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Report Highlights:

In 2019, the volume of organic product imports from the United States to Japan reached a record level totaling 17,846 metric tons (MT). This most current data from 2019 also reveals both the non-processed and processed organic product categories continue to see trade growth. The U.S.-Japan organic equivalency arrangement provides bilateral trade benefits and in July 2020 was further expanded to include livestock products. In 2017, the organic product market in Japan was estimated to be valued at $1.85 billion. While still limited in scope, ATO believes the organic products market in Japan continues to incrementally grow. The organics market will be further encouraged by the Government of Japan's recent Green Food System Strategy (MeaDRI) announcement and continued implementation of the 2019 action plan for Sustainable Development Goals.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Market Overview

A. Japanese Organic Market

The International Federation of Organic Agricultural Movements (IFOAM) Japan estimated the organic market in Japan to be valued at $1.85 billion* in 2017, having slowly grown from $1.3 billion estimated in 2009. Currently, the Government of Japan (GOJ) does not collect organic product sales data.

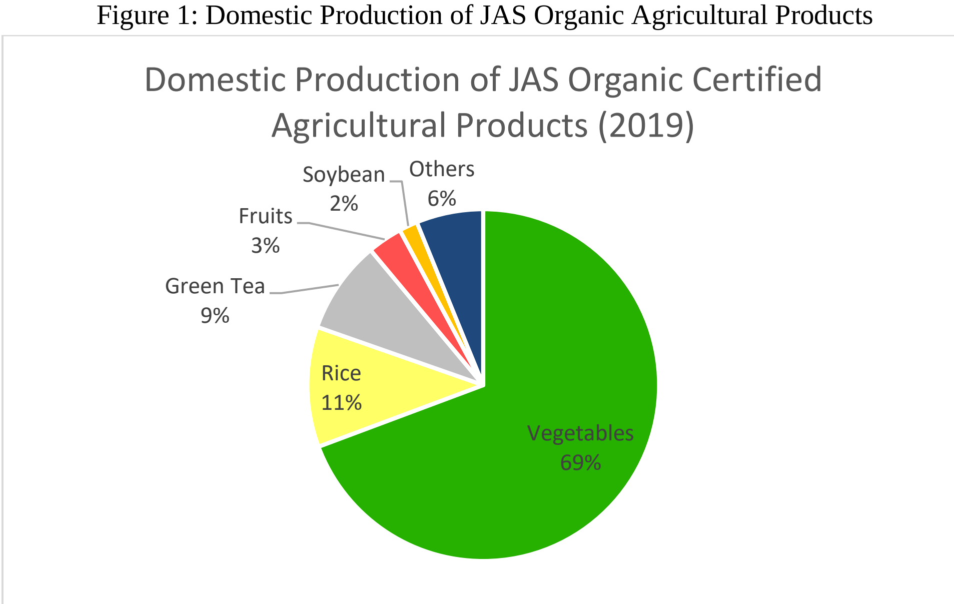
* The exchange rate used in this report is $1=100 yen, unless otherwise mentioned

As of 2017, only 56,800 acres of farmland produced products under organic practices with 43 percent (24,700 acres) being certified organic under Japan Agricultural Standards (JAS). This represents 0.5 percent of arable farmland in Japan. The organic market growth in Japan has not expanded to the same extent when compared to the leading growth markets; such as the United States, European Union, and others. This is in part due to limited supply of domestic organic products and undeveloped distribution channels for organic products. In March 2021, Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF) announced the [Green Food System Strategy (MeaDRI)] which includes an objective to expand organic farmland to 2,471,053 acres by 2050, approximately 44 times larger when compared to 2017. The MeaDRI strategy also targets increased efforts to reduce CO_2 emission that may expand consumer recognition of domestically grown organic products and which recognition will benefit imported organic products as well.

B. Domestic Production of JAS Organic Product

The domestic production of Japan Agricultural Standards (JAS) organic certified product in 2019 was approximately 76,737MT of which 69 percent was vegetables (Figure 1). The ratio of the commodity production has remained consistent over time with rice and green tea following vegetables.

Figure 1: Domestic Production of JAS Organic Agricultural Products



Source: MAFF; Rating record of certified producers

In 2019, Japan's total exports of organic products to the countries with the equivalency agreement were 1,978MT. The exported volume represented approximately 2.6 percent of the domestic organic production and the remaining 97.4 percent is considered as to be consumed in the domestic market or exported to other countries without the equivalency agreement as non-organic products. Under the envisioned increase in domestic organic production, the GOJ aims to continue to increase exports of organic processed products to the large organic consumption markets in the United States and the European Union. Organic processed products exported from Japan have been increasing since 2018.

