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Report Highlights: During 2002, Japan's imports of poultry meat are forecast at 560,000 MT, a modest recovery from this year's forecast of 540,000 MT. The estimated import decline in 2001 is due to strong EU demand for poultry meat, high international prices, a weak Japanese yen, and MAFF's suspension of poultry imports from China. However, in 2002, China will come back. To regain market share in Japan, the U.S. industry must increase shipments of deboned parts and effectively promote safety and wholesomeness. Amid a surplus of table eggs, reduced wholesale prices, and hot weather, Japan's imports of egg products in 2001 likely fall, while a modest recovery foreseen in 2002.

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Japanese Poultry Market Situation and Outlook in 2001 and 2002

MAFF Lifts Import Suspension of Chinese Poultry Meat Imports on August 7

On August 7, 2001, The Ministry of Agriculture, Forestry, and Fisheries (MAFF) lifted the import ban on Chinese poultry meat, excepting live duck chicks and duck meat. Chinese broiler, turkey meat and prepared poultry meat products such as "y*akitori*" are now permitted entry. Broiler parts (deboned leg and breast, and wings) from China are heavily relied upon by Japan's HRI/HMR sector, and more than 95% of Chinese poultry shipments to Japan are broiler parts.

Despite the lifted ban, it will take weeks or up to a month for poultry meat shipments from China to resume due to strengthened quarantine controls, compliance requirements in both countries, and changes to health certificates. Thus, trade sources expect full loads of broiler parts, including those accumulated during the past months, to not start arriving till sometime in September. Trade volume will likely reach a normal pace during the fourth quarter of this year, assuming no quarantine problems reoccur in China. Imports of live duck chicks and duck meat remain banned pending MAFF's clearance of disease risk concerns.

According to MAFF's recent press release, the country risk assessment on poultry pests was completed in July, and MAFF's experts concluded a minimal risk of Chinese poultry having the Avian flu virus with the exception of ducks. Furthermore, sampling tests conducted by MAFF on Chinese poultry meat already in Japan prior to

June 8 were negative for Avian flu. One sample apparently had a trace of New Castle Disease, but this problem was dealt with under an animal health protocol between GOJ and Chinese Government.

Industry sources expected MAFF to lift the ban in late July, so the announcement brought relief to Japanese importers concerned about rapidly depleting frozen stocks over the last two months. July monthly ending stocks (domestic and imported combined) were estimated 30% below last July at 80,000 - 90,000 MT, according to press reports.

On June 8, 2001, MAFF suspended entries of all Chinese poultry meat, poultry meat products, and eggs due to Avian flu (see FAS/Japan's reports JA1053 and JA1055). Avian flu outbreaks in Hong Kong/Macao, followed by detection of the virus from Chinese duck meat imported into Korea, prompted MAFF's action.

Drop in Japanese Imports of Poultry Forecast in 2001 Due to High Prices, Strong Demand for Poultry Meat in EU, the Weak Yen, and Japan's Import Ban on Chinese Poultry Meat

FAS/Japan's semiannual forecast for poultry meat imports is revised downward from all major suppliers (see table below). The annual import total for 2001 is now forecast at 525,000 MT for broiler meat and 540,000 MT for poultry meat (broiler and other poultry combined), down 8% each compared to the previous year's figure.

Brazil, Thailand, and China Look to EU for Sales and Market Share as Consumption Surges

Robust demand for poultry meat in the EU is one factor leading to Japan's declined poultry meat imports this year. BSE (Mad Cow Disease) in the EU signaled major suppliers to hike offer prices for poultry meat to Japan in 2001, and prices rose 5-10% in early 2001. FMD (Foot-Mouth Disease) outbreaks in Britain and some EU states further complicated the situation this spring, fueling EU demand for poultry meat and driving prices up 10-20%. China also aggressively increased prices to Japan. Following MAFF's import suspension of Chinese poultry meat, offer prices increased further. The resumption of Chinese poultry meat imports will relax offer prices for poultry meat to Japan sometime after August.

Brazil and Thailand are also boosting chicken shipments to the EU. The Thai broiler industry has reportedly been expanding their production capacity, and the country increased exports to the EU during January-May 2001 about 77% for broiler meat and 83% for prepared products. The EU is now a battle ground for poultry meat suppliers; further, the EU did not halt entries of Chinese poultry meat.

