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Report Highlights:

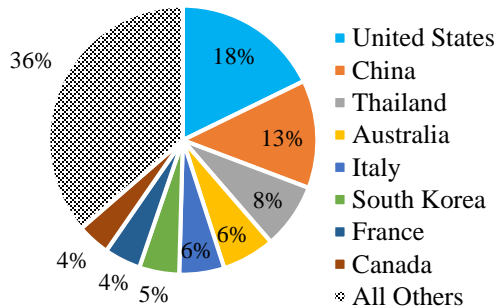
This report highlights Japan's food processing industry, notable trends, and a market snapshot of western Japan. The industry experienced a 12.4 percent decline in the value of food produced in 2022 from 2021 on a dollar basis totaling \$190 billion compared to \$216.4 billion in 2021. Production increases were seen in soft drinks, alcoholic beverages, fish products, and health food categories.

Market Fact Sheet: Japan

Executive Summary:

The United States is the largest foreign supplier of food and agricultural products to an import-reliant Japan (18 percent of import market share)—the fourth largest market for U.S. agricultural products in 2021 (\$14.6 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 Product Imports (\$41.5 Billion, 2022)



Food Processing Industry:

The \$190 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 2021, the total value of all retail food and beverage sales was \$467 billion, a 2.3 percent decrease over 2020 sales of \$478.12 billion. Supermarkets continue to represent the bulk of the retail food market at 74 percent, with convenience stores, drugstores and internet sales of food and beverages accounting for the rest of the market. Ready- to-eat meals or take-home foods represent a continued area of growth.

Population: 124,800,000 (Jan. 2023 est.)

GDP: \$4.94 trillion (3rd)

GDP/Capita: \$39,312

Top Ten Growth Food Products

- 1) Confectionary Products
- 2) Dairy Products (Cheeses)
- 3) Eggs & Products
- 4) Beef and Beef Products
- 5) Wine & Related Products
- 6) Processed Fruit
- 7) Bakery Goods, Cereals, & Pasta
- 8) Condiments and Sauces
- 9) Processed Vegetables
- 10) Beer

Food Industry by Channels (US\$)

Consumer-Oriented Imports \$34 billion
 Food Processing Industry \$190 billion
 Food Industry Gross Sales \$789 billion
 - Retail (2021) \$467 billion
 - Food Service (2021) \$306 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

The Japanese food processing industry is one of the world's most advanced and sophisticated, manufacturing approximately \$190 billion of food and beverage products in 2022. This was a decrease of \$32 billion or approximately 13 percent from the year prior. This was directly attributed to elevated levels of inflation coupled with a weakened yen-vis-à-vis the dollar. Japan's food manufacturers produce a wide variety of products, from traditional foods to health-oriented foods for infants and the elderly. The largest food processing companies developed from traditional beer breweries that expanded product portfolios to include food, beverages, etc. Several other market leaders emerged from the dairy industry and have offered unique food and beverage products.

In 2022, the food processing sector had the following notable market changes, and new government initiatives and interventions:

- In June 2022, food prices began rising in Japan but only incrementally.
- On October 21st, 2022, food inflation levels reached a 31-year high, with the following products assuming the highest price increases: cooking oil (23 percent), dried pasta (17.1 percent), mayonnaise (16.7 percent), alcohol & beverages (6.1 percent), sausage (3.3 percent) and ham & bacon (2.2 percent).
- On October 26th, 2022, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) announced a new initiative that would encourage food processors and manufacturers to pass on price increases to consumers. MAFF's objective with this new initiative would be to help educate and inform Japanese consumers on the market dynamics that result in price increases, the cost of inputs from manufacturers and producers to the final products sold at stores to the consumer. This effort by MAFF and the practice of passing on price increases to the consumer, brings Japan in alignment with its global peers.
- On October 26th, 2022, 105 Japanese food manufacturers announced price increases on more than 2,000 food items.
- On October 28th, 2022, the Government of Japan adopts an economic package aimed at tackling inflation, totaling a JPY 71.6 trillion or approximately USD \$550 billion. Included in this package were subsidies to lower salaried consumers to offset food and energy costs.