C. Import of JAS Organic Products

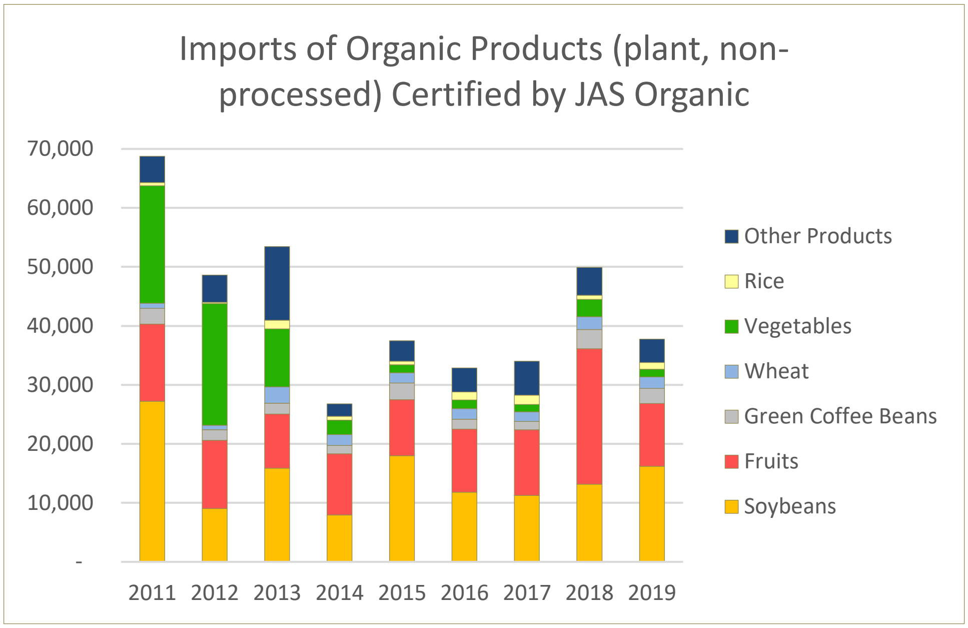
a) Organic Products from Plants Certified by JAS Organic

Totals from JAS Organic certified plants have fluctuated widely over the years, but the ratio of the commodities has not changed. Organic soybean has been the leading item in this category, accounted for 43 percent of Japan's total import in 2019, followed by fresh fruit with 28.1 percent share (Figure 2). Imports increased in 2018, except for rice; amounting to 49,937MT but has since return to historic average levels. (Note: MAFF began to release the import data in 2011, which allows historical comparison only since 2011.)

Figure 2: Imports of Organic Products (plant, non-processed) Certified by JAS Organic

(metric tons)

	2015	2016	2017	2018	2019	
					Vol	Share
Vegetables	1,306	1,448	1,298	2,935	1,287	3.4%
Fruits	9,501	10,669	11,135	22,939	10,602	28.1%
Rice	616	1,358	1,562	693	1,133	3.0%
Wheat	1,742	1,791	1,620	2,177	1,991	5.3%
Soybeans	17,978	11,830	11,273	13,173	16,223	43.0%
Green Coffee Beans	2,860	1,695	1,377	3,285	2,556	6.8%
Other Products	3,478	4,067	5,759	4,735	3,964	10.5%
Total	37,481	32,858	34,024	49,937	37,756	100.0%