The United States Must Boost Sales of Boneless Leg Meat to Improve Market Share in Japan

Exports of U.S. boneless leg, for use in Japanese style fried chicken, increased somewhat due to the halt in Chinese shipments to Japan during the last two month period. Some HRI/HMR sector end users reportedly switched to U.S. product this fall due to U.S. supplier price reductions. Uncertainties over the safety of Chinese poultry meat also appear to be favoring U.S. poultry parts.

Sales opportunities for U.S. broiler parts, which are mostly bone-in legs, will hinge on Japanese processor demand for deboning cuts. To increase broiler exports to Japan, the U.S. industry will need to increase supplies of boneless parts catered to HRI/HMR sector specifications. The timing appears to be right because the safety and wholesomeness of U.S. chickens is appealing to Japanese end-users. Overall, prospects for U.S. broiler meat trade to Japan will be affected by demand from Russia, Hong Kong and China. Unfortunately, the weak yen against the U.S. dollar is diminishing competitiveness this year.

FAS/Japan projects Japan's U.S. imports in 2001 to fall 3% from last year to 85,000 MT for broiler parts. Trade sources indicate demand exists for duck meat internationally, but U.S. supplying capability is limited.

Japan's Poultry Imports to Rebound in 2002, Assuming Troubled EU Situation Calms and Prices Fall

Japan's food market is under unprecedented deflationary pressure leading to severe price reductions in particularly the food service sector. The current high prices for poultry meat, coupled with the weak yen, will be determinants of any recovery in Japan's poultry imports in 2002. Assuming the EU's BSE and FMD situation stabilizes, EU consumers will likely shift to more beef and pork consumption in 2002 which will reduce international prices for poultry meat for Japanese buyers. If the above scenario prevails in 2002, Japan's poultry and broiler meat imports are projected up 4% from 2001.

Tightened Japanese consumer spending is the greatest impediment to expanded poultry sales in 2002. Private and public sectors are undergoing serious reforms, some leading to job cutting. Japan's jobless rate, at a historic high of 4.9% this year, will likely remain high in 2002. The market will not favor expensive imports.

Japanese Broiler Meat Imports							
Period: January - December							
				Unit: Mt. (Customs Clearance Basis)			
	Actual	Actual			Forecast		
	1999	2000	% chg.	Share	2001	% chg.	Share
U.S.	104,726	87,321	-17%	15%	85,000	-3%	16%
China	213,141	238,215	12%	42%	223,000	-6%	42%
Thailand	130,575	127,971	-2%	23%	115,000	-10%	22%
Brazil	99,220	112,935	14%	20%	100,000	-11%	19%
Other	3,694	1,856	-50%	0%	2,000	8%	0%
TOTAL	551,356	568,298	3%	100%	525,000	-8%	100%
Source: World Atlas Data							
Note: Exclude HS 0207.14.100 - Liver							

Japanese Poultry Meat Imports							
Period: January - December							
			Unit: Mt. (Customs Clearance Basis)				
	Actual	Actual			Forecast		
	1999	2000	% chg.	Share	2001	% chg.	Share
U.S.	105,624	88,517	-16%	15%	86,000	-3%	16%
China	222,766	250,479	12%	43%	235,000	-6%	44%
Thailand	131,921	129,006	-2%	22%	115,000	-11%	21%
Brazil	99,282	112,996	14%	19%	100,000	-12%	19%
Other	5,389	3,264	-39%	1%	4,000	23%	1%
TOTAL	564,982	584,262	3%	100%	540,000	-8%	100%
Source: World Trade Atlas							
Note: Exclude HS 0207.14.100, 0207.34.000, 0207.36.100 - Liver							

Food Safety Concerns Likely to Boost Imports of Prepared Poultry Meat, Particularly Heat Treated Products, in 2002

Possible recurrences of poultry quarantine problems in China remain a concern for Japanese end-users in 2001 and 2002. While quarantine risks exist, China's abundance of low cost labor will continue to assure a steady flow of prepared chicken products to Japan in coming years.

Japanese livestock-related investments in China have shifted to value-added products competing with Thailand. Processing plants in China now do primal cuts and piece cuts according to detailed specifications designed for the Japan market. Chinese suppliers are also skilled at preparing highly processed chicken products such as charcoal grilled chicken, prepared *yakitori* sticks, Japanese-style fried chicken, and *teriyaki* chicken that is popular in the prepared food market and sold at competitive prices.

