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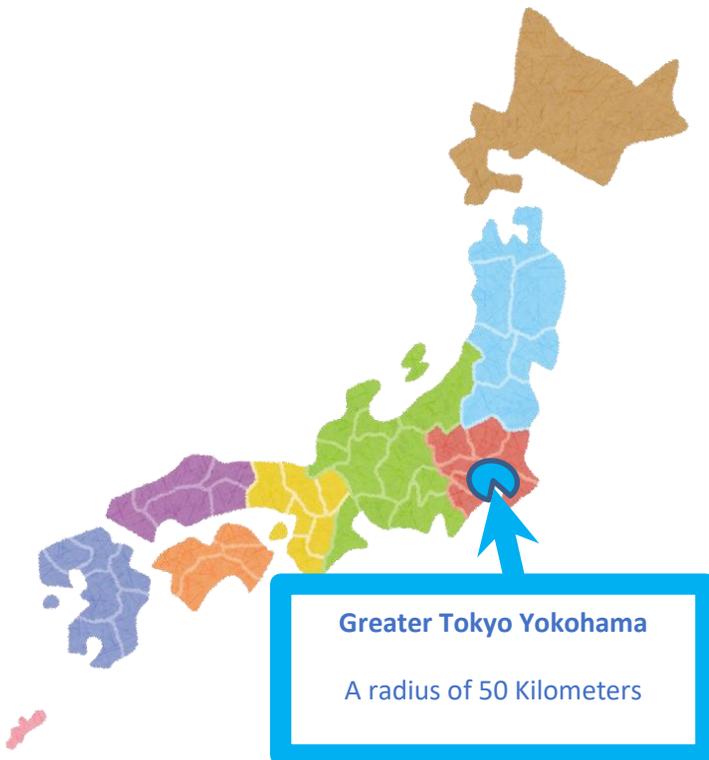
Report Highlights:

This report is a complementary addition to the published 2020 Hotel, Restaurant, and Institutional (HRI) food service report, and highlights the Tokyo-Yokohama metropolitan area. The Tokyo-Yokohama metropolitan area serves as an immense food distribution and logistics hub and encompasses food distribution channels to the food service and retail sectors that vary in complexity. These channels are vital in meeting Japan's food consumption needs to approximately 35 million citizens. U.S. agricultural products will continue to be crucial in fulfilling Japanese consumption demands, particularly as consumers begin transitioning to a post-COVID-19 environment.

Summary of the Tokyo Yokohama Metropolitan Area

Japan's GDP, totaling \$4.9 trillion, is the third largest in the world after the United States and China. It is 1.3 times bigger than Germany and three times that of South Korea. The Greater Tokyo area, within 50 kilometers (about 32 miles) around the center of Tokyo, makes up 30 percent of Japan's population, producing 43 percent of Japan's GDP in 2020. It covers an area of 13,500 square kilometers (5,200 square miles) which is approximately equivalent in area to Los Angeles County, in California. Despite being an extraordinarily well-developed country, Japan's national food self-sufficiency rate in 2020 was only 37 percent on a calorie basis. Self-sufficiency rates vary depending on prefectures. Japan's northernmost island, the Hokkaido prefecture, maintains a high degree of self-sufficiency of about 200 percent, which benefits from robust agricultural land, ideal climate, and less urbanization. In comparison, the Tokyo-Yokohama Metropolitan area's self-sufficiency rate totals a staggering one percent. Given the significant self-sufficiency issues, food purchases from other prefectures and from foreign countries are vital.

Significance of Food Distribution



The total value of all food service industry sales in Japan is approximately US\$239 billion (JPY 25.5 trillion). Diversity, seasonality, and freshness is significant in Japanese food culture. The HRI food service industry handles various food stuffs including fresh produce, fishery commodities, meat and dairy products, rice and grains, and a variety of processed foods and alcoholic beverages. According to the most recent national census in 2016, restaurant establishments in Japan totaled 969,396. Restaurants in Tokyo and Yokohama totaled 95,606 which includes Kawasaki (the city situated between central Tokyo and Yokohama). In addition to this, 14 percent of restaurants were concentrated in the Tokyo Yokohama urban area.

