

Voluntary Report – Voluntary - Public Distribution

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Report Name: Japan Beef Market Analysis and Consumer Expenditure
Patterns

Country: Japan

Post: Tokyo ATO

Report Category: Agricultural Situation

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Report Highlights:

This report provides an analysis on beef consumption trends, household expenditure patterns, and international visitor consumption patterns that have impacted the food service industry. This analysis examines trends pre-COVID-19, mid-COVID-19, and sub-sector analysis in a post-COVID-19 environment. These patterns influenced how American beef was utilized in the food service industry. Japan's food service industry is rebounding, attributed to high vaccinations rates and consumers transitioning to a post-COVID-19 environment.

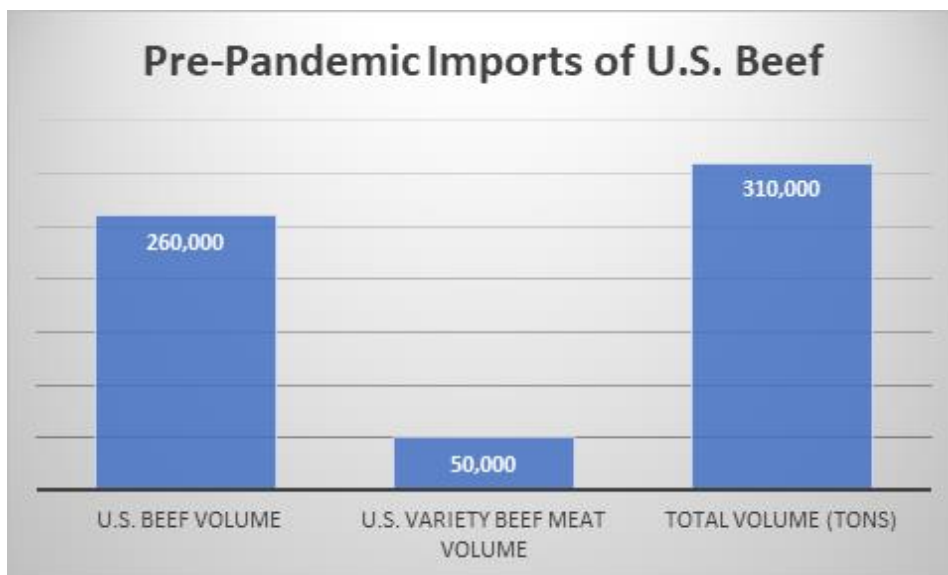
Summary

Since early 2020 through August 2021, COVID-19 caseloads increased with four waves of COVID-19 outbreaks impacting Japan. With limited vaccinations available for distribution, the Government of Japan (GOJ) declared repeated States of Emergencies (SOEs) in an effort to minimize infection transmission, impacting the food service industry with mandatory closures and/or shortened business hours. Sales of American beef in the retail industry experienced increases due to the “Stay Home” campaigns by the SOE declarations, while sales declined in the food service industry.

With approximately 77 percent of Japan’s population fully vaccinated against COVID-19 by the fall, and low infection transmission rates, the GOJ’s SOE and related restrictions on the food service industry was completely lifted on October 25. Buyers in the food service industry are optimistic that Japan’s economy will experience a modest rebound in early 2022 given the quicker than expected recovery. Restaurants still confront multiple challenges, which include labor shortages, high prices of foodstuff, brought on by inflation, and continued telework. Despite these ongoing issues, restaurant sales increased approximately 40 percent in the last week of October 2021.

The lack of international visitors and subsequent declines in sales for food and beverages over the two-year period is also likely to impact the foodservice industry once travel resumes. In 2019, the top five visitors by country to Japan was South Korea, China, Taiwan, Hong Kong, and Thailand. According to the Japan Tourism Agency, visitor arrivals totaled 24,417,820 from January through September 2019 and per capita expenditures averaged a total of JPY\$34,740 among these countries. In 2021, visitor arrivals drastically declined, totaling 190,900 in the same period and the top visitors by country were China, Korea, Taiwan, Hong Kong, and Thailand.

American Beef Sales Before Pandemic



Source: Trade Data Monitor (2019)

The average import volume of American beef cuts to Japan totaled approximately 250,000 to 260,000 tons annually, with imports of U.S. variety meat (offal) totaling 50,000 tons. According to 2019 beef import data, the top 5 utilized cuts of American beef in the market are: 1) short plate, 2) rib cap plate, 3) upper plate, 4) chuck eye roll, and 5) shoulder clod. Major Japanese users of these cuts are beef bowl and yakiniku restaurant

operators. Before the COVID-19 pandemic, imported American beef users in the market were 1) a total of 50 percent for the food service industry, 2) 45 percent for the retail industry, and five percent for the food manufacturing industry.

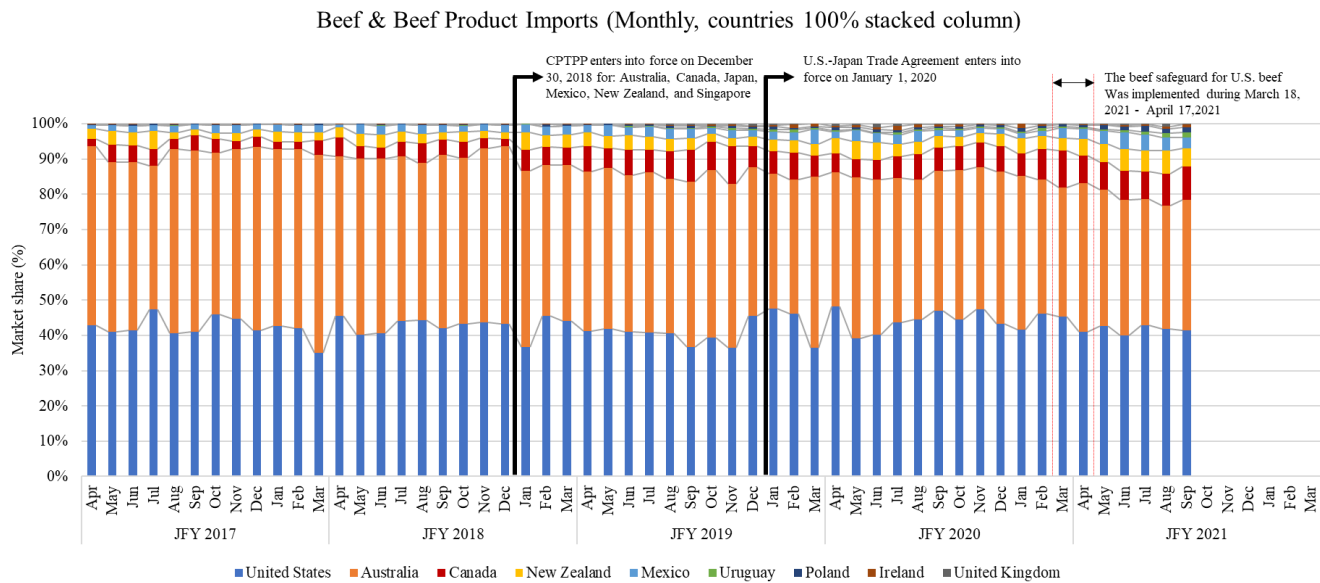
Restaurants consume a variety of American beef muscle/cuts of meat/offal's such as outside skirt steak, tongue and liver. Before the pandemic, Yakiniku and steak were common cuisines mainly served at eateries throughout Japan.