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 17 percent of national GDP. Kansai has a long history of importing and processing foods. 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 Kansai, as are major snack processors such as Ezaki Glico, Rokko Butter, Toyo Nuts, House, and Otsuka Foods.

Fuji Oil, Japan's top producer of plant-based foods using U.S. soybeans, is based in Osaka. Many of Japan's top international trading houses such as Itochu, Marubeni, Sojitsu, and Kanematsu originated in Kansai and maintain a strong regional presence there. The entire Western Japan region, including major cities of Hiroshima and Fukuoka, are home to some of Japan's most well-known bakeries including Oriental Bakery, Kobeya Baking, Andersen, Takaki Bakery, Saint Marc, and Ryoyu. Calbee, the top user of U.S. chipping potatoes,

maintains large operations in Hiroshima and Kagoshima. The region is also host to several large processors of U.S. seafood such as Kanetetsu Delica Foods, Yamasa Kamaboko and Osaki Suisan. U.S. ingredient exporters 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 % Change	Category Share %
	2020	2021	2022		
Soft Drinks, Juices, Water	35.92	35.44	32.76	-7.56	17.29
Alcoholic Beverage	29.33	27.50	26.34	-4.20	13.90
Wheat Flour	25.14	24.13	16.66	-30.95	8.79
Confectionery	22.22	22.15	18.98	-14.31	10.01
Dairy	20.92	20.32	18.10	-10.93	9.55
Fats, Oils, Seasonings	20.17	19.75	16.48	-16.58	8.69
Processed Other Foods	16.22	15.92	13.76	-13.59	7.26
Health Foods	13.40	13.48	13.08	-2.93	6.90
Tea, Coffee & Cocoa	7.96	7.82	7.12	-8.89	3.76
Processed Meats	6.93	6.71	5.82	-13.29	3.07
Frozen Foods	6.58	6.53	5.74	-12.03	3.03
Other Marine Products	5.33	5.23	4.36	-16.59	2.30
Sugars	4.38	4.29	4.03	-6.10	2.13
Retort*	3.34	3.14	2.81	-10.47	1.48
Fish Paste	2.44	2.33	2.24	-3.80	1.18
Canned & Bottled Foods	1.65	1.66	1.24	-25.43	0.65
Total	221.93	216.40	189.52		

Source: Shurui Shokuhin Tokei Geppo Feb. 2020, Feb. 2021, Feb.2022

*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.

**Note: USD=JPY 131.45 for 2022 ([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 advertisement can make it difficult to get product information to the consumers.

Key market drivers for the food-processing sector include:

- Continued diversification of diet.
- Increased demand in pre-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 cheaper inputs to include international processing options to maintain competitive prices.

SECTION II: ROAD MAP FOR MARKET ENTRY

Market entry may take a considerable amount of time, especially for ingredient suppliers. Manufacturers frequently search for specific ingredients but may be unwilling to disclose new product development plans and reluctant to discuss product-sourcing needs. The challenge for U.S. ingredient suppliers, therefore, is to build a relationship with potential manufacturer partners so that when new product needs arise, that relationship can be leveraged. To capitalize on those opportunities, it is important to secure product and in-country representation. Therefore, building a relationship with a local importer is a critical early step.

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:

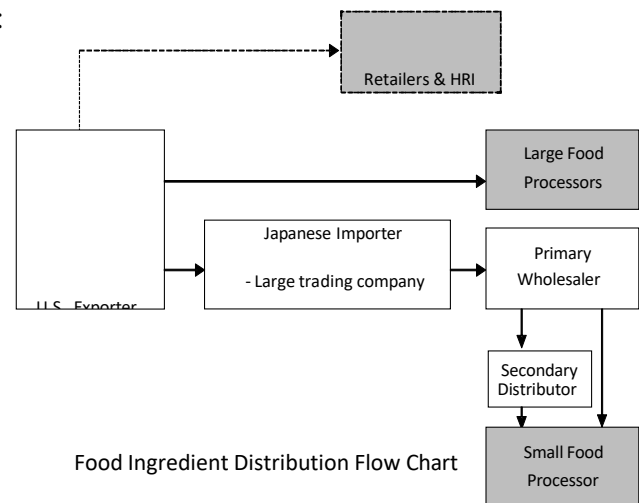
Ingredient products will most likely be handled by a:

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

Trading companies play 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.