Imported Food Distribution Patterns

Over 82 percent of total import/export cargo was handled at four major ports in Japan: 1) Tokyo-Yokohama (39 percent), 2) Osaka-Kobe (24 percent), 3) Nagoya (14 percent) and 4) Fukuoka (25 percent), according to 2018 statistics from the Japan Transportation Association. Ocean shipment, by container vessel or bulk vessel, is the major transportation method for imported foods and goes through intricate distribution channels (Figure 1). The Tokyo-Yokohama port is the largest trade port in Japan that handles most of the imported food products. In 2018, the Tokyo-Yokohama port handled 986,000 metric tons (MT) or 33 percent of total meat products; 119,000 MT or 51 percent of salmon; 91,000 MT or 58 percent of shrimp and 235,000 liters or 40 percent of alcoholic beverages.

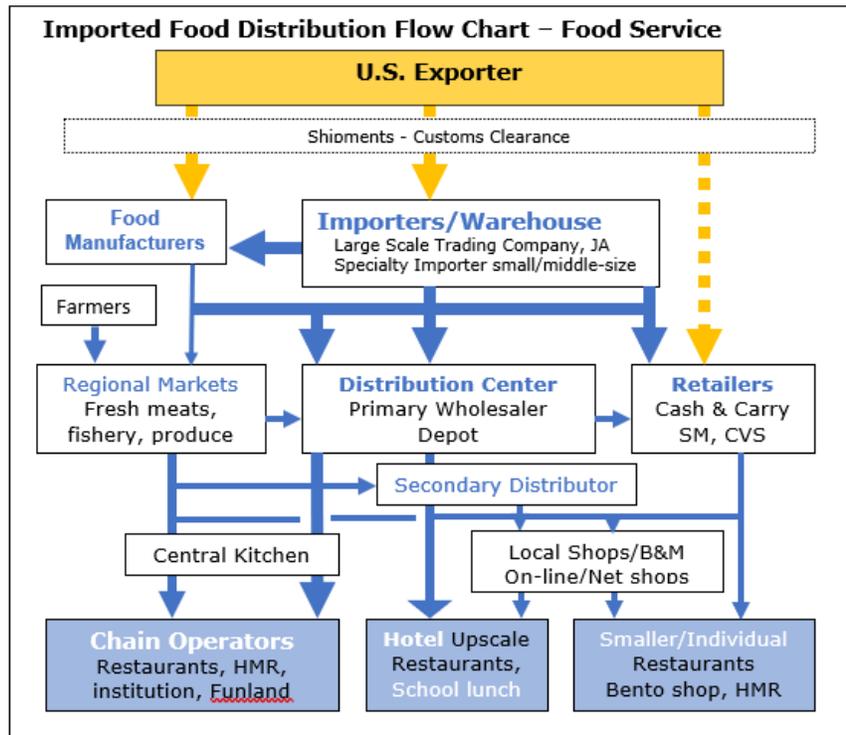


Figure 1: Food Distribution Flow Chart

According to statistics from the Japan Association of Refrigerated Warehouses, total floor area of commercial warehouses (climate-controlled) in Japan total 34 million square meters, equivalent to 1.36 million metric tons of frozen/chilled foods. Of this, the Greater Tokyo region, (aggregate of Tokyo, Kanagawa, Saitama, and Chiba) utilizes 33 percent of the national storage capacity just for chilled/frozen food. The remaining 67 percent is utilized for local in-country storage. Most imported foods are temporarily stored at these warehouses or silos in the Tokyo Bay area (pictured below), then, delivered to food manufacturers, and distribution centers located both in the Tokyo Bay area and suburbs of the Greater Tokyo area. A considerable amount of imported food is also distributed nationwide from Tokyo.



Ex. Tokyo Danchi Reizo Company built this cold storage warehouse, which is a freon-free facility with enhanced bio-security measures for seafood products.