During 2000 China supplied 91,630 MT (60%) of total prepared chicken imported by Japan (see the table below). Due to the suspension period, this year's prepared chicken product imports from China are forecast below 90,000 MT, while Thailand is expected to make up some of the supply shortfall in 2001. For next year, FAS/Japan expects Japan's prepared chicken shipments to rebound, while the composition of the heat treated products (other than frozen flavored, seasoned or sauced) from China may likely grow.

Japanese Prepared Poultry Meat Imports							
Period: January - December							
				Unit: Mt. (Customs Clearance Basis)			
	Actual	Actual			Actual		
	1998	1999	% chg.	Share	2000	% chg.	Share
U.S.	13,036	14,845	14%	13%	14,668	-1%	10%
China	41,840	59,734	43%	52%	91,630	53%	60%
Thailand	38,031	40,574	7%	35%	46,655	15%	30%
Other	1,148	638	-44%	1%	807	26%	1%
TOTAL	94,055	115,791	23%	100%	153,760	33%	100%
Note: Figures are total of HS1602.32.290, 1602.31.290 and 1602.39.290							

Domestic Poultry Meat Production in 2002 Forecast Roughly Unchanged

Japan's total broiler meat production this year is forecast at 1.08 million MT, a drop of 1% from last year, partly due to hot weather. The industry reduced chick numbers put into broiler production this summer due to excessive heat. Overall, the number of Japanese broiler farms declines year after year. In 2001, there were 2,986 broiler farms, down 3% from 2000, raising 106 million birds, down 2% from a year before. The slaughter of spent hens, due to the surplus of eggs in 2001, may increase in 2002.

Facing difficult economic conditions, Japanese households are selecting inexpensive domestic broiler parts for table consumption (e.g., breast meat, wings) over more expensive leg meat. Reflecting this retail trend, during the first half of 2001, the average wholesale price of domestic leg meat was down 3% (601 yen per kilo) while breast meat was up 8% (217 yen per kilo). In the same period, overall household spending on chicken meat fell.

Due to high international prices for breast meat, HRI/HMR sector end-users increased purchases of competitively priced domestic breast meat in 2001; this trend led to increased wholesale prices of breast meat in the first half of 2001.

Nonetheless, Japan's market for domestic broiler meat will remain soft in 2002 as retail consumption of domestic table chicken is affected by lethargic household consumption and preferences for less-expensive parts.

Japanese Egg Market Situation and Outlook 2001 and 2002

Egg Imports Forecast Down in 2001 Due to Weak Yen, Reduced Consumption, Over-Supply, and Increased Output of Domestic Eggs

During 2001, table egg consumption fell in Japan due to hot weather. Although domestic egg production is forecast to rise only slightly from a year ago, wholesale egg prices plunged during the first half of 2001 (e.g., first quarter prices fell 9% followed by a plunge of 20% in the second quarter). The market price situation during July and August further deteriorated, exacerbated by weak sales of table eggs. As a result, deficiency payments were paid to member producers since June from the funds of two national voluntary poultry associations.

FAS/Japan forecasts a 9% fall in imports during 2001 due to Japan's egg surplus situation and increased domestic output of processed egg products. The weak yen and excess supplies may impact imports of U.S. egg yolk (powder), egg yolk (frozen) and whole egg (powder). Domestic end users--confections, desserts and bakery--will likely seek less expensive alternatives.

Additionally, due to MAFF's import suspension of Chinese eggs, imports of shell eggs from China will likely drop substantially in 2001. China is a major supplier of shell eggs to Japan, mainly for Chinese restaurant use, though the volume is not significant relative to Japan's total egg product imports.

Reduction in Egg Output Likely in 2002 Leading to Higher Imports

Japan's domestic egg producers may need to reduce egg production next year to boost wholesale egg prices. Assuming more favorable weather conditions prevail, FAS/Japan projects slightly increased table egg consumption and imports of egg products in 2002.