During the COVID-19 restrictions, consumer patterns shifted to increased purchases of meat to cook Yakiniku at home and also Yakiniku bentos during stay home orders and SOE. These patterns increased sales for this category. In addition to this, increased demand for food delivery services shifted with Yakiniku restaurants utilizing delivery services to sell bento meat sets.

Prior to the pandemic and with a relatively strong economy, both the restaurant industry and the home meal replacement (Sozai) industry bolstered the development of higher price menus featuring American beef. Casual steak restaurants, like Ikinari Steakhouse, and major American style high-end steakhouses had opened new restaurants in major cities in Japan which also increased the opportunity for Japanese consumers to become more familiar with American beef. Motsu-yaki (or Hormone-yaki = grilled variety meats) restaurants also increased number of eateries throughout Japan. The Motsu-yaki restaurant is a typical greasy spoon for the masses. These Motsu-yaki eateries consume only variety meats (offal), (further explained in detail later in the report.)

The Japanese food service industry has continued to increase its use of American beef the last two decades due to resolved concerns over Bovine Spongiform Encephalopathy (BSE). With the U.S. – Japan Trade Agreement, American beef enjoys equal tariff conditions since January 1, 2020 as those in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP-Chart 1). **NOTE:** American beef is subject to a beef safeguard quota; for more information regarding that and regarding terms of access under the U.S. - Japan Trade Agreement, please see USDA GAIN report at [here](#).

Chart 1



Source: TDM

Note: The graph highlights the market share of major suppliers of beef to Japan and how market share among non-traditional suppliers (excluding U.S. and Australia) has been increasing in the past 1-2 years since the implementation of CPTPP (Canada, New Zealand, Mexico, Australia are all members of CPTPP), and the impact of the beef safeguard for American beef in Japan.

Sales of American beef also experienced increases at in-store butcher and delicatessen shops. Sales of cooked roast beef and Sukiyaki/Nikujaga (beef and potato w/soy sauce flavor) were popular menus at delicatessen shops.

Mid-COVID

As mentioned, the state of emergency and restrictions on restaurants really impacted Japanese businesses. More than 5,000 restaurants closed in 2020 and total sales of the food service industry experienced declines in 2020 and 2021. (See details in HRI GAIN [report](#)). During the first SOE (April/May 2020), total sales of the food service industry declined by 40 percent from the previous year. With increases of COVID-19 infections, both the GOJ and Tokyo metropolitan government implemented closures to restaurants, hotels, offices, and schools. Later in the year, SOE restrictions imposed reduced business hours and limited/no alcoholic beverage service at restaurants.

Lookback at the State of Emergencies in Japan: Past State of Emergencies, number of prefectures, total days

1. April 7 through May 25, 2020, Tokyo and 6 prefectures (49 days, extended once)
2. January 8 through March 21, 2021, Tokyo and 10 prefectures (74 days, extended twice)
3. April 25 through September 30, 2021, Tokyo and 9 - 20 prefectures (# of regions were varied depend on extension period)

4. SOE was lifted on September 30, 2021, but restaurant restrictions remained in place. Restrictions included: early closing times and limited drink service. These restrictions continued in Tokyo and Osaka from October 1, 2021, through October 24, 2021
5. Restaurant restrictions were lifted in Tokyo on October 25

As a result, consumption of American beef at restaurants declined sharply. Western style fast food was the only category that experienced increased sales, totaling nine percent compared to the same month in 2019. Major western-style fast food chains such as McDonalds and Kentucky Fried Chicken (KFC) released smart phone applications for take-out and drive-through service, offering contactless options as a COVID-19 countermeasure. In addition to these new consumer options, in July 2021, McDonalds Japan announced that its beef patties would utilize American beef, which previously had been predominantly sourced from Australia and New Zealand.

By contrast, major Japanese-style fast food chains such as *Gyudon* (beef bowl), experienced a different operating environment, with many of chains not having the same consumer traffic in these highly urbanized areas. Zensho owns, two major beef bowl brands, Sukiya and Nakau, with the majority of its shops in suburban residential areas along major roads. Zensho had modest sales results during the stay-home orders. Yoshino-ya and Matsuya locations are concentrated predominately in front of train stations and/or in the downtown areas, which were impacted by limited to no consumer traffic resulting from office and school closures. In the beef bowl segment, CVS and supermarkets produced frozen food and retort pouched beef bowls and other beef related menus in addition to beef bowl bento, such as Sukiyaki and beef stew, which also deprived the beef bowl shops of sales.

From 2020 to 2021, sales from food retailers increased by approximately five to ten percent, anchored by special demands derived from stay home restrictions (Japanese refer to this as *SUGOMORI-JUYO* = nesting demand). When the first SOE was declared by GOJ, every office and school were closed. Parents and children had more time at home and started new cooking activities such as learning to bake together. They consumed more pancake mixes and food ingredients for baking, which quickly sold out at supermarkets in Japan. *Sugomori-Juyo* also expanded usage of electric home cooking tools, especially hotplate, which is widely used at home in Japan and increased sales more than 75 percent in 2020/2021 from pre-pandemic levels. You can grill any foodstuff on the table with a hotplate. During the pandemic, many simple recipes were created and introduced on YouTube. This trend also contributed to increasing sales of American beef at retail stores.

The ratio of takeaway service to total sales in the industry is expected to exceed 30 percent for the first time in the food service industry, with some restaurant chains reaching 50 percent. Demand is expected to continue in a post-COVID-19 environment given increased telecommuting/telework options and other factors. Companies have started taking steps to improve consumer convenience, such as online pre-pay applications, and updating store designs to meet consumer preferences.