The biggest silo facility in the Chiba port consists of a total of 253 bins divided by 4 control towers. Chiba Kyodo Silo Co., Ltd.

Large-scale importers, such as trading houses, are key players that handle bulk and raw materials in Japan. Japanese food companies tend to entrust international negotiations and logistics to these trading houses due to language barriers and risk aversion for exchange rate fluctuation. Smaller-size importers are keen to develop new products without buyers. Most of them search for buyers to sell these new-to-market products after importation. It is common for these importers to rent a storage space at port warehouses and/or they utilize their own storage facilities away from the port warehouses at a lower price. Smaller size importers tend to use door-to-door delivery service called “Takuhaibin” to deliver their products to customers, which is a unique method of distribution in Japan.

Food Logistics

Due to the difficult terrain and narrow roads, truckloads in Japan are limited. Heavy trucks may only deliver imported food between warehouses in the Tokyo Bay area and distribution centers in the suburbs while using arterial roads. These heavy trucks cannot go through towns in Tokyo. Less than two metric tons (4,400 pounds lbs.) load capacity trucks are widely used in Tokyo and Yokohama cities. K-car trucks (Figure 2) with a maximum load of 350 kilograms (770 lbs.) are commonly used in all cities in Japan.



Figure 2: Japanese K-car Trucks



Figure 3: Climate-controlled trucks

Climate-control in trucks during food distribution is also strictly managed (Figure 3). There are number of two-layer trucks that have dedicated storage rooms one for frozen and another for chilled food respectively. There are three-layer trucks that can also carry room temperature products, in addition to cold temperature products.

Food delivery fees by these smaller trucks increases the cost of food logistics in Tokyo. According to statistics by the Japan Trucking Association, the distribution cost is approximately seven percent on average for room temperature stable food and eight percent for food managed in refrigerated/frozen temperature.

Purchasing Patterns

Purchasing patterns of the food service industry in the greater Tokyo area is broken down into two major groups, single-unit restaurant and multiple-unit restaurant. Sources where single unit establishments buy food varies depending on the type of restaurants. Typically, food purchases are made from public markets, secondarily, food wholesalers and retailers such as local butchers, greengrocers, fishmongers, liquor shops, local food supermarkets and/or cash and carry stores. The single unit restaurants also utilize public markets often. In cases of urgent shortages, food purchases are made at nearby convenience stores and/or at an adjacent supermarket.

Chart 1: Type of Food Suppliers for Single Unit Restaurant

Single Unit Restaurant Operators	%	Type of restaurant			
		Average	Japanese	Western	Izakaya
Type of suppliers					
Producers	2.0	2.5	4.2	0	1.1
Public Market	23.7	23.3	8.3	31.7	25.8
Retailers	63.5	66.3	87.5	56.1	51.7
On-Line Shop	1.0	1.3	0	0	1.1
Other	8.1	5.8	0	12.2	14.6
No Answer	1.7	0.8	0	0	5.7
Total	100.0	100	100	100	100

(Source: Ministry of Health, Labor and Welfare Report: Which food suppliers did single unit restaurant establishments purchase food)

On the other hand, 63 percent of the multi-unit restaurant operators in Tokyo purchase food primarily from wholesalers and/or trading houses. 12 percent of them buy food from their own company's (parent company) distribution center. Another 12 percent of chain restaurants purchase directly from food

manufactures, nine percent from the retailers, and four percent from agricultural/fishery cooperatives and/or those farmers and fishermen directly.

