Required Report: Required - Public Distribution

Date: April 01, 2025

Report Number: JA2025-0014

Report Name: Food Processing Ingredients Annual

Country: Japan

Post: Tokyo ATO

Report Category: Food Processing Ingredients

Prepared By: Sumio Aoki

Approved By: Craig Elliott

Report Highlights:

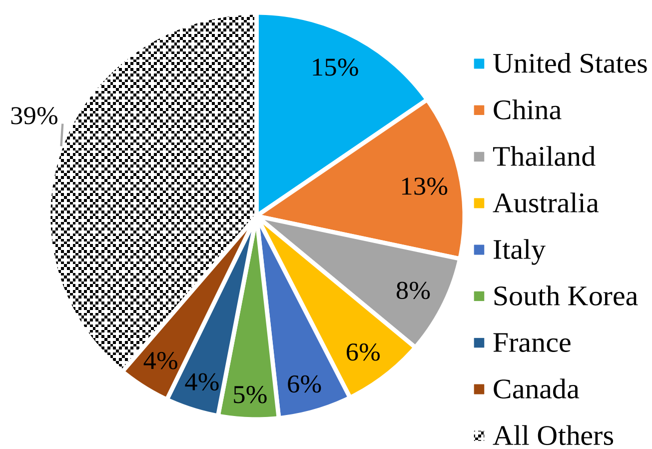
In 2024, Japan's food processing sector had a 3.9 percent increase in the value of food produced, totaling $174 billion. Production increases occurred in dairy, alcoholic beverages, tea, coffee and cocoa, and health foods.

Market Fact Sheet: Japan

Executive Summary:

The United States is the largest foreign supplier of food and agricultural products to an import-reliant Japan (15 percent of import market share)—the fourth largest single market for U.S. agricultural and related products in 2024 ($13.6 billion). On January 1, 2020, the U.S.-Japan Trade Agreement (USJTA) entered into force, providing preferential tariff access for many U.S. agricultural products. Japan's food industries are well-developed and innovative in all sectors, including, retail, food service, food processing, and distribution.

Japan Consumer-Oriented Products Imports ($40 Billion, 2024)



Food Processing Industry:

The $174 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.

Food Retail Industry:

In 2023, the total value of all retail food and beverage sales was $198 billion. Supermarkets represent the bulk of the retail food sales at 74 percent and the convenience store sector accounts for approximately 15 percent of sales. Ready-to-eat meals or take-home foods represent an area of growth.

Population:	123,590,000 (Feb. 2025 est.)
GDP:	$4.0 trillion
GDP/Capita:	$32,336

Top Ten Growth Food Products

1) Meat Products
2) Condiments and Sauces
3) Processed Vegetables
4) Other Consumer Oriented Products
5) Confectionary Products
6) Dairy Products (Cheeses)
7) Tree Nuts
8) Fresh Fruits
9) Processed Fruits
10) Egg & Egg Related Products

Food Industry by Channels (US$)

Consumer-Oriented Imports	$40 billion
Food Processing Industry	$174 billion
Food Industry Gross Sales	$424 billion
- *Retail (2023)*	*$198 billion*
- *Food Service (2023)*	*$226 billion*

Top Ten Retailers

AEON	Life Co
Seven & I Holdings	H2O Retailing
Yamazaki Baking	Valor Holdings
Pan Pacific International Holdings	USM Holdings
Isetan Mitsukoshi	Izumi

Strength	Weakness
U.S. products are in demand and remain trendy.	The negotiating and decision-making process can take time.
Opportunity	**Challenge**
With USJTA, nearly 90 percent of U.S. products are duty free or receive preferential tariff access.	For products not covered in USJTA, many other suppliers enjoy tariff concessions through other FTAs.

Data sources include: Trade Data Monitor, Japan Ministry of Finance, Japan Ministry of Economy, Trade and Industry, Japan Food Service Association, The World Factbook, The World Bank

SECTION I: MARKET SUMMARY

In 2024, the food processing sector experienced a 3.9 percent increase in the value of food produced, totaling $174 billion. Production increases were seen in dairy, alcoholic beverages, tea, coffee and cocoa, and health foods. The following items are the notable market changes, and new government initiatives, and interventions:

- After 24 years Japan revised its Basic Law on Food, Agriculture, and Rural Areas. This revision allows the Japanese government to instruct private farmers to boost production or convert to production of products that are necessary. On September 15th, 2023, a panel of experts from the Ministry of Agriculture, Forestry and Fisheries decided on the final wording for the revision to the 'Basic Law on Food, Agriculture, and Rural Areas,' which had been under discussion against the backdrop of events like Russia's and Ukraine war.

