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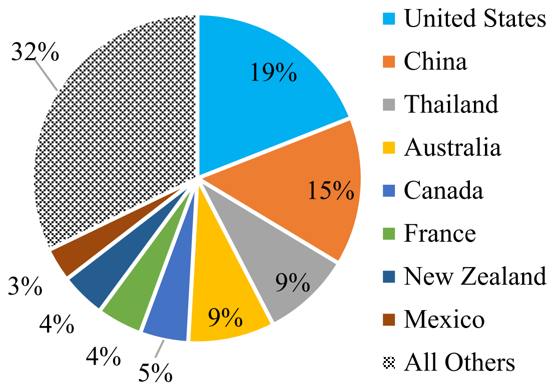
Report Highlights:

In 2019, the total value of all retail food and beverage (F&B) sales in Japan fell 1.3 percent to ¥52,669 ($483.2 billion). The top category is supermarkets (70 percent of total sales) followed by convenience stores (14 percent). Drug stores and department stores hold a small, but growing, share of F&B sales. Preferential tariff access now exists for many U.S. retail products following the entry into force of the U.S.-Japan Trade Agreement (USJTA) on January 1, 2020. Following requests for people to stay home during the COVID-19 pandemic, retail sales at supermarkets have surged, up 20 to 30 percent for major chains.

Market Fact Sheet: Japan

Executive Summary:
The United States is the largest foreign supplier of food and agricultural products to an import-reliant Japan (24 percent of import market share)—the fourth largest market for U.S. agricultural products in 2019 ($11.7 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.

Consumer-Oriented Imports ($33.8 Billion, 2019)



Food Processing Industry:
The $220 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 2019, the total value of all retail food and beverage sales was $483 billion. Supermarkets represent the bulk of the retail food sales at 70 percent and the convenience store sector accounts for another 14 percent of sales. Ready-to-eat meals or take-home food items represent an area of growth.

Population: 125,507,472 (July 2020 est.)
GDP: $4.97 trillion (3rd)
GDP/Capita: $39,290

Top Ten Growth Food Products
1) Beef and Beef Products
2) Pork and Pork Products
3) Processed Vegetables
4) Wheat and Wheat Products
5) Fresh and Processed Fruit
6) Tree Nuts and Peanuts
7) Distilled Spirits
8) Wine and Beer
9) Cheeses
10) Condiments and Sauces

Food Industry by Channels

Consumer-Oriented Imports	$34 billion
Food Processing Industry	$220 billion
Food Industry Gross Sales	$783 billion
- *Retail*	*$483 billion*
- *Food Service (2018)*	*$300 billion*

Top Ten Retailers

AEON Retail	Ito Yokado
Seven Eleven Japan	Lawson Inc.
FamilyMart UNY Holdings	U.S.M. Holdings
Life Corporation	Izumi
Arcs	York Benimaru

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: Global Agricultural Trade System, Global Trade Atlas, Japan Ministry of Finance, Japan Ministry of Economy, Trade and Industry, Japan Food Service Association, The World Factbook, The World Bank. For additional information, contact ATOTokyo@fas.usda.gov

COVID-19 Impact on Retail Sales

Beginning in February 2020, the COVID-19 pandemic resulted in a significant increase in retail sales at supermarkets, with year-over-year monthly totals up 20 to 30 percent for most major chains in March and April. Conversely, restaurant and hotel food service sales fell dramatically as schools closed, tourism halted, and public outings were greatly reduced. The Tokyo Agricultural Trade Office (ATO) is following developments and publishing a series of reports titled "COVID-19 Impacts on Food Distribution in Japan" which can be found on the USDA GAIN or FAS Japan Reports websites. As of the date of publishing, the latest report can be downloaded here.

SECTION I. MARKET SUMMARY

In 2019, the total value of all retail food and beverage (F&B) sales in Japan fell 1.3 percent to ¥52,669 ($483.2 billion[1]) from ¥53,339 billion in the previous year ($483.0 billion[2]). The Japanese F&B retail industry includes supermarkets, general merchandise stores (GMS), department stores, convenience stores, drugstores, and the internet (see Figure 1).