Source: MAFF; Rating record of certified producers

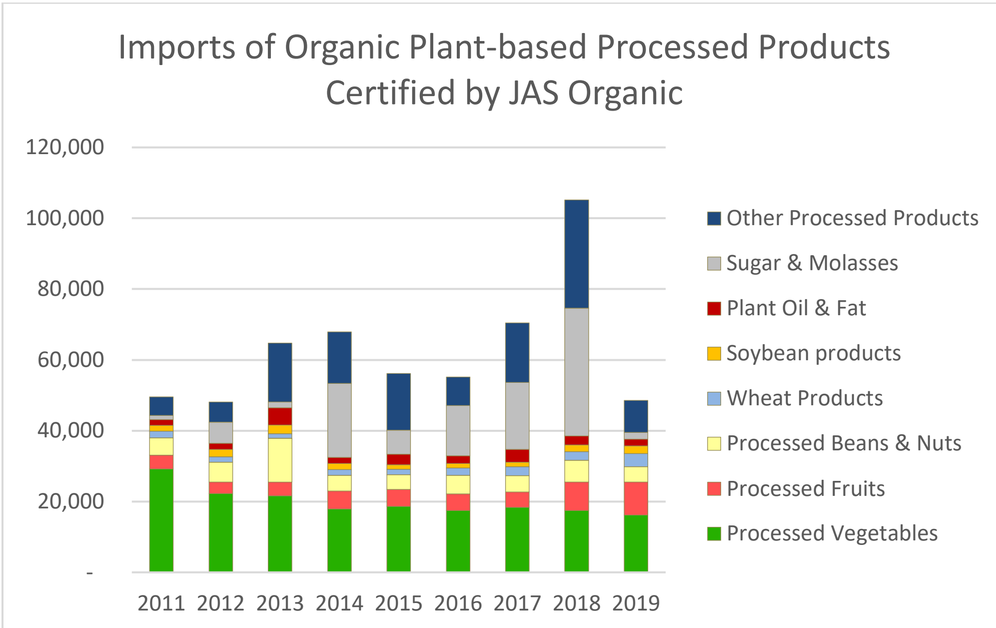
b) Organic Plant-based Processed Products Certified by JAS Organic

Japan's total imports of plant-based organic processed products have also varied substantially in recent years, but processed vegetable products have maintained a high proportional share. In 2019, imports of processed vegetable products returned as the top category with 33.4 percent, followed by processed fruit products at 19.2 percent and processed beans & nuts with 8.9 percent (Figure 3). The import volume of sugar and molasses had rapidly increased and became the top share in 2017 and 2018. However, in 2019, imports of that category have drastically fallen and appear to have offset the increase in the previous year. On the other hand, processed fruit products have gradually increased reaching the record highest volume in 2019. (Note: MAFF began to release import data in 2011, which allows for historical comparison of the data since then.)

Figure 3: Imports of Organic Plant-based Processed Products Certified by JAS Organic

(metric tons)

	2015	2016	2017	2018	2019	
					Vol	Share
Processed Vegetables	18,651	17,435	18,371	17,438	16,196	33.4%
Processed Fruits	4,809	4,709	4,350	8,090	9,313	19.2%
Soybean products	1,218	1,274	1,238	1,902	2,187	4.5%
Wheat Products	1,535	2,034	2,513	2,472	3,735	7.7%
Processed Beans & Nuts	4,151	5,260	4,592	6,078	4,300	8.9%
Plant Oil & Fat	3,002	2,161	3,694	2,538	1,924	4.0%
Sugar & Molasses	6,753	14,205	18,877	36,124	1,855	3.8%
Other Processed Products	15,998	8,117	16,814	30,553	9,016	18.6%
Total	56,117	55,195	70,449	105,195	48,526	100.0%



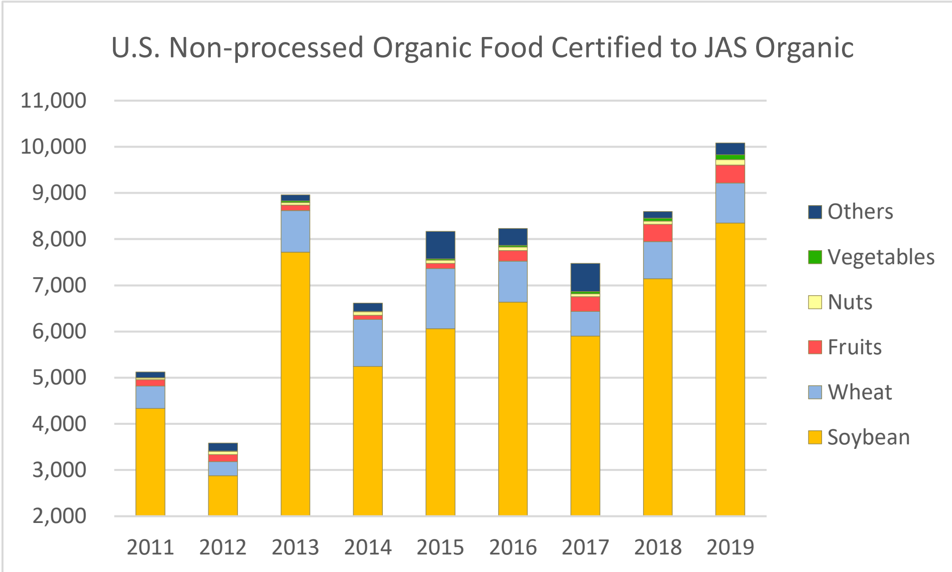
Source: MAFF; Rating record of certified producers