- The average rate of price increases in 2024 was 17 percent, marking a record-high year for price hikes, surpassing the 2023 level of 15 percent for 32,396 product items. The cumulative number of food price increases in 2024 reached 15,520 items, a 60 percent decreased compared to 2023. The rates of price increases by food category are as follows: ingredients such as wheat flour (25 percent), beverages including alcoholic (23 percent), confectionery such as chocolate products (18 percent), seasonings (16 percent), processed foods such as ham and sausage (14 percent), dairy products (10 percent), and bread (8 percent).

- '*Washoku*' (Japanese cuisine), commemorates the ten-year anniversary since being designated as an Intangible Cultural Heritage by the United Nations Educational Scientific and Cultural Organization (UNESCO). Since its registration in 2013, *Washoku* has gained international popularity, and the number of Japanese restaurants abroad has tripled, garnering attention for various Japanese ingredients such as lotus root and Japanese white radish.

WESTERN JAPAN SNAPSHOT:

Western Japan accounts for around 40 percent of Japan’s population and around one-third of the country’s gross domestic product (GDP). The Kansai region, centered around the three major cities of Osaka, Kobe, and Kyoto, represents the second largest regional economy in Japan with 13 percent of national GDP. There is a long history of importing and processing foods in Kansai region. Additionally, many of Japan’s largest food manufacturers maintain offices in the region. Japan’s top meat processors including Nippon Ham, Ito Ham, and Marudai Ham are headquartered in the Kansai region, in addition to major snack processors such as Ezaki Glico, Rokko Butter, Toyo Nuts, House, and Otsuka Foods.

The food processing industry in western Japan, has been experiencing significant challenges in recent years because of inflation and a weakened yen. While companies have kept their focus on maintaining market share, they have also actively enhanced their export strategies through government initiatives, product innovation, and market diversification.

These efforts are continuing to enhance Japan's position in the global food export market. With Japanese companies expanding their business overseas, their production volume has been recovering or increasing, resulting in additional opportunities for the usage of U.S. ingredients. U.S. ingredient exporters that are interested in Western Japan are encouraged to contact ATO Osaka.

Production Value of the Japanese Food Processing Industry

Category of Foods	Value in Billion Dollars (USD)			1-year Percentage Change	Category Share by Percentage
	2022	2023	2024		
Soft Drinks, Juices, Water	32.76	31.06	29.95	-3.57	17.2
Alcoholic Beverages	26.34	24.39	25.87	6.06	14.8
Wheat Flour	16.66	20.12	18.85	-6.31	10.8
Confectionery	18.98	18.31	18.37	0.32	10.5
Dairy	18.1	22.28	25.87	16.11	12.2
Fats, Oils, Seasonings	16.48	15.34	13.48	-12.12	7.7
Processed Other Foods	13.76	8.52	8.32	-2.34	4.8
Health Foods	13.08	12.24	10.70	-12.58	6.1
Tea, Coffee & Cocoa	7.12	6.63	6.50	-1.96	3.7
Processed Meats	5.82	5.84	5.54	-5.13	3.2
Frozen Foods	5.74	5.71	5.24	-8.23	3.0
Other Marine Products	4.36	3.82	3.81	0.26	2.2
Sugars	4.03	4.12	3.92	-4.85	2.2
Retort*	2.81	1.66	--	--	--
Fish Paste	2.24	2.03	1.77	-12.80	1.0
Canned & Bottled Foods	1.24	1.24	0.94	-24.19	0.5
Total	189.52	181.66	174.65	-3.85	100

Source: Shurui Shokuhin Tokei Geppo Feb. 2022, Feb. 2023, Feb.2024

*__Note:__ Retort are food products that are cooked, sterilized, and packed in pouches or containers made of plastic film, metallic foil, etc. for convenience and prolonged shelf life. The survey of Retort had been suspended from 2024. For reference, the data from 2022 and 2023 have been retained. USD=JPY 151.35 for 2024 (Yearly Average Currency Exchange Rates| Internal Revenue Service (irs.gov)

Advantages	Challenges
The United States has a reputation as a reliable supplier of food inputs in terms of availability, volume, and delivery.	Consumers perceive domestic food production as safer or higher quality than overseas production.
U.S. manufacturers produce many specialties that are attractive to Japanese consumers.	Connecting to the appropriate purchasing authority can be difficult.
Consumers have an affinity for American culture/cuisine.	The cost of marketing and advertising can make it difficult to get product information to consumers.

