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Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Highlights:

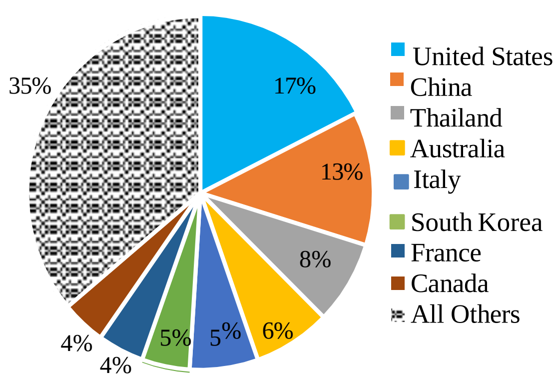
In 2022, the total sales from the Japan food service industry increased 14.2 percent, totaling nearly $237 billion, representing consecutive year double digit growth. The recovery in the sector is largely attributed to the strong rebound in tourism, with visitors to Japan exceeding 10 million, boosting the recovery in restaurant sales in all categories. Japan's food service industry will continue to depend on imported foods, and the U.S. is well positioned to continue supplying this segment.

Market Fact Sheet: Japan

Executive Summary:

The United States is the largest foreign supplier of food and agricultural products to an import-reliant Japan (17 percent of import market share)—the fourth largest market for U.S. agricultural & related products in 2022 ($16.2 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 2022, the total value of all retail food and beverage sales in Japan totaled approximately $327 billion. Supermarkets continue to represent the bulk of retail food sales 35 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:	$4.3 trillion (3rd)
GDP/Capita:	$35,256

Top Ten Growth Food Products

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

Food Industry by Channels (US$)

Consumer-Oriented Imports	$41.5 billion
Food Processing Industry	$190 billion
Food Industry Gross Sales	$789 billion
- *Retail (2022)*	*$327 billion*
- *Food Service (2022)*	*$237 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

Data and Statistics Note:
The Japan HRI report is regularly produced with key data and statistics from the Japan Foodservice Association (JF), which releases its data and statistics every August. However, JF has delayed releasing its complete industry data and statistics for 2022. As a result, the 2022 Japan HRI report utilized market research from, Fuji Keizai Marketing Research & Consulting Group, a private company, to capture the entire HRI industry market size, which reflects monthly trends of member restaurants totaling approximately 73,000 outlets and 800 food service operators. A portion of JF's available data was used to look at monthly sales by segment (July 2022 – July 2023).

Note: In this report, the currency statistics used are converted using the 2021 average exchange rate, since year-to-year fluctuation in exchange rates can distort trends.

Figure 1: Exchange Rate – Annual Average

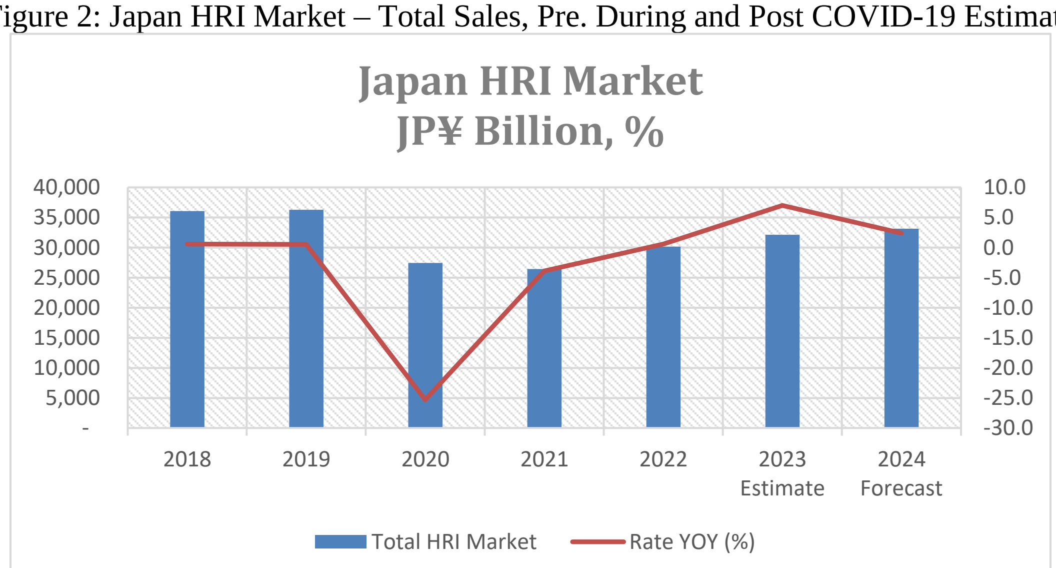
Year Average	2020	2021	2022
JP¥ per US$	106.725	109.817	131.454

