. As the pandemic has receded in severity, retail sales continue to decline.

Supermarkets account for the major portion of the retail food market, representing a 74% share, while convenience stores account for 15%. Drug stores and internet sales of food and beverages are steadily increasing, particularly on-line food purchases. Ready-to-eat meals (REM) and take-home food items have also been increasing, and sales are expected to continue to grow in the future.

Top product prospects include beef and beef products, pork and pork products, tree nuts, dairy products (cheeses), condiments and sauces, fresh vegetables, eggs and egg products, beer, and processed fruit. Post adds Japan imports a broad array of products representing the full spectrum of America's consumer-ready, intermediate, and bulk food production. However, Japanese importers and consumers frequently seek new, trendy, and innovative products. The frozen and freeze-dried food market is expanding as well as that for functional foods targeting senior citizens as the average age of the Japanese population increased. Plant-based products as well as those promoting protein added ingredients have also been increasing. Opportunities may be found at any time for competitively priced, quality, or novel products.

Foodservice Sector

Post reports that total sales of the hotel, restaurant and institutional (HRI) food service industry totaled US\$231 billion in 2021, a decrease of 3.3% from 2020 due to the ongoing COVID-19 pandemic. The industry experienced the biggest annual decline in sales in 2020 as restaurant traffic shrank sharply due to COVID concerns. Despite the overall declines, American-style fast food chains experienced stable sales, and with easing States of Emergencies (SOEs), increased vaccination rates, and public outings resuming, foodservice sector sales are rebounding. Growth in the foodservice sector is expected to be robust in 2023 as consumers eat out more often and return to pre-COVID

levels. Japan also recently eased its COVID-related entry restrictions for visitors and expects a surge of tourists in 2023 and beyond, which will help expand the HRI sector. It is anticipated that Japan's demand for U.S. agricultural products that supply the Japanese HRI foodservice industry will be strong in the coming year.

Top product prospects include processed meat products, including beef, pork, and poultry, wheat, fresh and processed fruit, tree nuts, whiskey, wine, beer, and cheese.

Food Processing Sector

Post reports that in 2021, the US\$216 billion food processing industry produces a wide variety of foods: traditional Japanese, Western, and health-oriented foods for infants and the elderly. Food processors focus on maintaining market share among traditional product lines while developing creative and innovative food products to attract consumers. Plant-based food products, as well as those containing added protein, continue to grow in popularity as consumers focus increasingly on the health benefits of the foods they eat. Post reports that Japanese food manufacturers seek quality ingredients and conveniently prepared semi-processed foods that can reduce costs.

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