Key market drivers for the food-processing sector include:

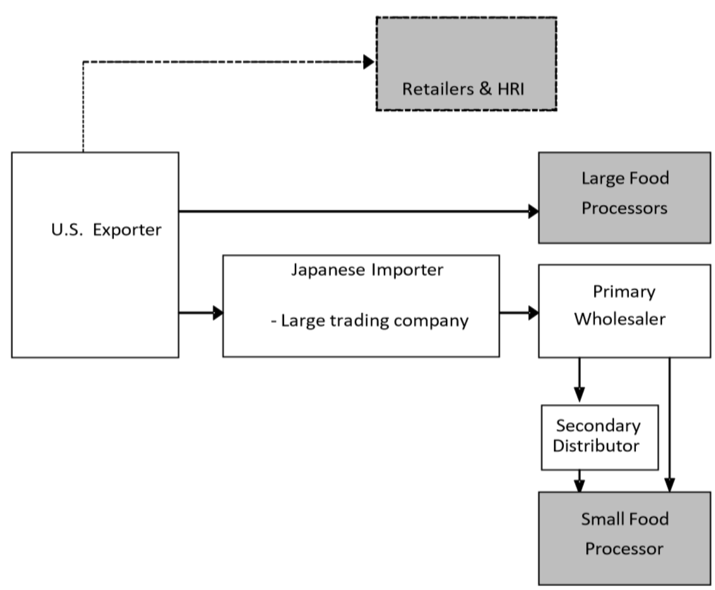
- Continuing diversification of diet. Increased demand for prepared foods.
- Heightened consumer and retailer food safety concerns.
- Increasing interest in health and functional foods with an emphasis on the needs of the aging population.
- Reduced or lower cost inputs to include international processing options to maintain competitive prices.

SECTION II: ROAD MAP FOR MARKET ENTRY

Entering the Japan market may take a considerable amount of time, especially for ingredient suppliers. Manufactures frequently search for specific ingredients but may be unwilling to disclose new product development plans and have reluctance to discuss product sourcing needs. Thus, it's critically important for U.S. ingredient suppliers to build robust relationships with potential manufacturer partners in order to be positioned so when new product needs arise. To capitalize on such sales opportunities, it is important to have secure in-country representation. Therefore, building a relationship with a local importer is a crucial activity in the near term.

A. Market Structure

The following illustration is a basic flowchart showing how imported products tend to enter and move through the traditional Japanese distribution system:



Ingredient products will most likely be handled by a:

1. General trading company
2. First-line wholesaler
3. Second-line wholesaler
4. Food processor

Trading companies provide the following services:

1. Import processing
2. Financing
3. Customs clearance

4. Warehousing
5. Preparation of order and shipping documentation.

Large food processors and retailers are increasingly purchasing sizeable quantities of product directly from trading companies.

B. Market Entry

Regulations for ingredients and additives are generally strict, and exporters must ensure that products are permitted. For additional information, please see (Section C. 1. below). As part of the product clearance and approval process, it is also common that local processors and the Japanese government request specific information regarding product handling and composition. In addition, local manufacturers have a reputation for demanding very high standards for product quality and consistency, while also having a reputation for working collaboratively with suppliers to develop long-term supply relationships. Although there are a number of detailed activities, the Japanese market has enormous potential. Strategies for entering the market vary depending on product characteristics, competition, and the market environment. However, buyers in the food and beverage industry often prefer to find new products at trade shows, where they can explore many products in one location. Therefore, participating in one of Japan's many trade shows is highly recommended to learn about the market and meet with potential business partners.

The largest food-related trade shows in Japan are the Supermarket Trade Show and FoodEx, which annually take place in February and March, respectively.