Resource: Internal Revenue Service – Yearly Average Currency Exchange Rates:
https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates

SECTION 1: Market Summary

In 2022, total sales from the hotel, restaurant, and institutional food service industry totaled nearly $237 billion (JP¥30,149 billion), an increase of 14.2 percent from the $229.7 billion (JPY26,405 billion) in 2021. This data and research also highlight estimated total sales of the food service market as noted below in Figure 2.

Figure 2: Japan HRI Market – Total Sales, Pre. During and Post COVID-19 Estimate



Source: Fuji Keizai Marketing Research & Consulting Group, Year-over-Year rate

In 2022, sales in the pub dining sector saw the most significant increase of nearly 95 percent from the previous year, driven by the strong return of Japan's after work drinking culture. The Pub Dining segments includes Izakaya, beer pub, yakitori, and others. Sales of the transportation, hotel restaurant/banquet, leisure facilities and the restaurants segments also increased by 53 percent, 26 percent, 22 percent, and 16 percent respectively from the previous year. The restaurant segments included Family style, Western style (American, French, Italian and others), Japanese style, Oriental style (Korean & Chinese) and Ethnic style (Mexican, Indian, and Southeast Asian) restaurants.

Figure 3: Japan Food Service Industry Market – Sales by Segments

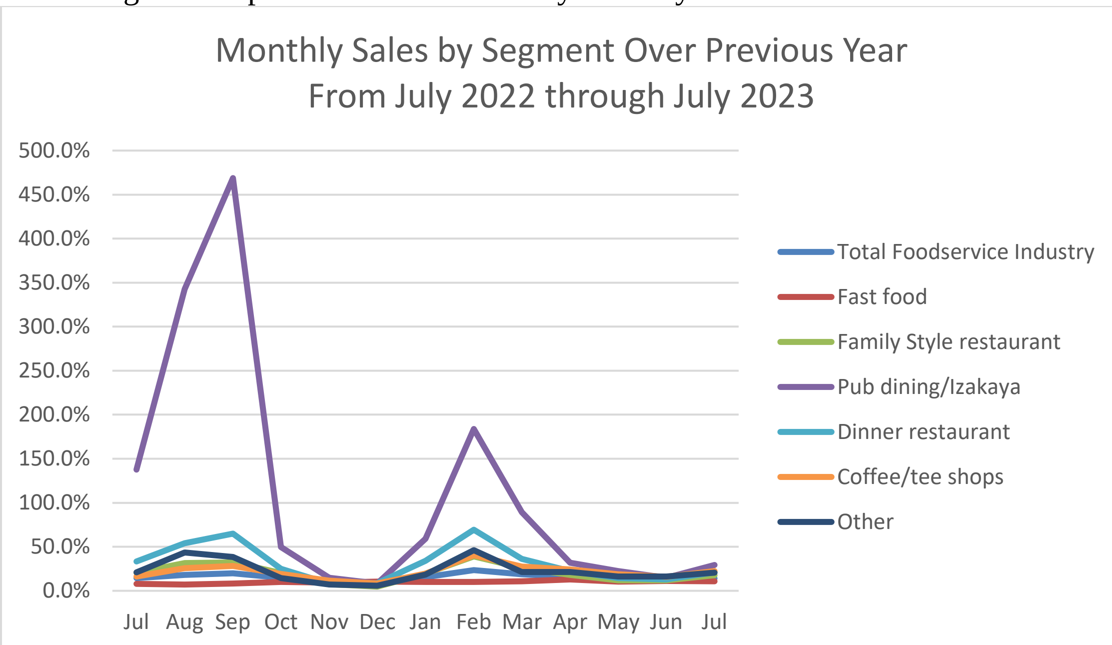
Segment\Year	2021		2022			2023 (Estimate)	
Amount\Currency	¥ billion	$ billion	¥ billion	$ billion	% Share	¥ billion	$ billion
Fast food	3,244.4	24.7	3,497.3	26.6	13.2	3,695.9	28.1
Take out	7,139.7	54.3	7,243.6	55.1	27.4	7,320.4	55.7
Home delivery	820.6	6.2	856.8	6.5	3.2	916.6	7.0
Transportation	23.6	0.2	36.0	0.3	0.1	68.5	0.5
Leisure facilities	649.0	4.9	794.4	6.0	3.0	836.5	6.4
Institution	3,936.2	29.9	3,962.7	30.1	15.0	3,990.2	30.4
Pub dining	1,493.8	11.4	2,908.2	22.1	11.0	3,403.7	25.9
Restaurant	4,023.9	59.5	4,650.6	42.7	17.9	5,161.7	45.9
Café/tea shop	1,175.5	8.9	1,296.3	9.9	4.9	1,379.4	10.5
Hotel	3,898.5	29.7	4,903.4	37.3	18.6	5,335.5	40.6
Total: HRI	26,405.0	229.7	30,149.0	236.7	100.0	32,108.3	250.9
Trend:	-21.4%		**14.2%**			6.5%	

