Required Report: Required - Public Distribution **Date:** July 21, 2021

Report Number: JA2021-0104

Report Name: Retail Foods

Country: Japan

Post: Tokyo ATO

Report Category: Retail Foods

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Report Highlights:

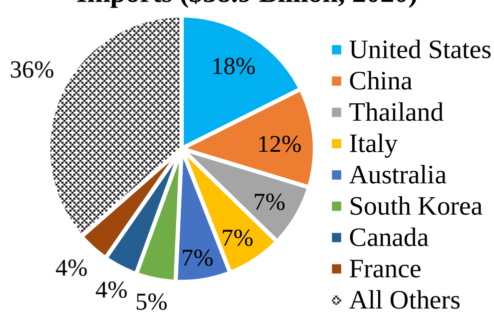
In 2020, the total value of all retail food and beverage (F&B) sales in Japan was $474.13 billion, a 1.5 percent increase over 2019 sales of $466.97 billion. One-stop shopping became very important during the COVID-19 pandemic, especially during multiple States of Emergency throughout Japan when the government urged citizens to stay home. Supermarkets continue to represent the bulk of the retail food market, accounting for a 74 percent share. Drugstores and internet sales of food and beverages are steadily increasing. Ready-to-eat meals (REM) and take-home food items represent another strong area of growth, and sales from this sector are key to increase retail food and beverage industry revenue.

Market Fact Sheet: Japan

Executive Summary:

The United States is the largest foreign supplier of food and agricultural products to an import-reliant Japan (22 percent of import market share)—the fourth largest market for U.S. agricultural products in 2020 ($12.9 billion). On January 1, 2020, the U.S.-Japan Trade Agreement (USJTA) entered into force, providing preferential tariff access for many U.S. agricultural products. Japan's food industries are well-developed and innovative in all sectors, including, retail, food service, food processing, and distribution.

Japan Consumer-Oriented Product Imports ($38.9 Billion, 2020)



Food Processing Industry:

The $223 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 2020, the total value of all retail food and beverage sales was $474 billion. Supermarkets represent the bulk of the retail food sales at 73 percent and the convenience store sector accounts for another 14 percent of sales. Ready-to-eat meals or take-home foods represent an area of growth.

Population:	124,687,293 (July 2021 est.)
GDP:	$5.08 trillion (3rd)
GDP/Capita:	$40,247

Top Ten Growth Food Products

1) Beef and Beef Products
2) Dairy Products (Cheeses)
3) Wheat and Wheat Products
4) Pork and Pork Products
5) Soybeans and Soybean Meal
6) Processed Vegetables
7) Tree Nuts and Peanuts
8) Wine and Beer
9) Distilled Spirits
10) Condiments and Sauces

Food Industry by Channels (US$)

Consumer-Oriented Imports	$39 billion
Food Processing Industry	$223 billion
Food Industry Gross Sales	$789 billion
- *Retail (2020)*	*$474 billion*
- *Food Service (2019)*	*$306 billion*

Top Ten Retailers

AEON Retail	Ito Yokado
Seven Eleven Japan	Lawson Inc.
FamilyMart UNY Holdings	U.S.M. Holdings
Life Corporation	Izumi
OK Foods	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, Trade Data Monitor, Japan Ministry of Finance, Japan Ministry of Economy, Trade and Industry, Japan Food Service Association, The World Factbook, The World Bank.

SECTION I. MARKET SUMMARY

In 2020, the total value of all retail food and beverage (F&B) sales in Japan was $474.13 billion, a 1.5 percent increase over 2019. Supermarkets represent the bulk of the retail food market, at 74.6 percent, according to data from the Ministry of Trade, Economy and Industry (METI) and the Statistics Bureau of Japan. The F&B retail industry includes supermarkets, department stores, convenience stores, drugstores, and the internet (See Figure 1). General Merchandise Stores (GMS) offer products such as apparel, shoes, sporting goods, bedding, kitchenware, etc., in addition to F&B products. There is no separate or official data source for GMS sales of F&B products.

Figure 1: Food Retail Sales by Category for 2019 and 2020

	2019		2020	
Category	**Billion $**	**Share**	**Billion $**	**Share**
Supermarket >16,146 sq ft	90.33	19.3%	108.93	23.0%
Supermarket <16,146 sq ft	253.77	54.3%	244.77	51.6%
Convenience Store	72.03	15.4%	69.30	14.6%
Department Store	16.29	3.5%	13.96	2.9%
Drug Store	17.82	3.8%	20.45	4.3%
Internet	16.72	3.6%	NA*	3.5%**
Total Market without GMS	466.97	100.0%	474.13**	100.0%

Source: Ministry of Economy, Trade and Industry, Statistics Bureau of Japan
https://www.stat.go.jp/data/joukyou/12.html
* Official estimates for Internet sales were not available for 2020.
** Total market uses 2019 Internet estimate of $16.72 billion.