Chart 2: Type of Food Suppliers of Chain Restaurant (Multi-Unit Restaurant Operators)

Type of Food Supplier	%
Wholesaler	63.0
Manufacturer	12.0
Retailer	9.0
Distribution Center	12.0
Producers	4.0
Total	100

(Source: Ministry of Health, Labor and Welfare Report: Which food suppliers did multi-unit restaurant establishments purchase food)

In 2016, the Tokyo Metropolitan Government reported the ratio of corporate bodies (establishments) between single unit restaurant operators and corporate bodies owning more than one restaurant unit. The total number of eating and drinking corporate bodies totaled 40,806 units, of which 95 percent were corporate bodies managed by a single unit operator. Chain restaurants in Tokyo totaled 2,161 companies or the remaining five percent. In comparison, restaurant units totaled 75,353 in Tokyo. Of those, 46 percent are owned by cooperate bodies with multiple restaurants (that average 16 units per company). The multiple-unit operators occupy almost half of the total number of restaurants in the Tokyo-Yokohama area.

Chart 3: Number of Restaurant Units by Type of Corporate Body (single or multi)

Type of restaurant owners:	Number of		Share	
	Cooperate Body	Restaurant Unit	by Company	by Outlet
Single Unit Operator	40,806	40,806	95.0%	54.2%
Chain Restaurant	2,161	34,547	5.0%	45.8%
Total	42,967	75,353	100.0%	100%

Chain restaurants occupied a total 34,547 units by 2,161 companies, averaging 16 units

Robust supplies of imported foods have led to greater diversity in restaurant menus, particularly for individual operators. In addition to this, region-by-region food cultures have been introduced in Tokyo while incorporating imported foods with foreign food culture influences. While Tokyo maintains its own traditional and indigenous foods such as fresh fish, tofu and miso paste, Japanese consumers have now incorporated more meat and dairy into their diets, introduced by western countries.

Distribution Centers

There are number of food distribution centers within 50 to 60 kilometers (about 32-37 miles) around central Tokyo. These distribution centers belong to large-scale national retailers, wholesalers and/or logistic companies. Chain restaurants with franchisee programs can afford to have their own distribution centers. Medium and small size chain restaurants contract logistical services with wholesalers or shipping companies that have a distribution center. The distribution center usually serves no function in procurement decisions.

Public Market

There are 11 public markets in Tokyo and two markets each in Yokohama and Kawasaki city, for a total of 15 locations in the greater Tokyo area. Public food markets are in each municipality to ensure food safety and convenience for the Agricultural and Fishery Cooperatives to sell their products in these urban areas. The Toyosu Market, which was relocated from the famous Tsukiji market in 2019, is one of three major central markets in Tokyo. The Shibaura Meat Market near Shinagawa combines a public slaughterhouse with wholesale functions. The Ota Central Market located between the Tokyo port (Oi wharf) and the Haneda International Airport, mainly handles fresh fruits and vegetables. These markets represent significant distribution bases that supply fresh food and fish to both the restaurant operators and retailers in Tokyo and Yokohama.

The public markets have been the largest and most efficient distribution centers for perishable food in Tokyo. In 2020, the Tokyo Metropolitan Central Wholesale Markets experienced declines in quantity and value totaling 349,746 MT and JPY375.7 billion (US\$3.42 billion) respectively. In 2018, quantity and value totaled 385,102 MT and JPY419 billion (US\$3.81 billion) respectively. These declines are attributed to shifts in consumption from fish products to increased protein intake. Japan's meat imports have increased along with this trend. Major meat suppliers distribute imported meat products to users without going through the public markets. As a result of the COVID-19 pandemic, and implementation of multiple State of Emergency's (SOEs) by the Government of Japan (GOJ) in 2020 and 2021, food distribution was severely impacted, including sales from both the public market and the food service industry.

Snap Shots – Central Wholesale Markets, Fish and Produce Market



Location map of Tokyo Metropolitan Central Wholesale Markets.
<https://www.shijou.metro.tokyo.lg.jp/english/>



Aerial shot of Toyosu Fish and Produce Market. The near side and the back right buildings are for Fish. The far-left side building is for fresh produce.



Tsukiji tuna auction was taken over by the Toyosu fish market,



Toyosu fish market; wholesalers' shops, restauranters stop by and check product quality.