Source: Fuji Keizai Marketing Research – Food Service Industry Handbook 2022, No. 1 and No. 2
Exchange Rate: JP¥109.817 per $USD

According to Fuji Keizai Research, sales of fast-food chains increased by nearly 8 percent in 2022, compared to the previous year. This growth is expected to continue into 2023 and beyond. Sales of take-away and home delivery increased by nearly 2 percent and 4 percent respectively from 2021, with menu and unit pricing also increasing.

Meat-oriented restaurants continued to show strong business performance, although the number of steakhouse and yakiniku (Japanese barbeque) restaurant establishments declined by 2.1 percent and 0.3 percent respectively. Sales at these restaurants increased by 6 percent and approximately 18 percent respectively in 2022, compared to the previous year. Despite the strong demand and sales increases, challenges for this segment remain. According to Sakai Group, a Nagoya based Yakiniku company with 133 restaurants in Japan, serious labor shortages, coupled with higher product and utility costs persists. This company is a higher-end operator but has noted other price friendly operators are continuing to face these same challenges, while some are being forced to close entirely. According to Fuji Keizai research, the number of restaurants overall has been declining since 2017. Since 2017, 996,501 restaurants were in operation. In 2022, approximately 909,560 remain, which represents a decline of nine percent over this five-year period.

Figure 4: Japan Foodservice Industry Monthly Sales Over Previous Year



Source: Japan Foodservice Association (JF) Monthly Trend
Sales increase/decrease from the same month of the previous year

Every segment has seen a recovery in sales in from 2022 through 2023, according to the most recent publicly available data from JF. Japan HRI industry stakeholders are pursuing new and creative ways to reach consumers in response to the new challenges with changing consumer lifestyles and preferences. Imported foods will continue to play an important role in supporting these industry adjustments.

Advantages	**Challenges**
Implementation of the U.S. – Japan Trade Agreement provided substantial market access to about 90 percent of U.S. agricultural products by duty free or receive preferential tariff access.	Several competing countries including Canada, Australia, Chile, Mexico, and the EU have already implemented trade agreements providing preferential tariff access.
Stable supply ability of U.S. agricultural products have established a foundation of credibility among Japanese importers.	Price hike of U.S. agricultural products and shipping cost reversed price competitiveness between domestic products and U.S. products.