On the other hand, according to available JF stats, the total sales of Japanese style quick service (QS) restaurants, mainly beef bowl chains, in September 2021 decreased by 1.3 percent over the same month in 2020. Izakaya and pub dining experienced declines of approximately 80 percent in the same month, year over year. Despite this, beef related food service such as beef bowl and Yakiniku restaurants experienced a faster recovery than these other categories, including family style restaurants, which experienced declines of approximately 15 percent in September 2021, year over year.

In addition to this, the most recent report by TORETA (as of October 31), an online reservation service company with clients comprised of 4,200 restaurants, highlighted the following customer trends:

- Customers dining in restaurants after 8:00 pm until 11:00 pm increased by 20 percent, from October 25 through 29, compared to the same period last September 2020. However, it was still approximately half of normal capacity compared to the same period in October in 2019, before COVID-19.
- The total number of customers during 11:00 am through 11:00 pm also increased by 10 percent in the same period of days in 2021 year over year. However, it was still a decrease of 30 percent over to the same period in 2019, before COVID-19.

Unofficial Sales Figures

In October 2021, Yakiniku, beef bowl and Izakaya restaurants experienced sales increases of approximately 30-40 percent over the previous month due to drink service resuming at restaurants. These restaurants expect increased sales in November but less than 2019 sales due to:

- Changes in lifestyle: more home/family-oriented lifestyle changes from office/work-oriented. This also resulted in earlier work departures. Less corporate parties such as end of year/ new year parties than before.
- Shortage of staff: Many restaurants cannot operate at full capacity with part-time staff, which means some food service companies cannot open restaurants even after November.
- High prices and shortage of imported beef: American beef is currently 2 - 2.5 times higher in price for beef tongue and loin at restaurants than in 2020. Depending on some Yakiniku restaurants, some restaurants could purchase only 30-40 percent of beef (American and/or Australian) that they wanted to buy for November and December.
- Most meat-oriented restaurants need to raise menu prices before resuming business. Beef bowl chain operator, Yoshinoya announced on October 29, that it raised the price of the main menu "Gyudon (beef bowl)" product. The price of the regular-sized portion served in stores has been increased by JPY 39 (US\$0.35) to JPY 426 (US\$3.80). This is the first price increase since 2014. The company decided to raise the price in response to the soaring prices of imported beef and crude oil. With the price of imported meat and oil remaining high due in part to the weakening of the yen, there is a possibility of widespread review food service prices.




Overview of Gyudon (beef bowl), Yakiniku and Motsu-yaki (Hormone yaki)

Gyudon (beef bowl) is a quick service Sukiyaki dish at a reasonable price, which comes with simmered seasoned/sliced beef and onion slices on top of white rice. Beef and onions are stewed in soy sauce and sake (or white wine) with other Japanese condiments to taste. American beef short plate is the best cut for cooking Gyudon. Yoshinoya developed their own specification for Gyudon from a chunk of beef flank in the U.S. in the early 1970's. American beef short plate is a high demand cut and continues to enjoy increased worldwide sales.

Yakiniku is a name of cuisine and/or a way to grill bite-sized sliced meats and eaten with dipping sauce made from soy sauce and garlic. Customers self-cook sliced meat, which is typical for this type of cuisine. Yakiniku utilizes every cut of beef and pork in Japan. Briskets, round (thigh) and short plates are segmentalized for Yakiniku meats. Variety meats are popular beef parts, such as outside skirts, hanging tenders, tongues, etc. among Japanese consumers.

Motsu-yaki (*HOLUMON* in Japanese pronunciation), is a B-class cuisine originated in Western Japan, using only edible offal's such as liver, mountain chain tripe and intestines - like chitterlings in the United States. Motsu-yaki eateries offer grilled and/or stewed variety meats at reasonable prices.

Snapshots:

		
<p>Typical set menu of Gyudon lunch, accompanied with a salad, raw egg, and miso soup on a plate. Price at JPY500 (\$4.70) per set. The photo taken at a Sukiya beef bowl shop.</p>	<p>Typical set menu for Yakiniku lunch. Sliced meats come with white rice, soup, kimuchi, dip sauce and a self-roaster. Price JPY1320 (\$12.00) for lunch time.</p>	<p>Motsu-yaki looks like Yaki-Tori (skewered grilled chicken) but using variety meats of beef and/or pork instead of chicken. Motsu-yaki eatiers serve animal proteins at reasonable prices.</p>

Market Analysis

Yakiniku

Among stagnated restaurant categories in general, the Yakiniku category has stronger demand and potential for expansion post-COVID-19. Due to financially depressed Izakaya businesses, existing Izakaya players converted their Izakaya outlets to Yakiniku restaurants. New entrants to the food service industry also opened Yakiniku restaurants. Demand for American beef is expected to increase among Yakiniku players. Normally, the Yakiniku industry does not experience beef shortages as Yakiniku restaurant use other beef cuts compared to what the retail industry and other market segments use. However, beef competition is already occurring for certain cuts such as short plate and beef tongue. Demand for American short plate remains strong and increased demand in China and in southeast Asian countries have become a major concern for Japan's food service industry.

Gyudon Beef bowl

As previously mentioned, the beef bowl industry in Japan is the biggest user of American beef. The top three beef bowl companies alone utilize an estimated 50,000 to 60,000 metric tons of American beef annually. The three Gyudon companies are, Sukiya and Nakau with 1,950 shops, Yoshinoya with 1,190 shops and Matsuya with 950 shops, which totaled 4,150 stores nationwide in 2021.

Reported sales for February/March 2020 highlighted declines among these three companies. Zensho's Gyudon brands, Sukiya and Nakau, have most shops located near residential area in suburban where away from train stations and located on roadside. Yoshinoya and Matsuya have most of shops in front of train stations and in the downtown area where Yoshinoya targeted office workers and students. The temporary halt in commuting and attending offices/schools again led to decreases in sales. Matsuya especially targeted younger workers and students with a low-price strategy. Sales of every retail/restaurant in downtown areas decreased significantly.