Supermarkets that have sales floor space less than 16,146 square feet represent the largest share of the sector at 51.6 percent. However, the greatest increase in sales this year (20.6 percent) was for supermarkets with more than 16,146 square feet in sales floor space, driven by at-home consumption during the pandemic, and a shift in demand towards one-stop shopping.

The Convenience store ("combini") sector represents 14.6 percent of sales. In 2020, sales decreased 3.8 percent. The sector is notoriously difficult to enter and even more difficult to maintain shelf space, with high turnover in products and competitive sales space. Convenience stores are constantly inventing ways to appeal to customers of all ages. The working class, most commonly referred to as "salary men/women," are targeted throughout the day from morning breakfast items to ready-to eat dinners. Healthy food items are shelved to entice seniors (age 60 and above). Since 2000, the number of convenience stores has increased from 35,461 stores to 55,924 in 2020 and food sales have skyrocketed from $41 billion to $69 billion.

A Ready-to-Eat Meal (REM) is defined as food that was prepared by an institution outside the home and sold through a retail outlet (usually a Convenience Store) to be taken to a different location (such as the home, office, a bench in the park, etc.) and consumed. REM is a key element of the marketing strategy of most retailers to increase customers and revenue. REM offerings have been increasing in every retail area, including delicatessens in supermarkets, department stores, and convenience stores. Typical among these are *obento* boxes which are popular for school and office lunches. Frozen foods have also gained a large presence in this market. For instance, thaw and serve *bento* are lunches that are bought frozen in the morning and by lunchtime are thawed out and ready to eat.

GMS offer products such as apparel, shoes, sporting goods, bedding, kitchenware, and other goods in addition to F&B products. The GMS sector's largest retailers are national chains AEON Co., Ltd. and Seven & I, which operates Ito-Yokado. Regional GMS in western Japan include PPIH, Izumi, Okuwa, and Izumiya. Recently, Post has observed a shift among GMS companies and sales data is not always made public. When it is, F&B sales are not separated from total sales, making it difficult to put a value on F&B sales within the sector. Based on Post contacts, a reasonable estimate is $25 billion.

Drugstores are another retail store category that is growing, especially in the countryside. These stores have the wherewithal to provide their services in remote areas and still be profitable. Many small towns with a small population are unable to support either supermarkets or convenience stores, however, drugstores are expanding food and beverage offerings to bolster sales and finding a loyal customer base.

Internet sales of F&B are growing too, closing in on sales volumes of department stores and drugstores. One of the reasons is the increase of users of smartphones. According to one supermarket source, it is increasingly common that customers visit their supermarkets to see, touch and evaluate a product that they may then order on the internet.

The impact of COVID-19 on the retail sector highlighted the importance of one-stop shopping, especially during rolling States of Emergency throughout Japan when the government urged citizens to stay home. During this time, sales for supermarkets with sales floor space greater than 16,146 square feet increased 20 percent. Drugstores that have increased their food and beverage shelf space over the past five years now attract Japan's older population especially because they can purchase their food and beverages while they wait for their prescription drugs. As a result, drugstore sales increased 14.8 percent. Convenience store sales declined 3.8 percent. Two speculations are that many convenience stores are located near business offices and train stations that were deserted during the pandemic when many companies switched to telework, and that convenience stores do not offer one-stop shopping, because they often do not have fresh produce, family size packaging, or pharmaceuticals.

Unfortunately for Department stores, who were required to close during one of the States of Emergency because they were considered the "luxury shopping sector," rather than an essential business, sales of F&B products also declined. While the food and beverage sales area were permitted to operate, without the pull and attraction of shopping for luxury items, the volume of customers decreased significantly.

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

Key Words	Advantages	Challenges	Advice
Quality	U.S. specialty food products attract Japanese consumers. U.S. products often have a good story to tell.	Image of the U.S. as a large producer with corporate farms. It is difficult to import foods to Japan.	Have a good story to educate customers about the history and quality of your product. Also, emphasize the quality and source of ingredients.
Cultural Influences	Japanese consumers are strongly influenced by U.S. food culture and enjoy trying things seen as cool or trendy.	Many products common in the U.S. are uncommon to Japanese consumers.	Be able to explain how your product relates to American culture. Also explain how you use or prepare it.
Healthy	The health-related food market in the U.S. is very advanced.	Some Japanese consumers believe American products (and imported cuisine in general) are unhealthy.	Make sure to emphasize health-related benefits but be careful not to make claims unless provided approval by the Japanese government.
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 U.S.	Educate customers about safety issues in order to help facilitate communication and provide customers with transferable knowledge.

Stable Supply	The U.S. is a major supplier of food products all over the world, providing stable annual production.	Japan's food self-sufficiency rate is only 38 percent. It has been declining due to the aging farm population. Therefore, Japan is dependent on imports, when there are trade disruptions, they may look elsewhere to maintain supplies.	Exporters should understand the demands of the Japanese consumer and avoid disruptions. Ensure product complies with Japanese regulations.