Figure 1: Food Retail Sales by Category for 2018 and 2019

	2018 (Ex. Rate: 110.424 ¥:$)			2019 (Ex. Rate: 109.008 ¥:$)		
Category	Billion ¥	Billion $	Share	Billion ¥	Billion $	Share
Supermarket	37,411	338.79	70.1%	37,019	339.60	70.3%
GMS	2,849	25.80	5.3%	2,752	25.25	5.2%
Department Store	1,812	16.41	3.4%	1,895	17.38	3.6%
Convenience Store	7,769	70.36	14.6%	7,370	67.61	14.0%
Drugstore	1,806	16.36	3.4%	1,941	17.81	3.7%
Internet	1,692	15.32	3.2%	*1,692**	*15.52**	*3.2%**
Total	53,339	483.04	100.0%	52,669	483.17	100.0%

Sources: Japan Ministry of Economy, Trade, and Industry

**The official internet sales total for 2019 is not yet available, due disruptions in research during the COVID-19 pandemic and may differ when published later this year. The 2018 sales figure was carried over as an estimate.*

Supermarkets represent the bulk of the retail food market, at 70.3 percent. Since 2000, the number of convenience stores has increased from 35,461 to 56,502 stores, resulting in significant growth in F&B sales. However, this year sales dropped 5.1 percent as the sector relinquished market share to drug stores and department stores. Drugstores are increasing F&B offerings, especially in rural areas where no supermarkets are located. Department stores generally carry premium food items and sales of ready-to-eat meals (REM) or take-home food items represent a very strong area of growth. GMS offer products such as apparel, shoes, sporting goods, bedding, kitchenware, etc., in addition to F&B products.

[1] 2019 Annual Average Exchange Rate, Japanese Yen to U.S. Dollar = ¥109.008:$1; Source: The Internal Revenue Service (IRS), https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates

[2] 2018 Annual Average Exchange Rate, Japanese Yen to U.S. Dollar = ¥110.424:$1; Source: The Internal Revenue Service (IRS), https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates

In recent years, internet F&B sales have experienced double-digit annual growth, however official 2019 sales totals are not currently available as research and publication of statistics has been disrupted during the COVID-19 pandemic. The Nomura Research Institute (NRI) estimates that the total retail ecommerce market (including non-F&B) will grow more than 50 percent between 2018 and 2025.

Japanese consumers often look for convenience, quality, and single-serving sizes. An estimated 13.5 million people commute via a combination of train and foot in Tokyo every day. Therefore, convenience and accessibility are highly valued by consumers who drive less than their counterparts from other developed countries. REM offerings have been increasing in every retail area, including delicatessens in supermarkets, department stores, and convenience stores and are a key marketing strategy element to increase customer traffic and revenue. Frozen foods have also gained a large presence in this market. For instance, thaw-and-serve bentos (lunches that are bought frozen in the thawed and ready to eat by lunchtime) have gained popularity. The rise of working, single-person households directly affects the rise in sales of ready-made, frozen, take-out, delivery, and restaurant prepared meals, as many career-focused young adults, want to avoid the hassle of cooking at home. For more information about REM, see GAIN report JA2019-0185.

Approximately 27 percent of household expenditures go toward food, according to the Japanese Statistic Bureau. The two main consumer groups are seniors (60 and older) and young adults in their 20s and 30s. Seniors often demand healthy foods, but many have limited mobility. The retail response has come in the form of delivery services, mobile operations, expanded internet shopping, smart phone market integration, promotions, and products developed with this cohort in mind. For more information on the growing demand for healthy foods, see GAIN report JA2020-0068.

Figure 2: Summary of U.S. Food Product Advantages in the Japanese Market

Key Words	Advantages	Challenges
Quality	U.S. specialty food products attract Japanese consumers. U.S. products often have a good story to tell.	The U.S. image as a large producer with corporate farms.
Cultural Influences	Japanese consumers are strongly influenced by U.S. food culture and enjoy trying things seen as cool or trendy.	Japanese consumers are not familiar with many products common in the United States.
Healthy	The U.S. health-related food market is relatively advanced.	Some Japanese consumers believe American products (and imported cuisine in general) are unhealthy.
Food Safety	U.S. agriculture can successfully differentiate itself from Japan and other countries with its food safety assurances such as HACCP, GAP, ISO, etc.	Some Japanese consumers believe U.S. foods contain more pesticide residues, hormones, or artificial chemicals than domestic products, and some consumers are averse to food additives. Many of Japan's residue tolerance levels are lower than the United States.