Sales of Major Gyudon (beef bowl) Companies

Sales: unit - million	2019		2020		2021		Change
	JPY	US\$	JPY	US\$	JPY	US\$	
Zensho Holdings	607,600	5,693.1	630,400	5,906.8	595,000	5,575.1	-5.6 %
Sukiya & Nakau	214,300	2,008.0	219,700	2,058.6	216,200	2,025.8	-1.6 %
Yoshinoya Holdings	202,434	1,896.8	216,200	2,025.8	170,300	1,595.7	-21.2 %
Yoshinoya	103,618	970.9	111,700	1,046.6	105,600	989.5	-5.5 %
Matsuya FD Holdings	98,200	920.1	106,500	997.9	94,400	884.5	-11.4 %
Matsuya	*85,250	798.8	*79,700	746.8	73,100	684.9	-8.3 %

Source: IR information of Zensho Holdings Co., Ltd. (Closing Mar.), Yoshinoya Holdings Co., Ltd. (Closing Feb.) and Matsuya Foods Holdings (Closing Mar.) and * from Fuji-Keizai Food Service Marketing Directory

Upper cell: Total Sales of consolidated results

Lower cell: Sales of beef bowl brands out of the company total

Exchange rate: IRS 2020 Japan - Y106.725 per US\$

Percent Change: up/down between 2021 and 2020

Sub-Sector Market Analysis

Fast Food Burgers

Fast food burgers continue in popularity among Japan's widespread generations and households. Newer American chains such as Shake Shack, Carl's Jr. and KuaAina have successfully established a strong consumer base in the market. Burger chains such as In-N-Out and Five Guys also have the high possibility of entering the market given their high reputation. Gourmet burger restaurants that feature hand-cut beef patties and/or mixed Wagyu beef tallow into patties also have favorable expansion opportunities in the market. In July 2021, McDonald's Japan announced that some of its burger patties

would transition to American beef. McDonald's Japan has used beef primarily sourced from Australia and to some extent from New Zealand. With both countries confronting prolonged droughts, its supply capabilities remain challenged. American beef is expected to experience modest demand increases, along with enhanced consumer awareness with McDonald Japan using American beef.

Institutional

According to industry sources, half of company cafeterias were closed during the COVID-19 pandemic, as many of these companies transitioned to telework operations. When workers returned to the offices after the SOE, food trucks and food delivery service, including traditional bento (lunch box) caterers, took over many company cafeterias. School lunches and nursing homes are expected to utilize alternative plant meats as beef prices continue to be higher than alternative proteins.

Casual/Family Restaurants

In April 2021, casual restaurants including family style restaurants, experienced declines in sales of approximately 31 percent compared to the same month in 2019 (before COVID-19). Coffee/tea shops sales declined approximately 32 percent year over year, and others, including pizza delivery and catering experienced declines of approximately 22 percent, compared to April of 2019. To boost sales, family style restaurants redeveloped menus to feature more beef, a strategic way to increase sales at restaurants.

Fine Dining

Fine Dining establishments will place more priority on using domestically produced agricultural products such as Wagyu beef to differentiate its menus from casual/family style restaurants. Support programs offered to domestic producers and restaurants by GOJ to utilize and promote domestic products has been seen throughout all food service categories and may continue after the Covid-19. However, this trend may be adopted more among high-end restaurants that can afford to buy higher priced domestic products. This will largely depend on the reliability of domestic production.

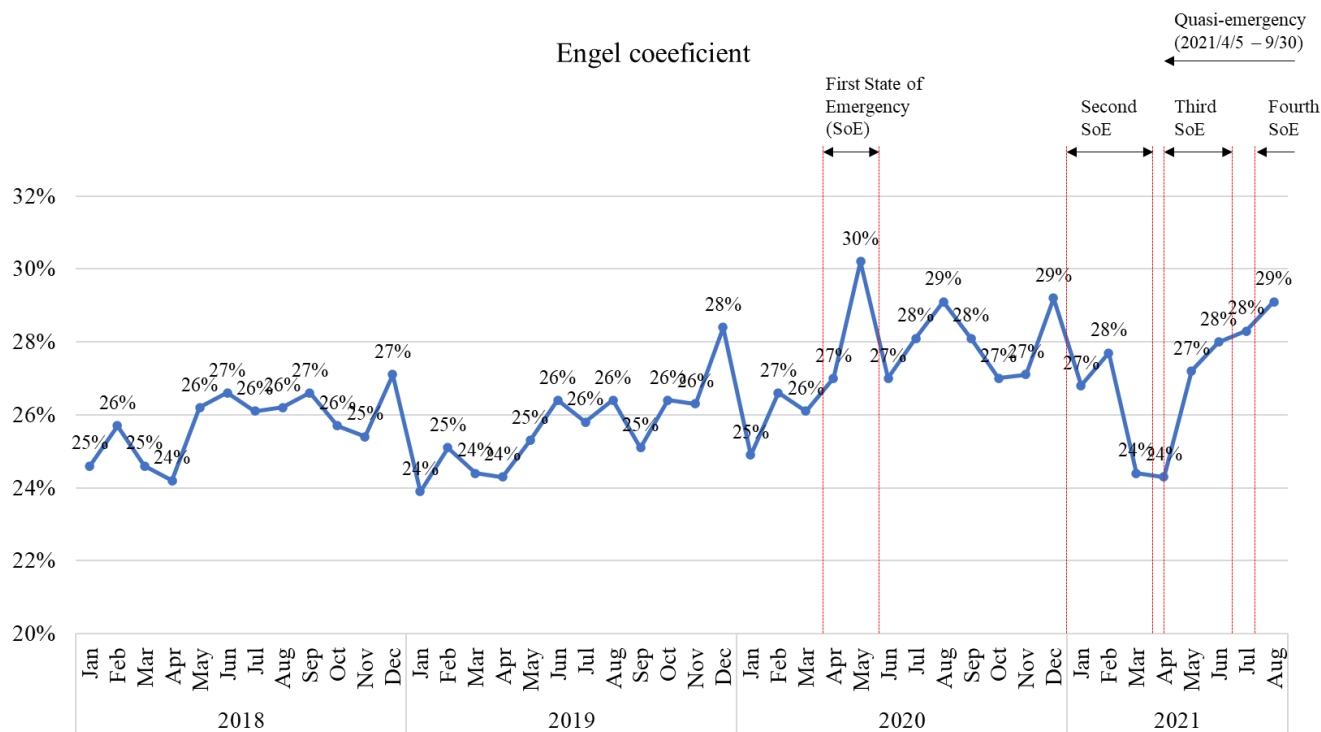
Izakaya

According to industry contacts, the alcohol restrictions were more damaging than reduced hours of operations at Izakaya's and restaurants. The easing of SOE restrictions have been crucial to Izakaya's recovering, including other drinking establishments, such as beer halls and bars in business districts. When compared to the same month in 2019, average sales of pub dining in April 2021, experienced declines of approximately 74 percent. Izakaya's will continue to rebound but at this time cannot afford to use high priced American beef in its dishes.

Note: Izakaya's are Japanese-style pub dining, in which a variety of small, typically inexpensive dishes and snacks are served to accompany alcoholic drinks.