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.

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, please contact the Agricultural Trade Office (ATO) in Tokyo.

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 (https://www.fas.usda.gov/topics/getting-started). 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 under 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 the 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
- Schedule
- Evaluation
- Literature in Japanese
- Goals and benchmarks, short/long-term
- Product modifications, if applicable
- Product packaging and handling
- Financial resources to be committed
- Non-financial resources to be committed
- Additional financing
- Potential importers and buyers

4. Get to know the market personally:
Companies should visit Japan to explore opportunities first-hand or find a representative. Face-to-face interaction remains 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.

Finding a Buyer
Developing relationships with importers is important for success. Also important is to have a long-term plan and to manage expectations. The decision-making and negotiating process can be lengthy. Visiting Japan to meet importers and returning during the negotiating process can be beneficial. Buyers in the food and beverage industry often prefer to find new products at large trade shows, or targeted trade shows, where they can look at many products at once.

Company Profiles
The largest retail group in Japan 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. Well-known U.S. brand retailers Costco and Walmart are also successful in Japan. Costco opened its first warehouse in Japan in 1999 and is now operating 29 outlets. Walmart purchased Seiyu supermarket chain in 2005, and currently operates over 300 retail stores in Japan, 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	Costco Wholesale Japan | Costco Japan
Walmart (Seiyu)	Japan (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 Japan's number one agricultural trading partner and known as a reliable export partner that provides safe and high-quality foods. Under the U.S.-Japan Trade Agreement, nearly 90 percent of U.S. agricultural products enter duty free, or receive preferential treatment. However, competitors also have free trade agreements with Japan that reduce or eliminate food and agricultural tariffs, including: the European Union, Canada, Australia, Chile, and Mexico.

The United States is the leading pork exporter to Japan with 35 percent overall share and the leading supplier of fresh/chilled pork, with 33 percent share. The United States has a strong association with beef and shares Japan's import market primarily with Australia. U.S. wheat accounts for roughly half of the annual imports, with Canada and Australia making up the other half. Soybean imports are primarily from the United States on a value basis at approximately 70 percent, with Canada being the main competitor for food-grade soybeans. The EU, New Zealand, and Australia supply most cheeses, while the U.S. market share is around ten percent. The main U.S. competition for fruits and vegetables come from regional producers, with China primarily supplying on proximity, price competitiveness, and varietal preferences.

Figure 3: Japan Imports of Agricultural Products in 2020

Partner Country	United States Dollars (Billions)			% Share			% Change
	2018	2019	2020	2018	2019	2020	2020/2019
World	59.9	60.3	58.6	100.0	100.0	100.0	-2.97
United States	14.1	13.2	12.9	23.6	21.9	22.0	-2.42
China	6.7	6.5	6.2	11.2	10.7	10.7	-3.29
Canada	3.7	3.8	3.9	6.1	6.4	6.6	0.62
Australia	4.3	4.2	3.8	7.2	6.9	6.4	-10.06
Thailand	3.6	3.6	3.5	6.1	6.0	6.0	-3.39
Brazil	2.4	3.4	3.4	4.0	5.7	5.9	0.36
Italy	2.9	2.7	2.8	4.9	4.5	4.9	3.69
South Korea	1.9	2.1	2.1	3.2	3.5	3.6	-0.05
France	1.9	2.0	1.8	3.2	3.4	3.1	-11.41
New Zealand	1.5	1.6	1.6	2.5	2.7	2.7	-0.1

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	Prior to the COVID-19 pandemic, demand for U.S. lean beef and products was trending up in 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. For more information, see JA2021-0026.
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 JA2021-0026.
Processed Vegetables	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 JA2021-0035.
Fresh & Processed Fruit	Opportunities for U.S. fresh fruit exports to Japan are expected to increase due to falling domestic production. The United States is the top supplier of dried fruits to Japan but has lost market share to other frozen fruit suppliers in recent years. For more information, see JA2020-0158.
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 2020, Japan's total whiskey imports were $418.6 million, down $64.9 million from 2019. U.S. whiskey exports were $121.8 million, a 29 percent market share. For more information on the whiskey market, see JA2020-0053.
Wine & Beer	Wine consumption in Japan has risen steadily over the last decade. Total imports of wine and related products were $1.7 billion in 2020, though primarily from the EU. For more information on the wine market, see JA9501. In 2020, the United States continued to be the leading supplier of beer by value at $15.3 million, due to premium craft beer sales. For more information on the craft beer market, 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 JA2020-0174.

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. The freeze-dried food market is expanding. The best seller is miso soup, followed by other soup products. Opportunities may be found at any time for competitively priced, quality, or novel products, for example plant-based protein products, prepared chicken, craft beer, and spirits. For more details on alternative foods, see our latest report on this new trend: Japanese Companies Exploring Alternative Meat Product.

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