Food Ingredient Distribution Flow Chart

B. Market Entry

Regulations on ingredients and additives are very strict, and exporters must ensure that products are permitted. For additional information, please see below (Section C. 1.). 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 of product quality and consistency, while also having a reputation for working collaboratively with suppliers to develop long-term supply relationships. Despite the work involved, 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 large trade shows, or specially targeted trade shows, where they can look at many products at once. 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 local food related trade shows are the Supermarket Trade Show and FoodEx Japan, which take place every February and March, respectively.

C. Entrance Strategy:

To get started, companies interested in exporting should:

- a. Ensure 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. Ensure knowledge necessary to ship 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.

Once a company has established a foundation for exporting, they should:

1. Determine whether product is permissible by Japanese food regulations.

- a. The [Exporter Guide](#) and the [Food and Agricultural Export Regulations Report \(FAIRS\)](#), published by the USDA Japan offices 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 in terms of weight, size, and labeling.

2. Perform basic market research by:

- a. Determining the specific area of the market that company product is targeting,
- b. Determining whether there is 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 product versus Japanese and other suppliers, keeping in mind transportation and modification costs. Potential customers need to be convinced of the product merits: price savings, higher quality, higher 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 portions may change after personal interaction with the market or as more information is gathered. This action plan should include:

- The company’s story
- Product
- Objective
- Market
- Marketing plan
- Schedule
- Evaluation
- Goals and benchmarks, short/long-term
- Product modifications, if applicable
- Product packaging and handling including literature in Japanese
- Financial resources to be committed
- Non-financial resources to be committed
- Additional financing
- Potential importers and buyers

4. Get to know the market personally:

Companies should visit Japan to explore opportunities first-hand or find a representative. Face-to-face interaction is 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 as well as for 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, please read [GAIN JA2020-0054](#).

Selected Major Domestic Companies

Company (Main products)	Website
Kirin Holdings (Beverage, alcohol)	https://www.kirinholdings.co.jp/english/
Nippon Ham Foods Ltd. (Meats)	https://www.nipponham.co.jp/eng/
Meiji Holdings Co., Ltd. (Daily, beverage, confectionery)	https://www.meiji.com/global/
Ajinomoto Co., Inc. (Food and amino acids)	https://www.ajinomoto.com/en/?scid=av_ot_pc_comehead_1_ogo
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 Dressing)	https://www.kewpie.co.jp/english/
Asahi Group (Beverage, alcohol)	https://www.asahigroup-holdings.com/en/
Suntory Ltd. (Beverage, alcohol)	https://www.suntory.com/softdrink/index.html

SECTION III: COMPETITION

The United States is Japan’s top agricultural trading partner and known as a reliable exporter that provides safe and high-quality food products. However, many other suppliers have their own free trade agreements with Japan that similarly reduce or eliminate food and agricultural tariffs, such as the European Union, Canada, Australia, Chile, and Mexico. On January 1, 2020, the USJTA went into force, and with it nearly 90 percent of U.S. agricultural products now have preferential tariff access in Japan. For more information on product specific tariff reductions, please refer to the [USDAJapan.org website](https://www.usda.gov/press-releases/2020/01/01-us-japan-trade-agreement).

The United States is the leading pork supplier to Japan followed by Canada and Mexico. Japanese consumers strongly associate beef with the United States, for which the import market is shared with Australia. U.S. wheat accounts for roughly half of annual imports, with Canada and Australia making up the other half. Soybean imports are primarily from the United States on a value basis at approximately 70 percent, with Brazil and Canada being the main competitor for food-grade soybeans. The EU, New Zealand, and Australia mainly supply cheeses, while the U.S. market share is just ten percent. The United States' main competition in vegetables and fruit is regional, with China primarily supplying on proximity, price competitiveness, and varietal preferences. Thailand dominates the poultry meat market, ahead of Brazil and China; together comprising 99 percent of imports. The United States is the top supplier of corn, followed by Brazil.

SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES

With the implementation of USJTA, USDA Japan published one-page fact sheets to highlight key product categories that received preferential tariff treatment in the agreement (linked in the table below). More information on tariff treatments may be found at [USDAJapan.org](https://www.usda.gov/japan).

Beef & Beef Products	Higher prices may shift consumer preferences from fresh or chilled beef to frozen beef, or from beef products to pork and poultry products. However, the demand has been steady, and the beef consumption is expected to increase in 2023 as Japan's reopening to foreign visitors further supports the hotel, restaurant, and institutional sector's recovery. Additionally, the longstanding growth can be attributed in part to Japan's aging population and single-person households, coupled with health-conscious attitudes. For more information, see JA2021-0117 .
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. For more information, see JA2021-0117 .
Processed Vegetables	The United States is a major supplier of prepared potatoes, tomato paste, and prepared sweet corn. Higher consumption of home-meal replacements is expected to bolster producer demand for processed vegetables. For more information, see JA9710 .
Wheat and Wheat Products	U.S. food wheat is a key ingredient in Japanese bakery and noodle production. USJTA provides tariff parity with competing food wheat suppliers such as Australia and Canada. It also gives the United States a tariff advantage over Turkey, one of the leading pasta suppliers. Pasta is the primary wheat product imported by Japan. For more information, see JA2021-0128 .
Fresh & Processed Fruit	Opportunities for U.S. fresh fruit exports to Japan are expected to increase due to falling domestic production. The United States is the top supplier of dried fruits to Japan but has lost market share to other frozen fruit suppliers in recent years. For more information, see JA2020-0158 .
Tree Nuts and Peanuts	In 2022, Japan imported \$826.5 million of tree nuts, of which 51.0 percent were from the U.S. Tree nuts are increasing in popularity especially in the convenience health snack sector, as detailed in JA9502 . Almonds, walnuts, pecans, and peanuts, in plain, roasted, and salted forms, are common in single-serve snack packaging at convenience stores across Japan. The Japanese food service industry is beginning to explore new salad creations that incorporate tree nuts which indicates that they have great potential as a stand-alone product as well as ingredients for other prepared food with an image of "guilt-free".
Whiskey	Japan remained the top export market for American whiskey and enjoys a 22 percent market share. For more information on the whiskey market, please refer to GAIN report JA2020-0053

Wine & Beer	Wine consumption in Japan has steadily declined in the past few years resulting in consumers opting for lower-calorie and healthy beverages. For an overview on the wine market in Japan, please refer to the following GAIN report, JA9501 . In 2022, the United States continued to be the leading supplier of beer to Japan. For more information on the craft beer market, please refer to GAIN report JA8507 .
Cheeses	Nearly 90 percent of cheese consumed in Japan is imported. Cheese consumption in Japan is still significantly lower than other advanced economies, but it has grown continuously since 2013. Furthermore, consumers taking advantage of expanded retail options in supermarkets during the pandemic have continued to consume cheese products beyond the stay-at-home period. Consumption has traditionally focused on domestically produced processed cheese products which use imported natural cheese as ingredients. Popular processed products include sliced cheese, cheese sticks, and bite-sized cheese wedges. For further increase of consumption, cheese pairing guides will be important. For more information, please refer to GAIN reports JA2021-0139 and JA2022-0012 .

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

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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 Online

<http://www.usdajapan.org/> (FAS Japan, English)
<https://twitter.com/usdajapan> (FAS Japan, English)
<https://ustr.gov/usjta> (USJTA, English)

Japan External Trade Organization (JETRO)

Japanese market and regulations: <https://www.jetro.go.jp/en/reports/>
Specifications and Standards for Foods, Food Additives, etc. under the Food Sanitation Law:
[JETRO | Japan External Trade Organization](#): Search with “food import regulation”

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: [Food Sanitation Act \(japaneselawtranslation.go.jp\)](#)
U.S. laboratories approved by the Japanese Government, visit
[Ministry of Health: List of Foreign Official Laboratories \(mhlw.go.jp\)](#)

Attachments:

No Attachments