High Japanese farming costs and decline of domestic agricultural production make imported food products vital.	Japanese buyers are now sourcing from all over the world rather than their more limited historic suppliers.
The successes of American style restaurants provide an avenue for introducing U.S. recipes and food ingredients into the Japanese diet.	Many consumers view American cuisine has a less healthy image which linked to higher rates of obesity in the United States than in Japan.
U.S. food manufacturers have a positive reputation for food safety relative to many Asian competitors, especially among the trade.	Imported food products are viewed by many consumers as less safe than domestically produced food products.
American style barbecue, breakfast, brunch concepts and steak houses are catching on. These concepts help expand U.S. food product usage in the industry	Latin American and Asian exporters have been improving distribution infrastructures and quality assurance (QA) procedures.

Constrains and Opportunities

Soaring Prices
Food prices have continued to increase, stemming from higher input costs and a depressed yen. According to a Tokyo-based Tonkatsu (pork cutlet) restaurant, the price for cooking oil has more than doubled from JP¥2,500 per 16.5 kilograms liter can in 2020 to JP¥6,000 in 2022.

In terms of wheat prices, the Government of Japan (GOJ), manages the importation of wheat and pricing controls. The government resale price of wheat rose by 90 percent to $584 (JP¥76,750) per metric ton from $307 (JP¥40,390) back in October 2019. The GOJ, twice a year, sets a government resale price and sells wheat to flour milling companies and large-scale users such as soy sauce, miso (bean paste) manufacturers. However, with elevated prices, the GOJ intervened to provide support to domestic producers. The ATO released a GAIN report discussing the soaring prices on food products, the impact to households, and GOJ interventions. For more information on this report, please refer to: Soaring Food Inflation Likely to Curb Consumer Spending USDA Japan.

Majority of restaurants increased menu prices which improved companies' profit ratios. According to Nikkei MJ Newspaper, 80 percent of the fast-food operators increased menu prices in 2022. In terms of Pub dining and Kaiten-zushi (conveyor sushi) operators, only 50 percent increased menu prices.

"Revenge Tourism" Bolsters Recovery
On October 8, 2022, Japan removed all travel bans and restrictions on international visitors, returning to its pre-pandemic posture. The cumulative total number of foreign tourists from October 2022 to June 2023 surpassed over 10.7 million. Inbound tourists have benefited from a weakened Japanese yen. According to recent data, foreign tourists have spent more dinning at restaurants than before, increasingly visiting high-end restaurants and long-established historical Japanese restaurants including sushi bars and fancy Japanese restaurants. In 2022, preliminary data estimates that per capita trip

expenditures by foreign travelers to Japan amounted to approximately JP¥ 235,000 or $1,794. Pre-pandemic data from 2019 shows per capita expenditures totaling JP¥ 158,500 or $1,481.

SECTION II. ROAD MAP FOR MARKET ENTRY

Market Entry and Structure

Generally, the first step to market entry is to find an importer, which may take a considerable amount of time. There are no magic formulas for new–to-market exporters to enter the Japanese food service market. Strategies will vary depending on the type of food product being introduced and the current competitive environment. However, there are some basic steps that new-to-market exporters are recommended to follow when they consider entering the market.

One of the fundamental steps before entering the market is to determine whether a product is authorized for sale in Japan. There could be restrictions due to phytosanitary or food safety related concerns that can prevent product from being imported. A preliminary analysis should be completed to determine market potential of products, pricing of similar products, key points of differentiation for the product compared to others, and what kind of packaging is used to sell competitor products. Products must meet Japanese regulations for food ingredients, especially regarding food additives. If the product contains prohibited ingredients it will have to be reformulated to meet the regulations. Exporters should also determine the import classification and tariff rate for products. Freight forwarders and traders can be helpful in determining the category a product belongs to.

For more information, see the latest FAS Japan Food and Agricultural Import Regulations and Standards (FAIRS) report and Exporter Guide at: Exporter Guidance.