Domestic Household Consumption and Expenditures

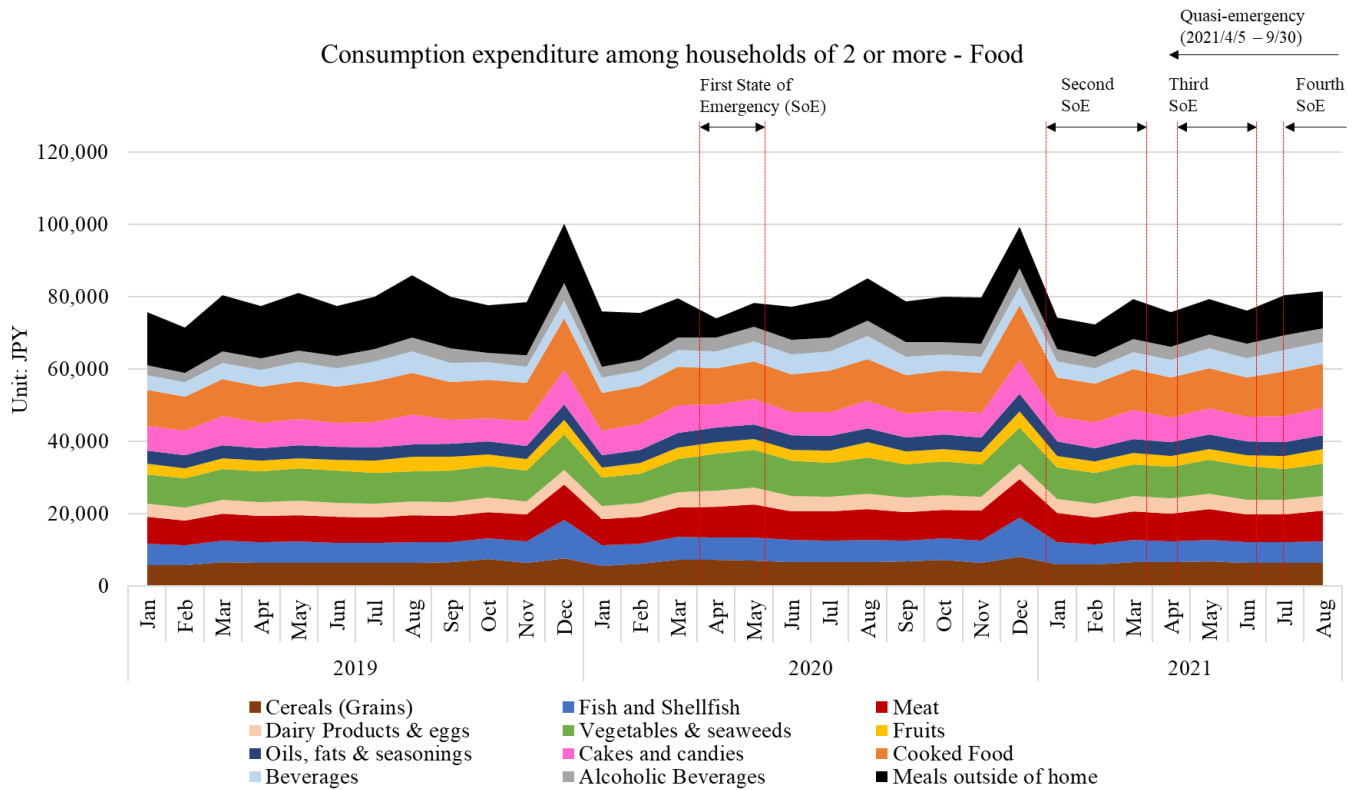
Chart A



Source: MIC Ministry of Internal Affairs and Communications

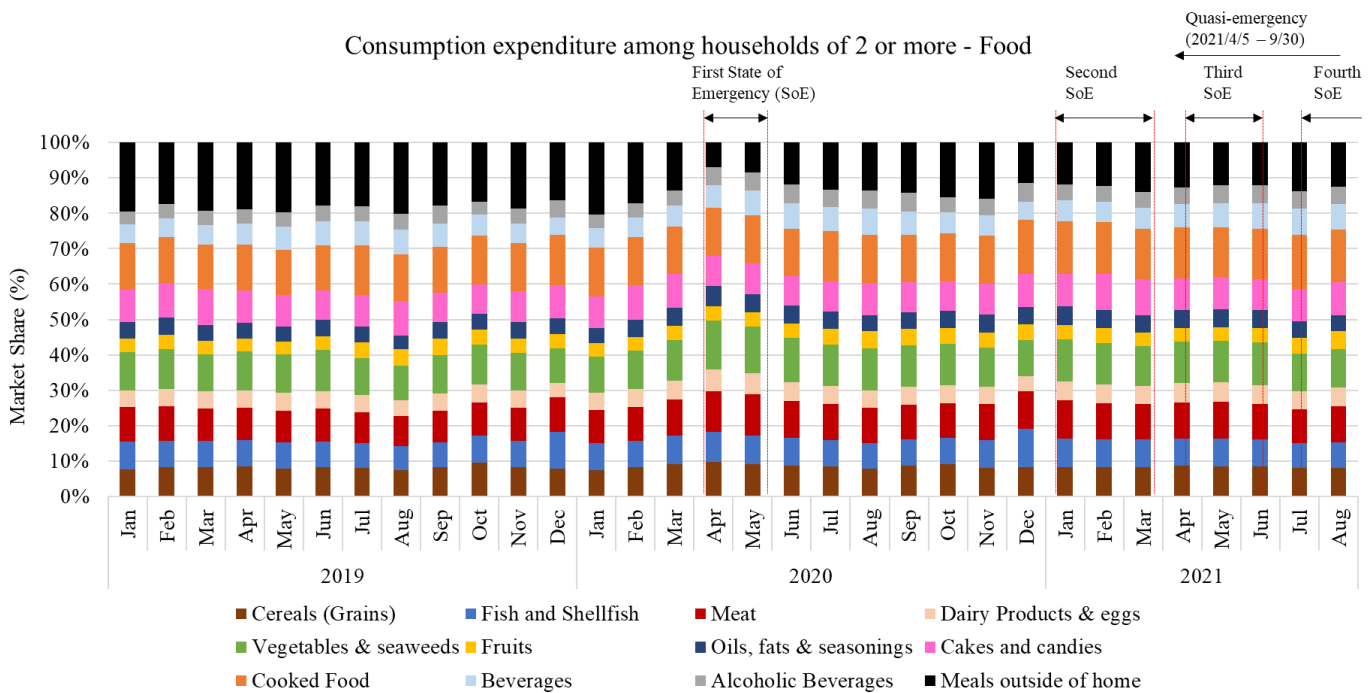
- Monthly statistics on household expenditures are only available for data that cover households of two persons or more
- Among households of two persons or more, the Engel’s coefficient (the proportion of money spent on food in household expenses) has steadily been rising (Chart A)
- Consumption expenditures among households (two or more) suggest that while overall expenditure towards food has remained relatively stable (2019 monthly average: 80,461 yen, 2020: 80,198 yen, 2021: 77,324 yen – does not yet include December, which has the highest expenditures), expenditure towards cooked food increased while expenditures toward meals outside of home decreased, and
- Since the outbreak of COVID-19, expenditures towards “Meals outside of home” declined while that for “Cooked Food” increased. Declines in expenditures towards “Meals outside of home” were particularly evident during the multiple State of Emergency (SoE) (Chart B-C)