Stable Supply	The United States is a major global supplier of food products with generally steady annual production.	Japan's food self-sufficiency rate is only 38 percent. Therefore, Japan is import dependent and trade disruptions may force buyers to look elsewhere to maintain supplies.

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. Importers introduce new product to retailer buyers, and if interested, they will request their wholesaler/distributor and/or importer to consider purchasing. It can often be difficult to identify appropriate retailers and even more difficult to get an appointment with their buyer. Japanese retailers usually have large purchasing teams with dedicated buyers for different product lines such as meats, seafood, fresh produce, specialty foods, frozen ingredients, and frozen processed foods. In many cases, they have a person in charge of international trade. Japanese retailers usually do not import directly. In most cases, distribution will include at least one importer and one wholesaler. Determining the structure of product distribution is important for setting pricing so that each partner's margin is sufficient.

Regulations on ingredients and additives are very strict and exporters must ensure that products are permitted. As part of the product clearance and approval process, it is also common that local processors and the Japanese government request specific information regarding product handling and composition. In addition, local manufacturers have a reputation for demanding very high standards of product quality and consistency, while also having a reputation for working collaboratively with suppliers to develop long-term supply relationships.

Strategies for entering the market vary depending on product characteristics, competition, and the market environment. However, buyers in the food and beverage industry often prefer to find new products at large trade shows, or specially targeted trade shows, where they can look at many products at once. Therefore, participating in one of Japan's many trade shows is highly recommended to learn about the market and meet with potential business partners. The largest local food related trade shows are the Supermarket Trade Show and FOODEX Japan, which take place every February and March, respectively. For more information on trade shows, read JA2020-0054 or contact the ATO.

Entry Strategy

To get started, companies interested in exporting should:

a. Ensure production capacity to commit to the market,
b. Ensure sufficient financial and non-financial (staff, time, etc.) resources to actively support exported product(s),
c. Evaluate whether the ability exists to tailor product packaging and ingredients to meet foreign import regulations, food safety standards, and cultural preferences,
d. Ensure knowledge necessary to ship overseas, such as being able to identify and select international freight forwarders, manage climate controls, and navigate export payment mechanisms, such as letters of credit,

e. Research USDA cooperators or local State Regional Trade Groups (SRTG) by visiting the "Getting Started" FAS webpage. These groups work closely with USDA to help food and agricultural companies advance their exporting goals.

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

1. Determine whether product is permissible by Japanese food regulations.
   a. The Exporter Guide and the Food and Agricultural Export Regulations Report (FAIRS), published by the USDA Japan offices contains much of the necessary information.
   b. The ATO's Import Process Guides identify import requirements for many products.
   c. For plant or animal health inquiries, local APHIS offices can provide information.
   d. If the product contains meat or meat products, companies should reference the Food Safety Inspection Service Export Library.
   e. JETRO's Handbook for Agricultural and Fishery Products Import Regulations is a helpful tool for reviewing Japanese food regulations to determine product compliance local laws regarding additives, residue levels, and processing procedures, as well as regulations in terms of weight, size, and labeling.
2. Perform basic market research by:
   a. Determining the specific area of the market that company product is targeting,
   b. Determining whether there is demand for the product by searching online websites, speaking with other companies that have experience in the market, visiting Japan to conduct market tours, or attending a trade show,
   c. Determining the comparative advantages of product versus Japanese and other suppliers, keeping in mind transportation and modification costs. Potential customers need to be convinced of the product merits: price savings, higher quality, higher value, or more convenient packaging.
3. Develop an export action plan:
   Once the general market, product, and regulatory information is collected, companies should begin the process of creating an export action plan. This can be a helpful tool for relaying product vision to distributors and buyers. The plan should have some flexibility as portions may change after personal interaction with the market or as more information is gathered. This action plan should include:
   - The company's story
   - Product
   - Objective
   - Market
   - Marketing plan
   - Scheduling an evaluation
   - Potential importers and buyers
   - Short/long-term goals and benchmarks
   - Product modifications, if applicable
   - Product packaging and handling
   - Financial resources to be committed
   - Non-financial resources to be committed
   - Additional financing
   - Literature in Japanese
4. Get to know the market personally:
   Companies should visit Japan to explore opportunities first-hand or find a representative. Face-to-face interaction is very important in Japan, where personal relationships are highly valued. Companies should vet their partners to ensure they have a good reputation and record of accomplishment.