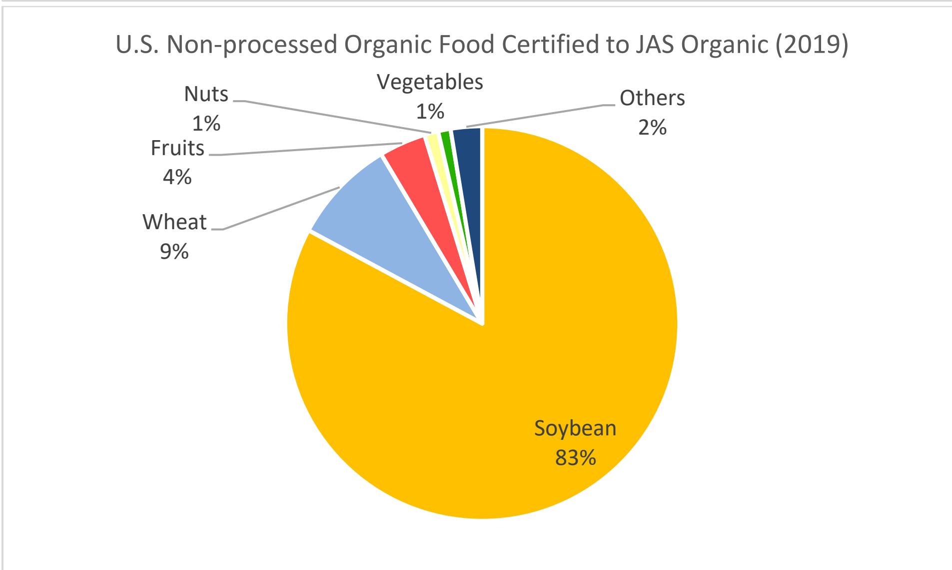
c) Imports of U.S. Organic products in Japan

The most current data shows the import volume of U.S. organic products reached record levels totaling 17,846MT. This represents year-on-year increased imports of U.S. organic products in both the non-processed and processed organic product categories by 17 percent and 20 percent, respectively.

For imports of non-processed organic products, the United States represented 27 percent of the share in 2019 with the total of 10,084MT. Similar to the non-processed organic product imports of all countries combined, the commodity share balance within U.S. products has remained fairly consistent. By category, organic soybean has dominated product share every year with 83 percent followed by organic wheat with 8.6 percent in 2019 (Figure 4). Organic fruits have steadily increased volume every year since 2014 when the U.S. – Japan organic equivalency arrangement was implemented and is now the 3rd largest category imported with 3.8 percent share.