Chart B



Source: MIC Ministry of Internal Affairs and Communications

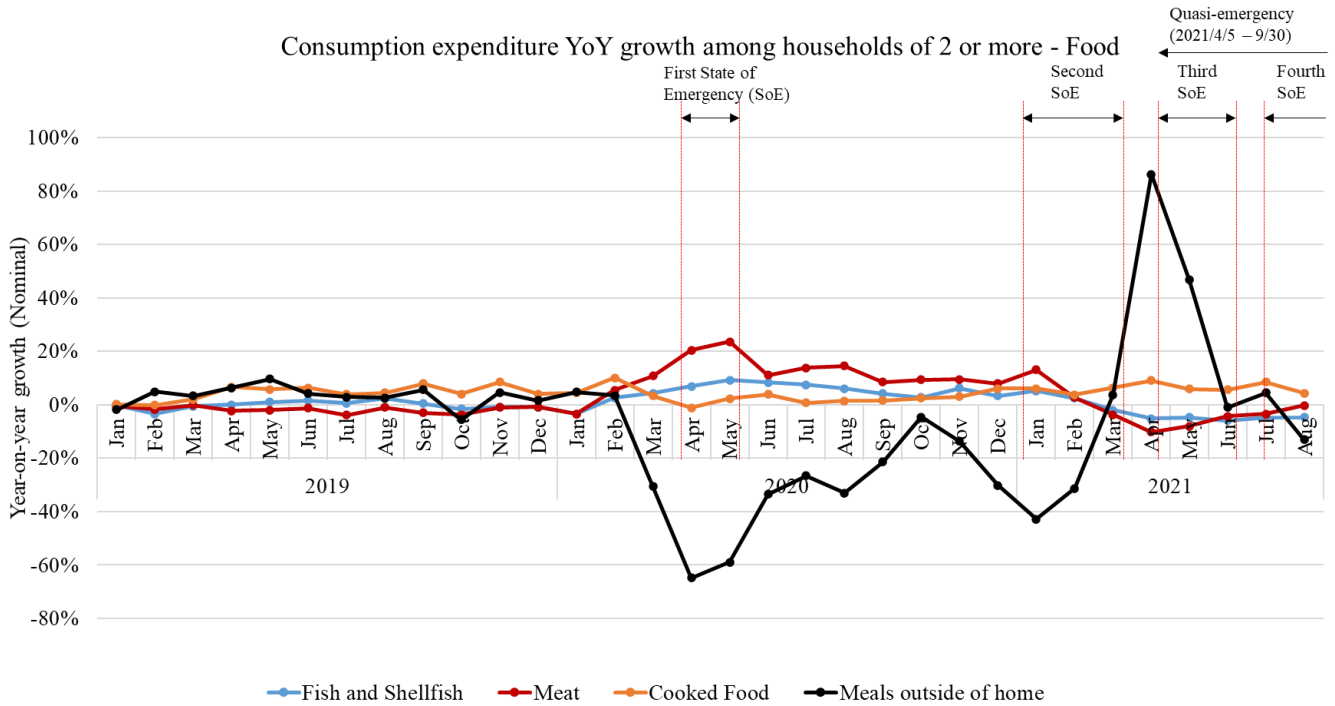
Chart C



Source: MIC Ministry of Internal Affairs and Communications

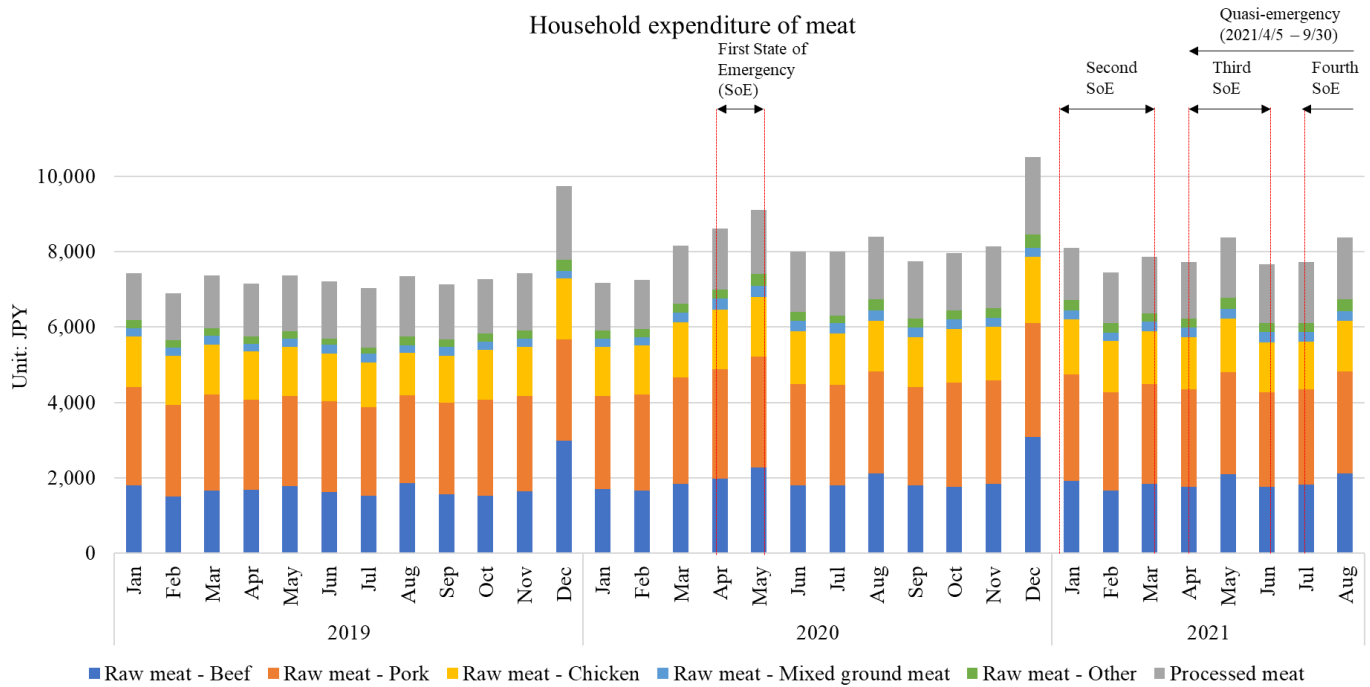
- Consumption towards cooked food continues to see positive growth in 2021