Company Profiles

The largest retail group is AEON Co. Ltd. The second largest is Ito-Yokado, part of the Seven and I group that also owns the top convenience store format, Seven-Eleven. The well-known U.S. brand retailers, Costco and Walmart, are also active in Japan. Costco opened its first Japan-based warehouse in 1999 and is now operating 26 outlets. Walmart purchased Seiyu supermarket chain in 2005, and currently operates 333 retail stores, using the more familiar name, Seiyu.

Top Supermarkets

AEON Retail	https://www.aeon.info/en/
Ito Yokado	http://www.itoyokado.co.jp/special/global/en/
Familymart UNY Holdings	http://www.fu-hd.com/english/index.html

Specialty Supermarkets (carrying premium import products)**:**

Kinokuniya Co, Ltd.	https://www.e-kinokuniya.com/
Meidi-ya	http://www.meidi-ya.co.jp/en/
Seijo Ishii	http://www.seijoishii.co.jp/en/
Dean & Deluca	https://www.deandeluca.co.jp/
Queens Isetan	http://www.queens.jp/pc.html
Kaldi Coffee	http://kaldi.co.jp/english
National	http://www.national-azabu.com/e_index2.php
Nissin World Delicatessen	http://www.nissin-world-delicatessen.jp/
Costco	https://www.costco.co.jp/
Walmart (Seiyu)	https://corporate.walmart.com/

Convenience Stores

Seven Eleven Japan	http://www.sej.co.jp/in/en.html
Lawson Inc.	http://lawson.jp/en/
Ministop	https://www.ministop.co.jp/in/en/
Daily Yamazaki	http://www.daily-yamazaki.jp/index.html

SECTION III. COMPETITION

The United States is the top agricultural supplier to Japan and known as a reliable exporter that provides safe and high-quality foods. On January 1, 2020, the USJTA entered into force. Now nearly 90 percent of U.S. agricultural products are either duty free or receive preferential treatment, making U.S. products more competitive with other suppliers that have implemented free trade agreements with Japan, including the European Union, Canada, Australia, Chile, and Mexico.

The United States competes intensively with Canada in the chilled pork sector. The U.S. share of the frozen pork has fallen to 10 percent while competitors such as Spain, Denmark, and Mexico have increased their total share to 57 percent. The United States competes in the beef market with Australia. U.S. wheat accounts for roughly half of Japan's annual wheat 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 Canada being the main competitor for food-grade soybeans. The EU, New Zealand, and Australia lead in the supply of cheese, while the U.S. market share is just 12 percent. The United States' main competition in vegetables and fruit is regional, with China primarily suppling on proximity, price competitiveness, and varietal preferences.

Figure 3: Japan Imports of Agricultural Products in 2019

Partner Country	United States Dollars (Billions)			% Share			% Change
	2017	2018	2019	2017	2018	2019	2019/2018
World	51.9	53.8	54.1	100.0	100.0	100.0	0.6
United States	12.7	13.8	12.8	24.5	25.7	23.7	- 7.2
China	6.2	6.5	6.3	11.9	12.1	11.6	- 3.1
Australia	4.0	4.3	4.2	7.7	8.0	7.8	- 2.3
Thailand	3.9	4.0	4.0	7.5	7.4	7.4	-
Canada	3.5	3.7	3.8	6.7	6.5	7.0	2.7
Brazil	2.5	2.1	3.1	4.8	3.9	5.7	47.6
France	1.6	1.7	1.8	3.1	3.2	3.3	5.9
New Zealand	1.4	1.5	1.6	2.7	2.8	3.0	6.7