C. Entrance Strategy:

To get started, companies interested in exporting should:

a. Ensure sufficient production capacity to commit to the market
b. Ensure sufficient financial and non-financial (staff, time, etc.) resources to actively support exported product(s)
c. Evaluate whether the ability exists to tailor product packaging and ingredients to meet foreign import regulations, food safety standards, and cultural preferences
d. Acquire the necessary knowledge to understand shipping overseas such as being able to identify and select international freight forwarders, manage climate controls, and navigate export payment mechanisms, such as letters of credit
e. Research USDA Cooperators or local State Regional Trade Groups (SRTG) by visiting the "Getting Started" FAS webpage). These groups work closely with USDA to help food and agricultural companies advance their exporting goals.

Next steps once a company has established a foundation for exporting.

1. **Determine whether the product is permissible under Japanese food regulations.**
   a. The Exporter Guide and the Food and Agricultural Export Regulations Report (FAIRS), published by USDA Japan contains much of the necessary information.

b. For plant or animal health inquiries, local APHIS offices can provide information.

c. If the product contains meat or meat products, companies should reference the Food Safety Inspection Service Export Library.

d. JETRO's Handbook for Agricultural and Fishery Products Import Regulations is a helpful tool for reviewing Japanese food regulations to determine product compliance, local laws regarding additives, residue levels, and processing procedures, as well as regulations for terms of weight, size, and labeling.

2. Perform basic market research by:

a. Determining the specific area of the market that company product will target

b. Determining potential demand for the product by searching online websites, speaking with other companies that have experience in the market, visiting Japan to conduct market tours, or attending a trade show

c. Determining the comparative advantages of the product versus Japanese and other suppliers, keeping in mind transportation and modification costs. Potential customers need to be convinced of the product's merits, such as price savings, high quality, high value, or more convenient packaging.

3. Develop an export action plan:

Once the general market, product, and regulatory information is collected, companies should begin the process of creating an export action plan. This can be a helpful tool for relaying product vision to distributors and buyers. The plan should have some flexibility as included elements may change after personal experiences in the market or as more information is gathered. This action plan should include:

- The company's story
- Product
- Objective materials
- Market
- Marketing plan
- Schedule
- Evaluation

- Goals and benchmarks, short/long-term
- Product modifications, if applicable
- Product packaging and handling, including Japanese language
- Financial resources to be committed
- Non-financial resources to be committed
- Additional financing
- Potential importers and buyers

4. Learn the market:

Companies should visit Japan to explore opportunities first-hand or find an in-country representative. Face-to-face interactions are very important in Japan, where personal relationships are highly valued. Companies should vet their partners to ensure they have a good reputation and record of accomplishment.

D. Finding a Buyer

Trade shows are excellent tools for market research, in addition to finding potential distributors. FAS updates the list of USDA-endorsed trade shows annually. Companies should contact their appropriate SRTG or USDA Cooperator to inquire about upcoming activities such as trade missions or showcases. For more information on trade shows in Japan, see GAIN JA2020-0054.