Chart D



Source: MIC Ministry of Internal Affairs and Communications

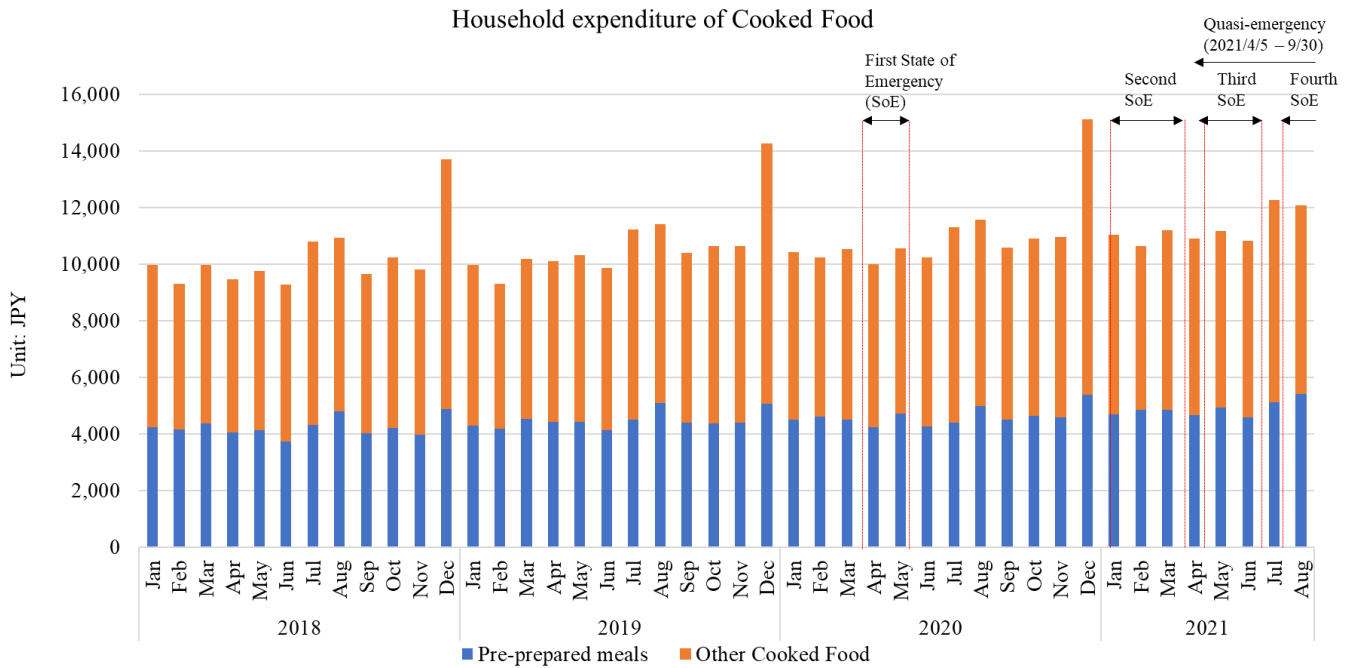
Chart E



Source: MIC Ministry of Internal Affairs and Communications

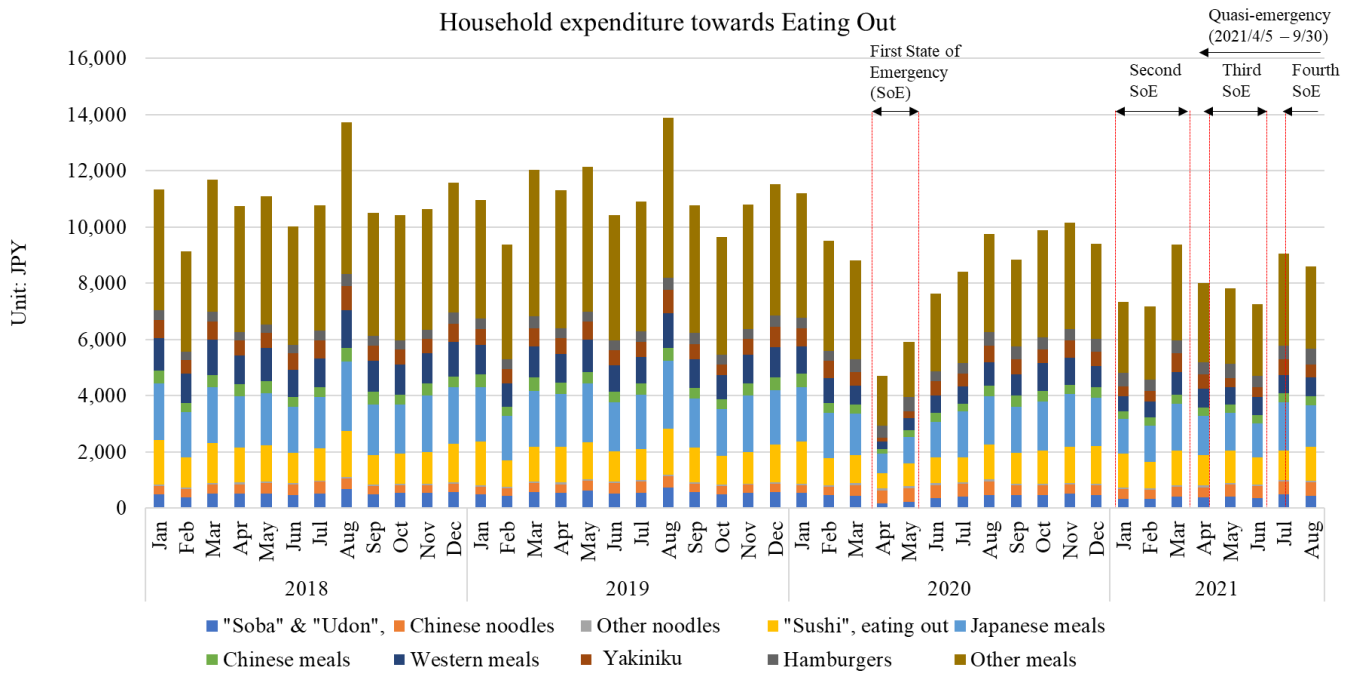
- Charts E-G show the breakdown of household expenditures toward meat, cooked food, and eating out.