Source: Trade Data Monitor: BICO Agricultural Products

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

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 JA9105.
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 JA9105.
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 more information, see JA9710.
Wheat and Wheat Products	U.S. food wheat is a key ingredient in Japanese bakery and noodle production. USJTA provides tariff parity with competing food wheat suppliers such as Australia and Canada. It also gives the United States a tariff advantage over Turkey, one of the leading pasta suppliers. Pasta is the primary wheat product imported by Japan. For more information, see JA2020-0058.
Fresh &	Japan imports one-third of its fresh fruit and 90 percent of its processed fruit, with

Processed Fruit	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 more information, see JA8706.
Tree Nuts and Peanuts	U.S. tree nuts are increasing in popularity in the convenience health snack sector, as detailed in JA9502. Almonds, walnuts, pecans, and peanuts, in plain, roasted and salted forms, are common in single-serve snack packaging at convenience stores across Japan. The Japanese food service industry is beginning to explore new salad creations that incorporate tree nuts.
Whiskey	In 2019, increased domestic consumption and surging global demand for Japanese whiskies led to a record $429.3 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. 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 JA9501. In 2019, the United States became the largest supplier of beer by value at $15.6 million, due to premium craft beer sales. For more information, see JA8507.
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 JA2019-0183.

Top Consumer-Oriented Products Imported from the World

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

Top Consumer-Oriented Products Imported from the United States

- Pork and Pork Products
- Beef and Beef Products
- Frozen Potatoes
- Tree Nuts

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 production. 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.

Products Not Present Because They Face Significant Barriers

- Fresh Potatoes

COVID-19 Impacts on Products Present in the Market

According to a Toyo Economic Online report, monthly year-over-year sales have skyrocketed 150 to 250 percent in March and April for the following products: essences including vanilla essence for baking, pancake mixes and *karaage* (fried chicken) flour mixes, wheat flour, whipped cream, hot-pot soups and related products, syrups including maple and sugar syrups, pastas and sauces, and alcoholic beverages, particularly spirits. Some stores have had difficulty keeping popular items like flour, butter, and *natto* (fermented soybeans) on the shelves.

At retail, easy-to-cook items such as rice, cup/instant noodles, curry, and retort (boil-in-the-bag) products have sold well. Sales of beef, pork, and chicken have been strong, especially tray packs with larger quantities for refreezing and marinated or flavored products. The top selling seafood is mostly processed and easy-to-cook-at-home items such as salted salmon, dried fish (horse-mackerel, Okhotsk atka mackerel), young sardines, clams, seaweed, frozen seafood mix, and shelled shrimp. Demand has generally increased for fruits and vegetables, especially those with longer shelf-lives, such as potatoes, onions, carrots, and green peppers. Sales of frozen foods have also increased. For more information on consumer behavior changes during the COVID-19 pandemic, see GAIN report JA2020-0112.

SECTION 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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1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
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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)

Japan External Trade Organization (JETRO)
Japanese market and regulations: https://www.jetro.go.jp/en/reports/
Japan Food Sanitation Law: http://www.jetro.go.jp/en/reports/regulations/

Specifications and Standards for Foods, Food Additives, etc. under the Food Sanitation Law:
http://www.jetro.go.jp/en/reports/regulations/

Ministry of Agriculture, Food and Forestry:
U.S. laboratories approved by the Japanese Government, visit
http://www.mhlw.go.jp/topics/yunyu/5/dl/a3.pdf.
Statistics and articles: http://www.maff.go.jp/e/index.html

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/

Sources for Retail Market Figures:
METI, Large-scale retail sales trade, Part 3- Table 1, Report on the Current Survey of Commerce.
METI, Convenience store, Part 4- Table 1, Report on the Current Survey of Commerce.
METI, Drug Store, Table Part 4-Table 1, Report on the Current Survey of Commerce.

Attachments:

No Attachments