Figure 4: U.S. Non-processed Organic Product Certified by JAS Organic

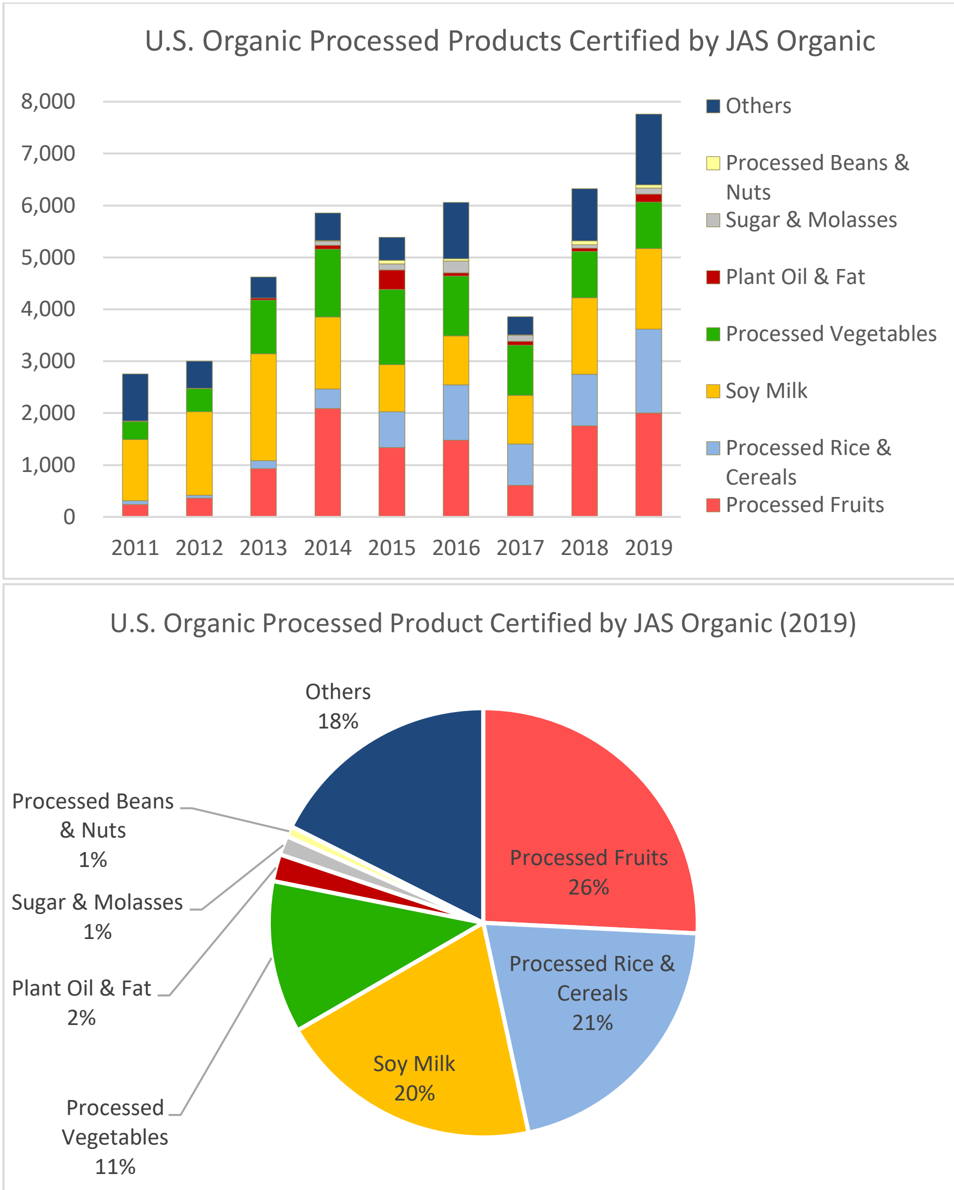




Source: MAFF

As for imports of processed organic products, the United States represented 16 percent of the share in 2019 with a total of 7,762MT. Organic processed fruit leads with 36 percent share followed by processed rice & cereals and soy milk with 21 and 20 percent, respectively (Figure 5). ATO Osaka believes processed fruits and processed rice & cereals are the two leading processed organic product categories to see imports increase as a result of the 2014 U.S. – Japan organic equivalency arrangement.

Figure 5: U.S. Non-processed Organic Products Certified by JAS Organic



Source: MAFF

Regulations

A. Organic Equivalency Arrangement

The United States and Japan reached to an organic equivalency arrangement for plants and plant based processed products in 2014. The United States and Japan expanded their organic equivalence arrangement to include livestock products from July 16, 2020, which streamlines the supply chain of the U.S. organic livestock products to Japan. (See JA2020-0145 for more details)

The Japan Agricultural Standards (JAS) now enforces organic certification for both plant and livestock products to be sold as organic in Japanese market. As a result, U.S. organic products destined to Japan need to be certified either by JAS or USDA/National Organic Program (NOP) regulations. Turkey products were outside of the scope of the U.S.-Japan equivalency arrangement at the time of implementation in July 2020. However, in response to Japan beginning enforcement of organic regulations on turkey products from July 25, 2021, U.S. turkey products will require either JAS or NOP certification to be sold as organic in Japanese market (see JA2021-0041). For details of export procedures to take advantage of these trade agreements, see FAIRS report and/or NOP website. Japan is already one of the top export markets for U.S. organic products and this U.S.-Japan organic equivalency arrangement creates additional opportunities for U.S. organic products destined to Japan.

B. JAS Organic System

There have not been any changes in the JAS organic system nor to the necessary procedures for exporting U.S. organic products to Japan. Further details are available in the Japanese Organic Market 2017 report.