Chart F



Source: MIC Ministry of Internal Affairs and Communications

Chart G

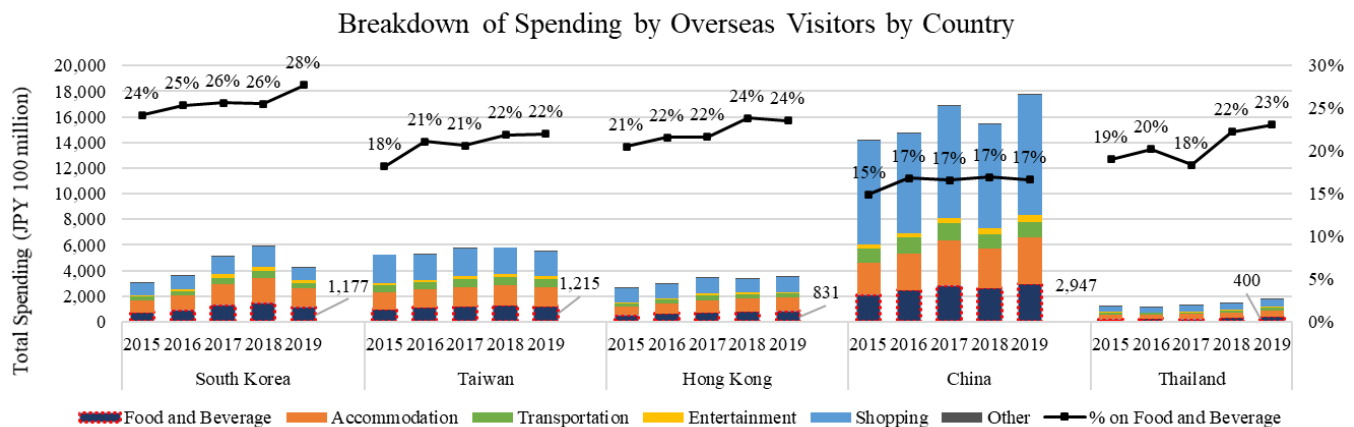


Source: MIC Ministry of Internal Affairs and Communications

Consumption and Expenditures by international visitors and trends

While data is not readily available to track Hotel, Restaurant, and Institutional consumption by international visitors, there are trends that may highlight spending patterns by these visitors (charts 2 – 5). The top five visitors by country in 2019 were South Korea, China, Taiwan, Hong Kong, Thailand. According to the Japan Tourism Agency, visitor arrivals totaled 24,417,820 from January through September 2019. In 2021, visitor arrivals drastically declined, totaling 190,900 in the same period and the top visitors by country were China, Korea, Taiwan, Hong Kong, and Thailand. In terms of travel spending, the inbound ratio (travel spending by overseas visitors divided by total travel spending in Japan) is about 17 percent of the total.

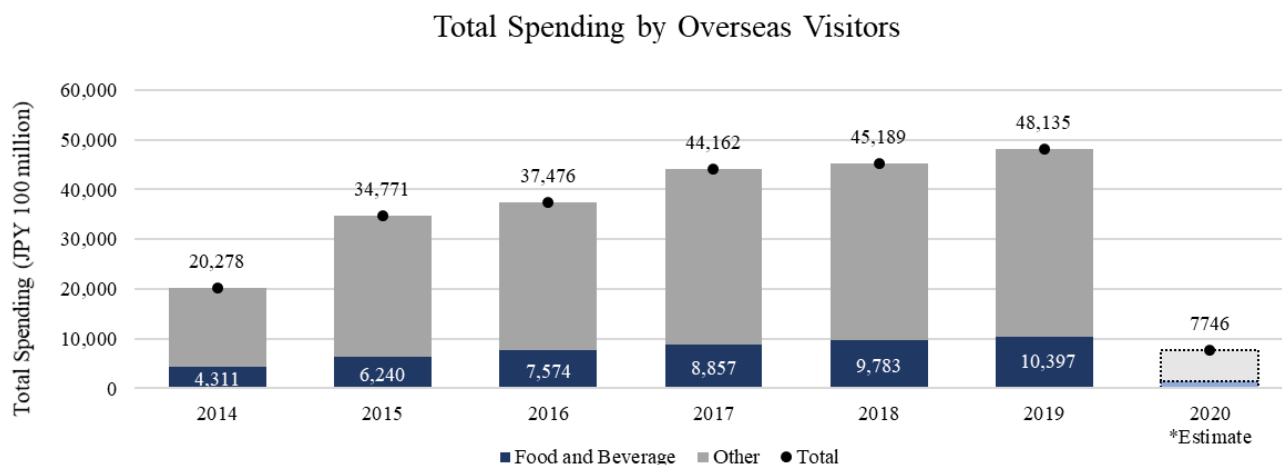
Chart 2



Source: Japan Tourism Agency “Consumption Trend Survey for Foreigners Visiting Japan”

Note: South Korea’s spending per capita for food and drink totaled JPY 21,132 or 28 percent in 2019; China’s spending per capita for food and drink totaled JPY 15,233 or 7.2 percent in 2019; Taiwan’s spending per capita for food and drink totaled JPY 26,258 or 22.2 percent; Hong Kong’s spending per capita for food and drink totaled JPY 38,886 or approximately 24 percent; Thailand’s spending per capita for food and drink totaled JPY 30,340 or 23.1 percent.

Chart 3



Source: Japan Tourism Agency “Consumption Trend Survey for Foreigners Visiting Japan”

Note: 2020 figures are JNTO estimates for total spending, and FAS estimates for Food and Beverage spending. Estimated F&B spending is calculated by multiplying the number of visitors in 2020 (4.1 million) and the per capita spending on Food and Beverage in 2019 (34,740 yen).

Source: Japan Tourism Agency “Consumption Trend Survey for Foreigners Visiting Japan”

Conclusion

Japanese users of American beef in Japan’s food service industry are cautiously optimistic of a recovery as Japanese consumers begin transitioning to a post-COVID-19 environment. In recent discussions with major buyers of Yakiniku restaurants and Gyudon shops in early November, they note sales increases of approximately 40 percent (November 2021 compared with October 2021). Despite these positive market trends, continued port congestions and supply chain disruptions, inflation, and ongoing COVID-19 travel restrictions will be aspects closely monitored in 2022.

Attachments:

No Attachments.