

Voluntary Report – Voluntary - Public Distribution

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Report Name: COVID-19 Impacts on Food Distribution in Japan - Update I

Country: Japan

Post: Tokyo ATO

Report Category: Agricultural Situation

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Report Highlights:

Following official requests that people stay at home to prevent the spread of COVID-19, schools have closed, tourism has come to a halt, and public outings have fallen. As such, previously reported downward trends in Japan’s food service sales continue, while retail sales at supermarkets remain strong.

The following report is the product of ATO Japan interviews with industry contacts and open source news articles. To date, official data on retail and food service sales, or food consumption, for March and April of 2020 are unavailable. While we are confident that the following content is indicative of industry sentiment, we encourage readers to seek confirmation of these trends as data becomes available.

1. Links to Other Reports

April 10: [COVID-19 Impacts on Food Distribution in Japan](#), our original situation report which includes an overview of Japan's food distribution system.

April 15: [ALIC Announces Details of COVID-19 Funding for Beef Industry](#), which describes how the Government of Japan's supplementary budget will be used to stimulate consumption of wagyu beef.

2. COVID-19 Mitigation Measures Suggested by the Government of Japan (GoJ) and Local Authorities

a. Impact on Consumption Patterns

On April 10, Tokyo Governor Yuriko Koike asked "non-essential" businesses to close voluntarily until May 6 and announced the city would pay each business that complies approximately \$4,600 in "infection spread prevention cooperation fees" (with a limit of \$9,200 for businesses with multiple locations). The following businesses were included in the request: 1) amusement facilities, 2) universities and cram schools (specialized schools offering private instruction for exam preparation), 3) sports and recreation facilities, 4) theaters, 5) event and exhibition venues, and 6) large commercial facilities such as shopping malls and department stores. Many restaurants have closed temporarily. For those that remain open, the Tokyo government has asked that they limit operations to hours between 5 a.m. and 8 p.m. and to stop serving alcohol at 7 p.m. Koike included supermarkets, convenience stores, and hotels in her designation as essential and will not ask them to close.

i. Decline in Tourism

According to the Japan National Tourism Organization, the number of foreign visitors to Japan in March fell 93 percent from a year earlier, to 193,700.

b. Impact on Transportation and Supply

i. Flight Disruptions

The prices of vegetables and fruit imported from the Southeast Asian countries has gradually started to rise as many airlines have reduced or suspended operations leading to a reduction of airfreight shipments. According to The Nihon Keizai Shimbun (the Nikkei), flights between Japan and Southeast Asia have dropped by 60 to 70 percent, and shipments of produce on commercial flights have fallen between 20 and 30 percent. The impact has affected products including as okra from the Philippines and Thailand, and baby corn and bell peppers from South Korea.

Consequently, wholesale and retail prices of these produce have been trending approximately 30 to 40 percent higher than average.

ii. Labeling Relaxations

Japan's Consumer Affairs Agency will temporarily suspend the strict monitoring of non-critical food labeling information in response to COVID-19 related supply chain disruptions. For more information, see GAIN JA2020-0082.

3. Impacts on Major Distribution Channels

a. Hotel, Restaurant, and Institutional (HRI) Sector

i. Restaurants

Japan Agricultural News reported that many of Japan's major foodservice chains have posted record low sales in the month of March, as people refrain from leaving their homes amidst the coronavirus outbreak. The izakaya chains Daisy and Watami posted record low sales in March, each dropping around 40 percent. Conversely, fast food chains providing takeout and delivery, such as McDonalds, KFC and Mos Food Services, have fared well, posting minimal declines or increased sales versus this time last year. Many of the food retail chains have started strengthening their take out services, such as Yoshinoya and Skylark.

b. Retail

i. Supermarkets

While COVID-19 situation and GOJ advisories discourage citizens from going out, reliance on supermarkets has grown sharply. According to Asahi Shimbun, Life Corporation (which manages "Life" supermarkets), has decided to distribute around 300 million yen (about \$2.8 million) in "Emergency Special Thanks Bonuses" to 40,000 employees, including part-time workers. The company has 275 stores in the Kansai (southwestern Japan) and Tokyo metropolitan area, and continues to operate even after the GOJ declared the state of emergency.

ii. Convenience Stores

According to Diamond Retail Media, the three largest convenience stores reported slight sales declines in March 2020 versus March 2019 . Seven-Eleven sales were reportedly down 3.2 percent with lower consumer visits more than offsetting a higher average sales price per customer. Likewise, Family Mart sales were down 7.6 percent and Lawson sales were down 5.2 percent. However, Lawson Store 100, which shelves fresh produce, saw a 4.3 percent sales increase.

iii. Small Businesses

The U.S. Consulate in Osaka reported that mom-and-pop businesses' retail sales are down over 90 percent in the Osaka-Kobe area. Many of the shops in central Osaka depend on regional tourism for a large proportion of their sales. Shop owners are concerned that temporary closures and a sustained lack of sales over the past two months may lead to permanent closures.

Attachments:

No Attachments.