Japanese Imports of Egg Products					
Period: January - December					
Unit: Mt (Shell Egg Equivalent)					
	1998	1999	% Chg.	2000	% Chg.
Egg Yolk (Powder)	5,431	4,359	-20%	4,548	4%
Egg Yolk (Frozen)	8,214	10,234	25%	12,525	22%
Whole Egg (Powder)	9,707	10,355	7%	11,065	7%
Whole Egg (Frozen)	1,740	2,337	34%	2,702	16%
Albumen (Powder)	71,888	84,708	18%	81,183	-4%
Albumen (Frozen)	4,025	4,602	14%	5,418	18%
Shell Eggs	1,048	889	-15%	1,844	107%
Grand Total	102,053	117,484	15%	119,285	2%
Note: Figures are compiled by post based on World Atlas data.					
Note: Coefficient factors used to convert customs clearance data into shell eggs in MT are;					
Egg Yolk (Powder) 1.1, Egg Yolk (Frozen) 1.0, Whole Egg (Powder) 4.4, Whole Egg (Frozen) 1.1					
Albumen (Powder 8.6, Albumen (Frozen) 1.2					

Japanese Broiler Meat PS&D Table

PSD Table						
Country	Japan					
Commodity	Plty, Meat, Chicken -16 wks				(1000 MT)(MIL HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	109	108	107	106	0	106
Slaughter (Reference)	575	569	570	565	0	565
Beginning Stocks	95	95	115	116	116	93
Production	1080	1091	1070	1080	0	1085
Whole, Imports	5	4	5	4	0	5
Parts, Imports	555	564	555	521	0	540
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	560	568	560	525	0	545
TOTAL SUPPLY	1735	1754	1745	1721	116	1723
Whole, Exports	0	0	0	0	0	0
Parts, Exports	4	3	4	3	0	3
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	4	3	4	3	0	3
Human Consumption	1566	1585	1575	1575	0	1575
Other Use, Losses	50	50	50	50	0	50
Total Dom. Consumption	1616	1635	1625	1625	0	1625
TOTAL Use	1620	1638	1629	1628	0	1628
Ending Stocks	115	116	116	93	0	95
TOTAL DISTRIBUTION	1735	1754	1745	1721	0	1723
Calendar Yr. Imp. from U.S.	90	89	95	86	0	90

Japanese Poultry Meat PS&D Table (Broiler, Spent Hen, Other Poultry Combined)

PSD Table						
Country	Japan					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	109	108	107	106	0	106
Slaughter (Reference)	670	667	665	665	0	665
Beginning Stocks	95	95	115	116	116	93
Production	1190	1196	1180	1180	0	1185
Whole, Imports	6	7	6	5	0	6
Parts, Imports	569	577	569	535	0	554
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	575	584	575	540	0	560
TOTAL SUPPLY	1860	1875	1870	1836	116	1838
Whole, Exports	0	0	0	0	0	0
Parts, Exports	4	3	4	3	0	3
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	4	3	4	3	0	3
Human Consumption	1686	1700	1695	1685	0	1685
Other Use, Losses	55	56	55	55	0	55
Total Dom. Consumption	1741	1756	1750	1740	0	1740
TOTAL Use	1745	1759	1754	1743	0	1743
Ending Stocks	115	116	116	93	0	95
TOTAL DISTRIBUTION	1860	1875	1870	1836	0	1838
Calendar Yr. Imp. from U.S.	91	89	95	86	0	90

Japanese Egg PS&D Table

PSD Table						
Country	Japan					
Commodity	Poultry, Eggs				(MIL HEAD)	(MIL PCS)
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Layers	140	140	142	139	0	138
Beginning Stocks	0	0	0	0	0	0
Production	41800	42041	42000	42100	0	41900
Hatch Eggs, Imports	0	0	0	0	0	0
Shell Eggs, Imports	30	31	20	10	0	10
Other Imports	2000	1957	1780	1790	0	1840
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	2030	1988	1800	1800	0	1850
TOTAL SUPPLY	43830	44029	43800	43900	0	43750
Hatch Eggs, Exports	0	0	0	0	0	0
Shell Eggs, Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Hatch Eggs,Consumption	0	0	0	0	0	0
Shell Eggs, Human	35050	34373	34900	34145	0	34500
Shell Eggs,OT.Use/Loss	655	655	655	655	0	650
Other Dom. Consumption	8125	9001	8245	9100	0	8600
Total Dom. Consumption	43830	44029	43800	43900	0	43750
TOTAL Use	43830	44029	43800	43900	0	43750
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	43830	44029	43800	43900	0	43750
Calendar Yr. Imp. from U.S.	510	438	400	400	0	420