The importance of freshness is key at these public markets and unique to Japanese cuisine. Fresh food products distributed at chilled temperatures have a shorter shelf-life of approximately 2 - 3 days. In contrast, most imported fishery products are placed in a flash-freeze process and stored in a freezer.

Central Kitchen

Major chain restaurants are the only ones to carry central kitchens (CK) in Tokyo suburbs. Depending on the style of restaurants, CK carryout different degrees of food preparation such as basic food portioning and repacking for ready-to-cook meals at restaurants. In addition to this, CK also handle food preparations for ready-to-eat meals at restaurants. CK's cook smaller portions of food with wider variety of menus to service. CKs use a variety of imported foods that are typically purchased through parent companies. These chain restaurants change menus and recipes every 3 to 4 months according to the seasons and CK plays a vital role with changing recipes and food ingredients, as these restaurants develop new menus.

Shotengai (Shopping Streets/Malls)

Shotengai's (shopping mall in Japanese) are another part of the intricate food market in Japan. There are numerous bricks and mortar food shops that operate in these food markets. Shotengai's make up a variety of city blocks at various lengths situated in Tokyo-Yokohama are, especially in residential areas.

Snap Shots – Shotengai (shopping street)



A fresh produce shop in a typical Shopping street (Shotengai) in Tokyo. It delivers food to restaurants in the same shopping district.

A food supermarket in a typical Shotengai, Musashi-Koyama town in Tokyo. Individual restauranters buy food at a kind of retailers.

According to the statistics of Tokyo Metropolitan Government in 2019 (Chart 3), there were a total of 2,447 shopping streets/alleys in Tokyo, with a total of 96,671 stores, with a JPY20.6 trillion (US\$187 billion) market. Of these, an average of 15 shops in one Shotengai (average total 41.5 shops), or 34.5 percent were eateries, and 1.4 percent (0.6 shops,) was traditional Ready to Eat food shops (SOZAI as the food service industry) for takeout/food delivery. The Shopping Streets in Tokyo carry a total of over 14,400 food service-related outlets, with 12.8 percent of these privately run food shops operating as greengrocers, butchers, fishmongers, liquor shops as well as local food supermarkets. These food stores and restaurants in the Shotengai are an important part of food distributors in Tokyo (Chart 4).

Chart 4: Number of shopping malls and shops in Tokyo

Total number of shopping street/mall	2,447	malls
Total number of shops	96,671	shops
Nominal average # of shops/shopping street	39.5	shops
Actual average # of shops/shopping street	41.5	shops
Breakdown - type of shop (Actual)	Number	%
Retailers:	15.5	37.3

Food and Beverage	5.3	12.8
Apparel, textile, accessory	2.7	6.5
Machine, tool, household	0.8	1.9
Specialty goods	0.7	1.7
Other retailer	5.9	14.2
Non-store retailer	0.1	0.2
Eateries:	14.9	35.9
Restaurants	14.3	34.5
Take away food, delivery food, Sozai	0.6	1.4
Service:	5.8	14.0
Cleaning, barber/beauty shop	4.2	10.1
Other lifestyle service	0.8	1.9
Amusement, game arcade	0.8	1.9
Other:	5.3	12.8
Total:	41.5	100.0

(Source: Bureau of Labor and Industry, Tokyo Metropolitan Government & Shopping Street Field Survey Report 2019)

Look Back at Just-in-Time Delivery and Expansion of “Konbinis”

In 1974, the Large-Scale Retail Store Law went into force to protect brick-and-mortar business in the Shotengai’s which restricted the opening of over 1,500 square meters (16,146 square feet) of new supermarkets. Large-scale supermarket operators had to obtain approval from the local chamber of commerce (Shotengai) before finalizing store opening plans. In 1979, GOJ further reduced the size of the large-scale store definition to 500 square meters (5,382 square feet), resulting in new supermarket openings, which were almost impossible in Japan. As a result, major national retailers at that time, Daiei, Seiyu, and Ito-Yokado, accelerated the development of convenience stores (with store size less than 500 square meters), such as Lawson, Family Mart and 7-11. Before the Large-Scale Retail Store Law was abolished in 2000, Japan’s unique food delivery method, high-frequency, and high-mix at small quantities, was firmly entrenched all over the food industry and met all demands of small size food stores and restaurants.