Marketing and Opportunity

A. Consumer Awareness

Japan's MAFF has been engaging in consumer awareness and education on the organics market sector, but the level of consumer understanding about "organic" is still remains low. According to MAFF's consumer survey, 90.9 percent were aware of the word but only 3.7 percent understood the meaning correctly. Japanese consumers who purchase organic products associate the products as safe, expensive, and healthy more than any association of the products contributing to a better environment. ATO considers Japanese consumers obtaining a correct understanding of "organic" is expected to improve as the organic market in Japan expands through the MeaDRI strategy.

As for consumers who purchases organic products, 87.4 percent of the consumers purchase them at supermarket stores, followed by outlet stores with 33.8 percent and Co-op stores with 33.7 percent. There are other areas such as department stores, specialized stores, and online shops where consumers purchase organic products, but all of them are under 20 percent according to the survey result. (Note: response percentages exceeded 100 as respondents could select multiple answers.)

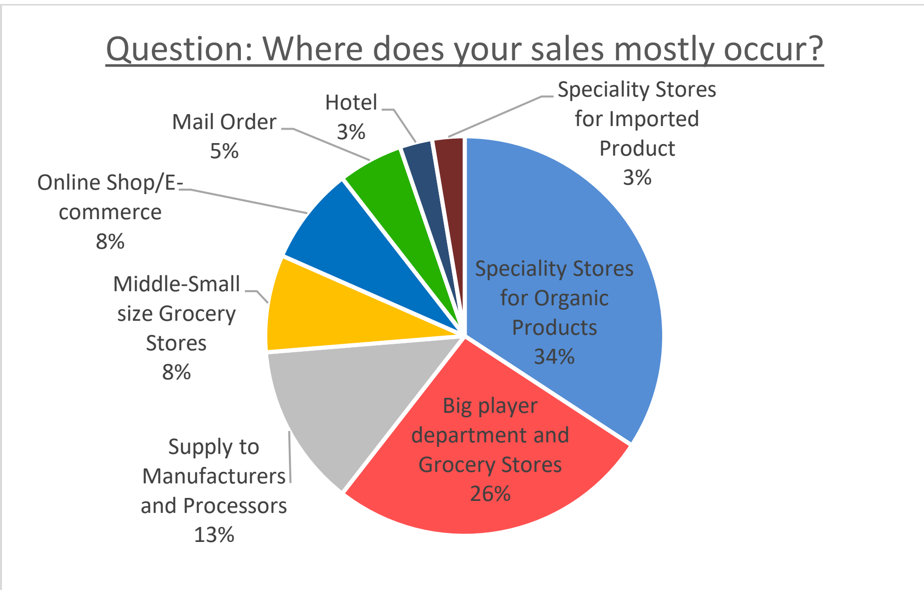
The top three product attributes verified by Japanese consumers, whether organic or non-organic, includes: 1) country of origin (72.5 percent), 2) best before date (66.2 percent), and 3) ingredients (62.8 percent). Out of all the organic product categories, alcoholic beverages and pastas were the two categories with the highest ratio where consumers do not have a preference on country of origin. On the other hand, organic rice and soybean products were the two categories where consumers prefer domestic products over imported. Although the ratios differ depending on commodity, there is a trend where the number of consumers who prefer domestic supplied organic products increases as the age of the consumer surveyed increases. Focusing on organic fresh vegetables, 47.3 percent of consumers in their twenties either prefer imported products or do not indicate a preference on country of origin. For Japanese consumers over the age of 60, zero percent prefer imported products and only 24.7 percent do not indicate a preference on country of origin.

B. Japanese Organic Industry Survey

ATO Osaka conducted a short survey in April 2021 with the cooperation of 38 Japanese importers, distributors, and retailers handling organic products. (hereafter "surveyed organic industry").