Japan Customs has a website for requesting an advance ruling on tariff classifications, which is available to importers and related parties at: 1.Advance Ruling on Classification : Japan Customs
When possible, visiting Japan is recommended. The Tokyo and Osaka Agricultural Trade Offices (ATO), U.S. Agricultural Cooperator Groups, and State and Regional Trade Groups (SRTG) are available as resources for obtaining information about the market. Private companies may also be hired to do product testing among actual consumers and to gauge their reactions to product taste, appearance, and texture. Participating in one of the food related trade shows or showcases allow exporters to research a product's potential and meet Japanese importers who often do not respond to "cold calls" or requests for meetings from unknown companies. The ATO Japan offices organize U.S. pavilions at the Supermarket Trade Show in February and FOODEX Japan in March and offers support to U.S. exhibitors such as market briefings and arranging meeting space. Other smaller trade shows can also be useful, depending on the target audience.

Distribution

Japan has one of world's most developed food supply chains. One major difference with the United States is that individual restaurants tend to buy food at nearby butcher shops, fresh food markets, local supermarkets, and/or small size food wholesalers. Chain restaurants tend to procure food from food service industry wholesalers who offer combined shipment/delivery of all kinds of foods and restaurant business materials. Some of these wholesalers import food directly from foreign countries but most of them buy imported foods through trading houses, which carry out a variety of functions, including handling documentation, clearing customs, testing for quality assurance, warehousing, and financing the inventory.

Some "cash and carry" retailers, including wholesale clubs such as COSTCO are popular sources for food products among smaller-sized food service operators. The biggest is Gyomu Super (Business Supermarket) owned by a local company, Kobe Bussan with over 1,000 outlets throughout Japan. Additionally, regional food wholesalers have formed strategic purchasing alliances and have opened cash and carry outlets. Bulk packed meat, seafood, fresh produce, coffee, seasonings/condiments, wine, cheese, frozen vegetables, edible oil, and frozen baked items are popular selling food products at these outlets. HRI-focused wholesalers are consolidating. To add value, most large wholesalers own their own distribution trucks and focus on carrying broad product lines that can provide small food service operators or small chains with one-stop service.

Online shopping has been popular for general consumers, use among the food service industry is also increasing to high-quality fresh seafood and fresh vegetables/fruits delivered directly from production areas to restaurants. The COVID-19 pandemic has accelerated online food distribution, traditional wholesalers at fresh markets started online business for restaurants while keeping the quality of food. These Japanese wholesalers include all cost in food prices and do not charge for delivery separately.

Top Ten Restaurants

1. McDonald Japan (QSR)
2. Zensho Holdings (beef bowl & etc.)
3. Colowide (pub dining & etc.)
4. Skylark Holdings (restaurants)
5. Sushiro/Food and Life Company (sushi casual)
6. Plenus (bento & restaurants)
7. KFC Japan (QSR)
8. Kura Zushi (sushi casual)
9. Doutor Coffee/Nichi-res Holdings (coffee shops)
10. MOS Burger (QSR)

Note: (Source: Nikkei MJ Newspaper, June 21, 2023)

Top Five Institutional Food Service

1. Nisshin Healthcare Hood Service
2. Aim Service
3. Green House
4. LEOC
5. Fuji Sangyo

Note: (Source: Nikkei MJ Newspaper, June 21, 2023)

Top Ten Hotel Chains with Food Service

(Source: Fuji Keizai Foodservice Industry Handbook 202)

1. Seibu Prince Hotel Worldwide
2. Marriott International
3. Resort Trust
4. Tokyo Disney Resort
5. Hilton International Group

SECTION III. COMPETITION

The United States is Japan's top agricultural trading partner and known as a reliable export partner that provides safe and high-quality food and beverage products. Under the U.S.-Japan Trade Agreement, nearly 90 percent of U.S. agricultural products enter duty free, or receive preferential treatment. The tariffs on U.S. beef and beef products have decreased from 38.5 percent in 2019 to 23.3 percent in 2023, for example. Other product tariffs have also gradually decreased. For more information, please refer to the USDAJapan.org website. However, competitors also have free trade agreements with Japan that reduce or eliminate food and agricultural tariffs, including: the European Union, Canada, Australia, Chile, and Mexico.