Catering (Home Food Delivery)

Japan has a long history of home delivery and catering, which used to be a common service at every eatery. This service was called “Demae” in Japanese, where direct hire employees ensured food safety and quality, and used returnable dishes that restaurants utilized while dining in. Even before pizza delivery from the United States arrived in Japan in 1985, food delivery was a free service offered by Japanese eateries within the same town. Until around 2000, almost all Japanese eateries such as sushi bars, noodle shops, Western/Chinese restaurants, and coffee shops implemented delivery of food and beverages to individual home and offices upon verbal request. No smart phone had been required, although today, online ordering services are deeply rooted among Japanese consumers through cell phone applications.

The Demae-Kan is the first Japanese company that started commercial food delivery in Tokyo in 2004. Since Uber Eats entered Japan market in 2016, the food delivery business has expanded, and demand increased. According to a report by Euromonitor International, sales of the food delivery accounted for two percent of total sales of the food service market in 2014, and it increased to approximately 4 percent in 2019. Sales of food delivery continue to expand in 2020 and 2021 due to the COVID-19 pandemic. There are four major food delivery companies available in Tokyo and Yokohama market, as shown below.

Chart 5: Major Food Delivery Companies in Tokyo

Company Name	# of Member Eateries	Service area	Ideal fee per delivery
Demae-kan	50,000	National	¥200- (\$1.82)
Uber Eats Japan	30,000	28 prefectures	Sliding fee
Menu	15,000	10 prefectures	¥300- (\$2.73)
Rakuten Delivery	12,000	National	¥370- (\$3.34)

(Source: ATO Tokyo Research in April 2021)

In addition to this, more than ten small-scale food delivery companies have also started food delivery operations in Tokyo. Food delivery has helped restaurant businesses for both individual restaurants and for chain restaurants during the previous stay home orders. Internet researcher, the Cross Marketing, conducted a survey among 1,100 women and men aged between 20 to 69 in November 2020, which resulted in 40 percent of them having used food delivery service. Approximately 31 percent felt that the fee of food delivery is expensive; 14.2 percent were concerned about delivery reliability and food quality at receiving ordered food. With the growing awareness of climate change and CO2 reduction, particularly of overpackaged and disposable food items, food delivery in Japan may experience demand declines.

Online Shop Movements

Since 2020, food service sales have experienced declines, while online sales have continued to accelerate. In particular, the conversion of supermarkets to online shops developed rapidly. For example, Ito-Yokado, the second largest supermarket chain and the parent company of 7-Eleven Japan, formed a business alliance with ASKUL. This allowed direct delivery from distribution centers to customers. Similarly, Rakuten, the biggest Japanese-owned online company, acquired food supermarket Seiyu from Wal-Mart in November 2020 to expand direct food sales. Supermarket giant, AEON, also formed an online recipe alliance with KURASHIRU, a website operator that streams 38,000 cooking videos online. Since December 2020, consumers have been able to order foodstuff/ingredients from the KURASHIRU’s website and can now be delivered from the nearest AEON store to home.

Snap Shots –Online Operators

	
<p>Rakuten and Seiyu built new distribution center in Yokohama which delivers food items to customers at \$3 per shipment. https://sm.rakuten.co.jp</p>	<p>AEON and KURASHIRU offer to deliver foodstuffs of 38,000 recipes in the website. https://www.kurashiru.com</p>

Takuhai-Bin (Door-to-Door Delivery Service)

Yamato, Sagawa, and Japan Post are major players of TAKUHAI-BIN, door-to-door delivery service in Japan. Each company has their own delivery offices nationwide. They also work with major convenience stores, supermarkets, and various local stores as their pick-up points. The regular fee for Takuhai-bin is at US\$10 per a box for room temperature delivery and at less than US\$20 per a box for freezing/refrigerating conditions. Takuhai-bin became an important tool for the overall food distribution infrastructure in Japan, in advancing online movement in the market. U.S. food suppliers have reaped the benefits of this infrastructure especially in the Tokyo-Yokohama region.