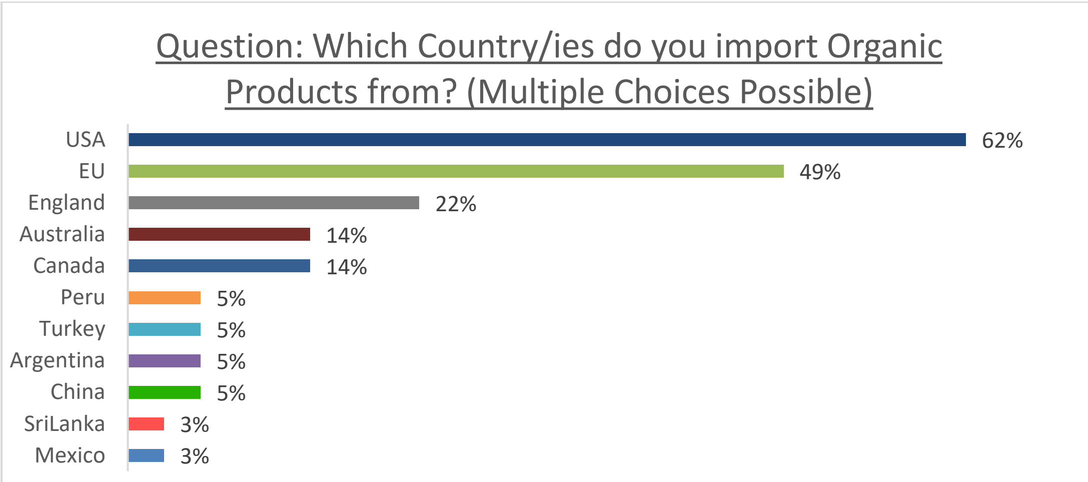
a) Sales Channel

According to the survey, the channel with the most sales of organic products taking place is through organic specialty stores with 34 percent. Major supermarket stores and department stores follows in second with 26 percent and supply to manufacturers & processors comes third with 13 percent. There are differences in the type of the stores, but most of the sales is taking place in the retail channel totaling 71 percent of sales.



b) Imported Product's Country of Origin

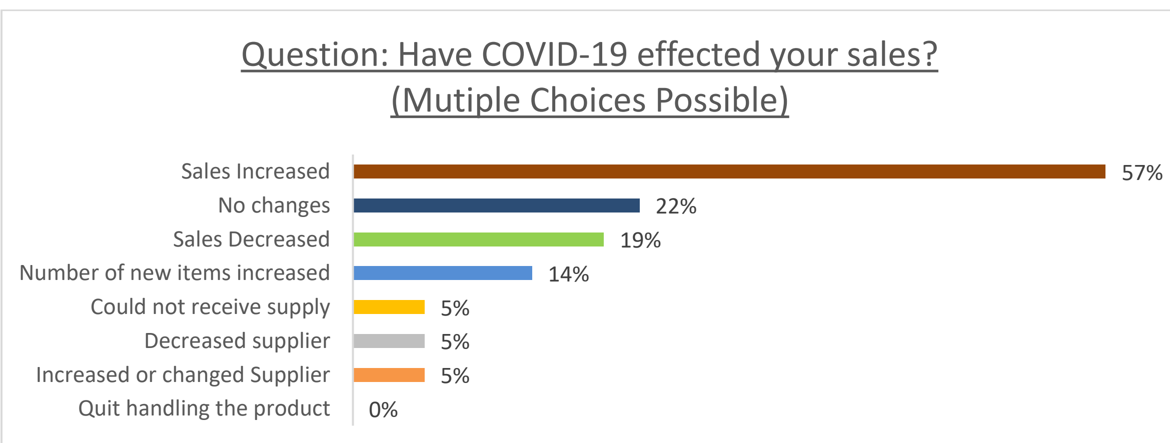
Sixty-two percent of the surveyed organic industry were carrying organic products from the United States. Products from EU countries was also high at 49 percent. As the United States and the EU are leading markets for organic products, Japan tends to follow and focus on the new trends and items from these markets.