The United States is the leading pork exporter to Japan with a 35 percent overall market share and is the leading supplier of fresh/chilled pork, with a 33 percent market share. The United States has a strong association with beef and shares Japan's import market primarily with Australia. U.S. wheat accounts for roughly half of the 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 supply most cheeses, while the U.S. market share is around ten percent. The main U.S. competition for fruits and vegetables come from regional producers, with China primarily supplying on proximity, price competitiveness, and varietal preferences.

Products Present in the Market which have Good Sales Potential

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.

Beef & Beef Products	Demand for U.S. lean beef and products continues to increase, mainly through the food service and restaurant channels. This longstanding growth can be attributed in part to Japan's aging population and single-person households, coupled with health-conscious attitudes. New and existing restaurant chains that feature U.S. beef are expanding. For more information, see JA2022-0023.
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 is likely to overtake fish as the most consumed protein within the next few years. Ground seasoned pork (GSP) is a key ingredient for domestic sausage manufacturers. For more information, see JA2022-0023.
Poultry and Egg products	The United States was the sixth biggest supplier of poultry products in 2021. Thailand, Brazil, and China were major suppliers for Japan market. Demand of fried chicken and skewered chicken are increasing due to recovery of drinking service restriction at restaurants. Chicken products creates more demand in Japan after the COVID-19 calmed down. JA2021-0122.
Processed Vegetables	After China, the United States is the second largest supplier of processed vegetables, with roughly 20 percent of the import market share in volume. 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 related information, see here.
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 JA2020-0058.
Fresh & Processed Fruit	Japan imports one-third of its fresh fruit and 90 percent of its processed fruit, with the United States ranked as the second largest supplier for each. Opportunities for U.S. fresh fruit exports to Japan are expected to increase due to falling domestic

	production. The United States supplies large quantities of raisins and prunes as well as frozen blueberries and strawberries. For related information, see here.
Tree Nuts and Peanuts	U.S. tree nuts are increasing in popularity in the convenience health snack sector, as detailed in JA2022-0036. 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.
Whiskey	In 2022, increased domestic consumption and surging global demand for Japanese whiskies led to a record $429.8 million in imports, which are often blended and bottled by local producers. U.S. whiskey exports to Japan reached a record $121.9 million and accounted for 88 percent of total spirits shipments in 2019. For more information, see JA2020-0053.
Wine & Beer	Wine consumption in Japan has risen steadily over the last decade. Total imports were valued at $1.8 billion in 2019. For more information, see here. In 2019, the United States became the largest supplier of beer by value at $15.6 million, due to premium craft beer sales. For related information, see here.
Cheeses	Nearly 90 percent of cheese consumed in Japan is imported. Cheese consumption has grown continuously since 2013. 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 more information, see JA2020-0174.

Top Consumer-Oriented Products Imported from the World

- Pork and Pork Products
- Chicken and Chicken Products
- Beef and Beef Products
- Coffee
- Wine

Top Consumer-Oriented Products Imported from the United States

- Beef and Beef Products
- Pork and Pork Products
- Processed Vegetables
- Tree Nuts
- Dairy Product

Products Not Present in Significant Quantities which have Good Sales Potential

Japan imports a broad array of products representing the full spectrum of America's consumer-ready, intermediate, and bulk food products. However, Japanese importers and consumers frequently seek new, trendy, and innovative products. Opportunities may be found at any time for competitively priced, quality, or novel products, e.g., alternative meat (plant based protein) products, edible oil, prepared chicken, coffee, dairy products, craft beer and spirits.

Products Not Present Because They Face Significant Barriers

- Fresh Potatoes

SECTTION V. KEY CONTACTS AND FURTHER INFORMATION

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.

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

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)

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 Agriculture, Food and Forestry:
Statistics and articles: Links : MAFF

Japan Customs
Tariff rates in Japan are calculated on a CIF basis and Japan adds an 8% consumption tax to all imports. Japan tariff rates are found here:
http://www.customs.go.jp/english/tariff/

Attachments:

No Attachments