Major Players among Layered Food Distribution Channels

Most major food manufacturers have historically owned their logistic companies. For example, Kikkoman has Sobu Logistics which also delivers Delmont brand products. Ajinomoto integrated its subsidiary logistics company with other distribution companies of Kagome, Nisshin Foods, and House Foods, and launched F-Line in 2017. Kirin Beer also has Kirin Group Logistics as a subsidiary, and Asahi Breweries Group, Sapporo Breweries Group, and Suntory Group each have their own subsidiaries for logistics. These shipping subsidiaries deliver their products from the factories only to major distribution centers of national retailers and/or wholesalers. There are a half dozen large-scale meat

suppliers such as Nippon Ham, Ito Ham, Yonekyu, Prima, Marudai, and S-Foods. Major fishery suppliers Chuo Gyorui, Daito Gyorui, Toto Suisan, Tsukiji Uo Ichiba, Chiyoda Suisan and Dai-ichi Suisan, all they have head offices in Tokyo. They compete against each other to supply tens of thousands of their products to all food industry players through a layered distribution flow.

Major food wholesalers such as Mitsubishi Shokuhin, Nippon Access, and Kokubu handle food logistics for national retailers, and do not deal directly with restaurant companies. The large wholesalers buy products from producers directly and assort those for each national retailer. The secondary wholesalers specializing in food service industry such as Takase Bussan, Toho, Nishihara Shokai, and Kuze are convenient alternative to major wholesales for the restaurant industry in Tokyo. These secondary wholesalers deliver assorted foodstuff to their customers as agents between the major wholesalers and eateries. The food service wholesalers develop and import foods directly from foreign countries to differentiate their service from competitors.

In addition to food wholesalers and food manufacturers, there are number of food service wholesalers that specialize in certain product. Examples are Ozawa Meat, which specializes in meat, Kamewa handles fresh fish including imported marine products that deliver to individual restaurants, and Pleco specializes in fresh foods including meat, vegetables, and fishery products, and UCC Ueshima Coffee, specializes in coffee beans and light meals for tea and coffee shops. These specialized food service wholesalers assume an important role for the food service industry and source from diverse suppliers. Cash and Carry stores, such as Kobe Bussan, COSTCO Japan and Metro have become popular in the market, for their private brand (PB) products. These PB products consist of mostly imported food items. They have their own import system from foreign countries and can offer competitive price to customers. Kobe Bussan, a Japanese company with 900 outlets, has 252 outlets in the Greater Tokyo area and sells various food with bigger packaging at reasonable prices designed for professional use. According to Kobe Bussan's website, the company imports 1,400 items from 40 foreign countries directly.

<https://www.kobebussan.co.jp/business/index.php>

COSTCO Japan opened the first outlet in Fukuoka in 1999 and opened the second store in Chiba in 2000. COSTCO Japan now operates 10 warehouse stores within a 50 km radius of central Tokyo, offering various imported foodstuff including a variety of chilled meats, blocks of dairy products and large-bagged processed foods that regular Japanese supermarkets don't carry. These cash and carry companies can distribute imported food by full load of ocean containers from Tokyo bayside area to their distribution center and/or stores directly. The Cash and Carry model has strong support from individual restaurants in the greater Tokyo region.

The \$239 billion food service industry in Japan is vibrant and with increased vaccinations, outdoor outings and dining returning, there is cautious optimism that sales will rebound to pre-COVID-19 levels. U.S. suppliers can take advantage of this exciting market by offering high quality products to consumers in Japan.

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

For more information on the Japanese market for U.S. agricultural products, please visit;

<http://www.usdajapan.org/> (FAS Japan, English)

<https://twitter.com/usdajapan> (FAS Japan, English)

Attachments:

No Attachments.