c) COVID-19 Impact

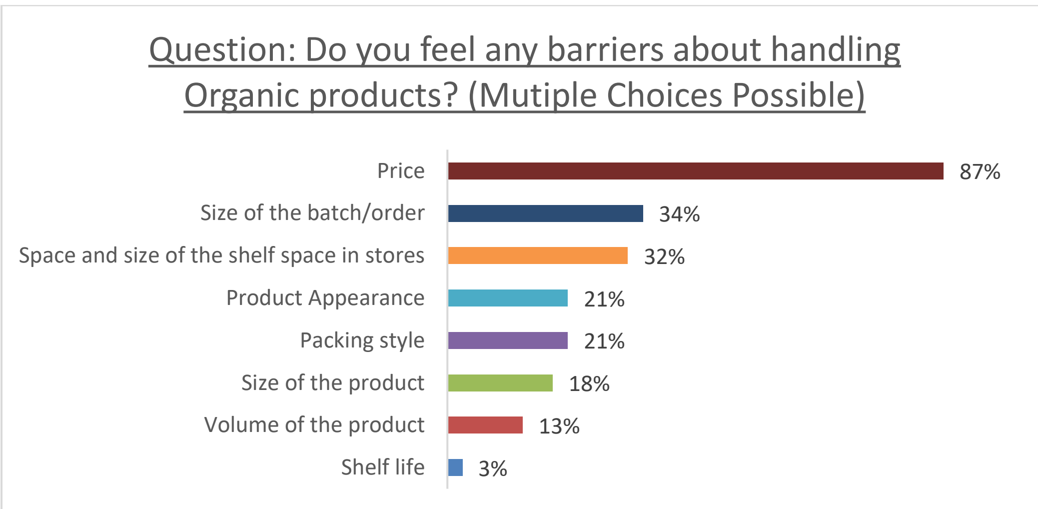
Food business in Japan has faced changes due to the COVID-19 including: restrictions, unexpected difficulties, and changes in consumer interest and behavior. Regarding organic products, 57 percent of the surveyed organic industry have experienced a positive impact with increased sales and 14 percent with increased scope in organic products offered. With Japanese consumers associating organic products with health food, sales have grown, especially in retail stores and online shops, when compared to the environment before the COVID-19 pandemic.

On the other hand, 19 percent of the surveyed organic industry have faced difficulties with sales declining during the pandemic. This may be in part, due to location as there have been less customers in hotels and restaurants coupled with consumers increasing their savings rate. In addition, 5 percent of those surveyed indicated that they faced difficulties with receiving supply of organic products and have considered to stop the business altogether.



d) Barriers of Handling Organic products

The majority of the surveyed organic industry in Japan feel a strong barrier due to the price of the products. Although Japanese market recognizes organic products to have a premium price range, there are challenges to get the products to be purchased as Japanese market is replete with high quality non-organic products that are more competitively priced. The required size for a minimum quantity orders is also considered as a barrier by 34 percent of the surveyed organic industry. As the organic market in Japan is still small, the quantity to import is a challenge especially when it comes to new items that the surveyed organic industry wants to handle as a trial. This can also be said for the space and size of the shelf space in stores. Currently, the shelf space for organic products is limited in retail stores which makes it more challenging to secure space for new products by replacing an organic item that is currently occupying shelf space.



e) Requests and Opinions from Surveyed organic industry

The surveyed organic industry in Japan have shared their opinions and requests they have for new items and current products they handle. The leading request is for smaller package sizes with a 29 percent response rate. Related to the space and size of the shelf space mentioned earlier, smaller packages make it easier to purchase. Another reason that smaller packages are favored is because the product price can be set with lower price for the consumers. As organic products are traded and sold with premium price, large quantity package will have higher cost to purchase one package which discourages consumers from trying the product. Although 87 percent of the surveyed organic industry felt price was a barrier, only 6 percent requested more competitive pricing. Other requests included increased shelf life; variations in package style; such as pouch pack, and additional size variations. U.S. organic products that seek to satisfy these requests shared by those surveyed Japanese industry members would increase the likelihood of expanded sales of current organic products in the market or create a path for new products entering the Japanese organic market.

Organic Importer Information

Japan's MAFF provides a public list of organic JAS certified importers including the types of organic products they can procure. This list includes only those certified importers which have agreed to provide their information publicly in accordance with Japan's privacy law. ATO Osaka stands ready to support U.S. producers and exporters to identify potential importers, distributors, and retail partners, including some not on MAFF's public list.

Contacts and Information Sources

Agricultural Trade Offices (ATO) in Tokyo and Osaka, and Office of Agriculture Affairs (OAA) stand ready to assist you in your efforts to bring products to market in Japan.

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

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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

Office of Agricultural Affairs
U.S. Embassy
1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
Tel: 81-3-3224-5102
E-mail address: agtokyo@usda.gov

Sources:
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https://www.maff.go.jp/j/seisan/kankyo/yuuki/attach/pdf/meguji-full.pdf
https://www.maff.go.jp/j/jas/jas_kikaku/attach/pdf/yuuki-203.pdf

Other Related Reports:
Japanese Organic Market 2017
US-Japan Organic Equivalency Arrangement Expanded to Include Animal Products
Japan To Begin Enforcement of Organic Regulations for Turkey Products
MAFF Releases Interim Report on Green Food System Strategy

Attachments:

No Attachments.