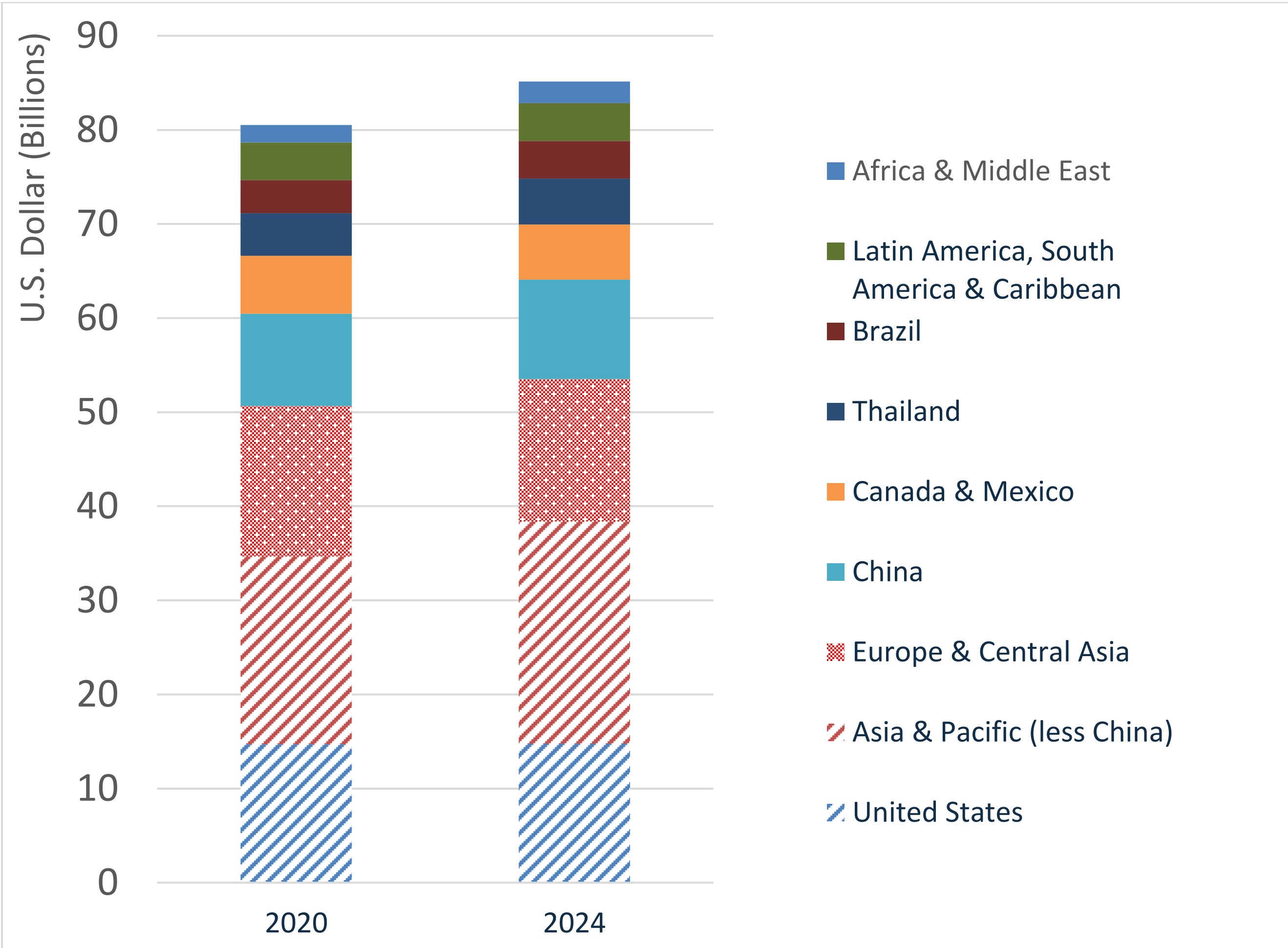
Selected Major Domestic Companies

Company (Main products)	Website
Kirin Holdings (beverages, alcohol)	https://www.kirinholdings.co.jp/english/
Nippon Ham Foods Ltd. (meats)	https://www.nipponham.co.jp/eng/
Meiji Holdings Co., Ltd. (dairy, beverages, confectionery)	https://www.meiji.com/global/
Ajinomoto Co., Inc. (food and amino acids)	https://www.ajinomoto.com/en/?scid=av_ot_pc_comehead_logo
Yamazaki Baking Co., Inc. (bread and bakery products)	https://www.yamazakipan.co.jp/english/index.html
Maruha Nichiro (seafood)	https://www.maruha-nichiro.com/
Itoham Foods Inc. (ham and sausage)	http://www.itoham.co.jp/english/index.html
Megmilk Snow Brand Co., Ltd. (dairy products)	http://www.meg-snow.com/english/
Kewpie Corp. (mayonnaise and dressings)	https://www.kewpie.co.jp/english/
Asahi Group (beverages, alcohol)	https://www.asahigroup-holdings.com/en/
Suntory Ltd. (beverages, alcohol)	https://www.suntory.com/softdrink/index.html

SECTION III: COMPETITION

The United States is the leading pork supplier to Japan followed by Canada and Spain. Japanese consumers strongly associate beef with the United States, with strong competition from Australia. U.S. wheat accounts for around 40 percent of annual imports, with Canada and Australia accounting for about 38 percent and 21 percent, respectively. Soybean imports are primarily from the United States on a value basis at approximately 70 percent, with Brazil and Canada being the main competitors for food-grade soybeans. Cheese is supplied mainly by New Zealand and Australia, each with a market share of about 15percent. The United States' main vegetables and fruits competitors are Asian countries such as Thailand, Philippines, and South Korea, with China primarily competing on proximity, price competitiveness, and varietal preferences. However, the political situation in recent years has influenced Japan's imports, having led to increased imports from European and Middle Eastern countries. Thailand dominates the poultry meat market as well, ahead of Brazil and China; together comprising 98 percent of imports. The United States is the top supplier of corn, followed by Brazil.

Japan's Agricultural Imports (U.S. & World - 2024)



Note: Japan's dependence on imports have continued to grow and widen over the past two decades, driven by Japan entering into Free Trade Agreements. In year 5 of the U.S. Japan Trade Agreement (USJTA), the U.S. has regained market share, and general tariff parity with competitors.

SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES

For the implementation of U.S. Japan Trade Agreement (USJTA), USDA Japan published one-page fact sheets to highlight key product categories that received preferential tariff treatment (linked in the table below). More information on tariff treatments may be found at USDAJapan.org.

Products Present in the Market which have Good Sales

Wheat & Wheat Products: U.S. food wheat is a key ingredient in Japanese bakery and noodle production. The USJTA provides tariff parity with competing food wheat suppliers such as Australia and Canada.

Tree Nuts & Peanuts: In 2024, Japan imported $355.4 million of tree nuts. Tree nuts are increasing in popularity especially in the convenience health snack sector. Almonds, walnuts, pecans, and peanuts, in plain, roasted, and salted forms, are common in single-serve snack packaging at convenience stores across Japan.

Cheese Products: Consumers are taking advantage of expanded retail options in supermarkets. Popular processed products include sliced cheese, cheese sticks, and bite-sized cheese wedges.

Pork & Pork Products: Japan imports around 50 percent of its pork supply. Pork is one of the most popular protein choices for Japanese households and ground seasoned pork (GSP) is a key ingredient for domestic sausage manufacturers.

Potential Products Not Present in Market but which have Good Sales

Frozen breads: These products are in demand, but these are difficult to package, and ship frozen.

Potential Product Not Present Because They Face Significant Barriers

Cherry plums: These products currently face barriers to trade because of fumigation requirements. There are significant costs for suppliers in attempting small shipment volumes.

Organic strawberries: These products require fumigation. Following fumigation, the product’s shelf life is limited and cannot be distributed as organic produce.

Peaches: Peaches are the only stone fruit without market access into Japan. If market access is achieved, it may facilitate a combined fumigation protocol for cherry plums and peaches, which would drive higher volumes and demand in the Japanese market.

SECTION V: KEY CONTACTS

Reports from USDA Japan, including the Agricultural Trade Offices and the Office of Agricultural Affairs, are frequently updated and can be found by searching the FAS Japan Reports website.

ATO Tokyo
U.S. Embassy
1-10-5, Akasaka, Minato-ku
Tokyo 107-8420
Tel: 81-3-3224-5115
Fax: 81-3-3582-6429
E-mail address: atotokyo@usda.gov

ATO Osaka
American Consulate General
2-11-5, Nishi Tenma, Kita-ku, Osaka City,
Osaka 530-8543
Tel: 81-6-6315-5904
Fax: 81-6-6315-5906
E-mail address: atoosaka@usda.gov

USDA Japan Digital Presence
http://www.usdajapan.org/ (FAS Japan)
https://twitter.com/usdajapan (FAS Japan, English)

Japan External Trade Organization (JETRO) Japanese market and regulations:
https://www.jetro.go.jp/en/reports/

Japan Food Sanitation Law: Japan Food Sanitation Act

Specifications and Standards for Foods, Food Additives, etc. under the Food Sanitation Law:
https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryou/shokuhin/syokuten/index_00012.html

Ministry of Health, Labor and Welfare

Imported Food Safety: Imported Food Safety ｜Ministry of Health, Labour and Welfare (mhlw.go.jp)

Japan Food Sanitation Law: https://www.japaneselawtranslation.go.jp/en/laws/view/3687

U.S. laboratories approved by the Japanese Government, visit:
Ministry of Health: List of Foreign Official Laboratories (mhlw.go.jp)

Attachments:

No Attachments