

Voluntary Report – Voluntary - Public Distribution

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Report Name: Updates on Potato Production and Consumption in Japan

Country: Japan

Post: Tokyo

Report Category: Agricultural Situation, Potatoes and Potato Products

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Report Highlights:

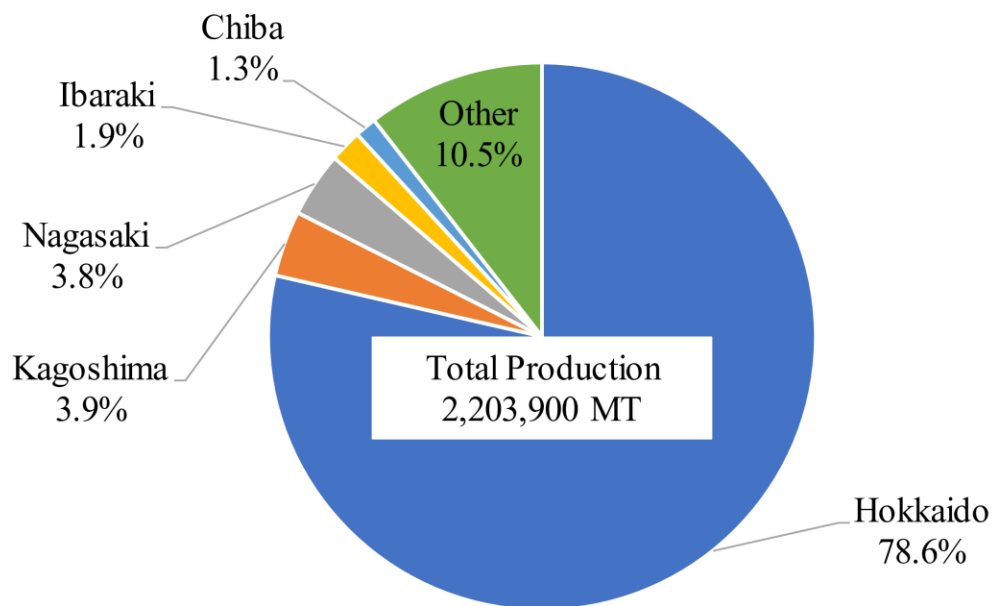
FAS/Tokyo estimates an 18 percent reduction, to 1.8 million metric tons, in Japan's 2021 domestic fresh potato supply due to unfavorable weather in Hokkaido for two years in row. This reduction in domestic output will increase demand for potato imports, especially for frozen potato products, such as French fries.

General

Production

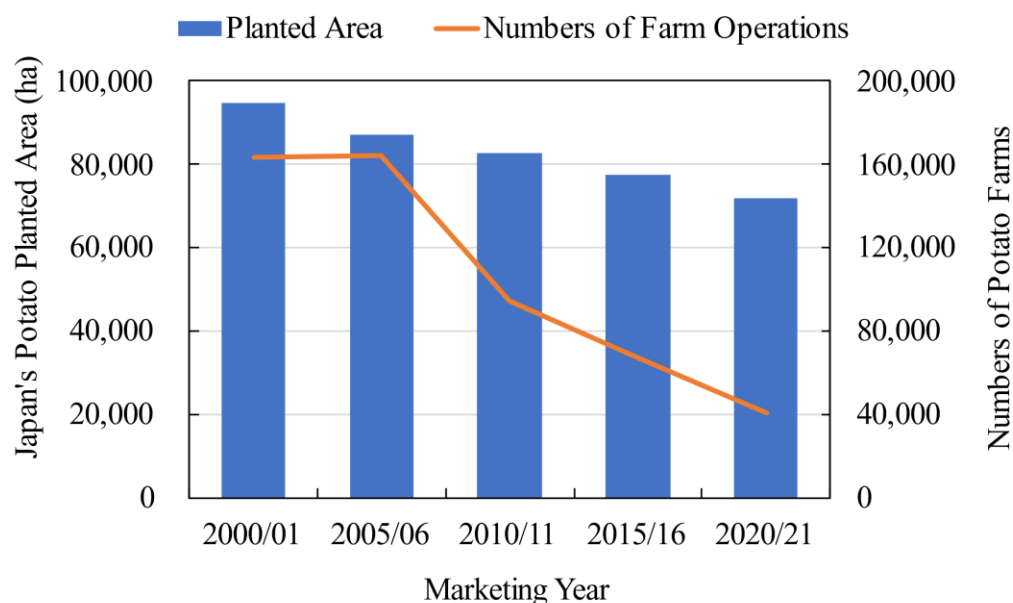
All of Japan's 47 prefectures produce potatoes, though nearly 80 percent of Japan's potato production comes from Hokkaido (Figure 1). In the last 20 years, the number of potato operations across Japan fell by nearly 75 percent (Figure 2). Given the overall trend in farm labor shortages across Japan, FAS/Japan forecasts Japan's potato acreage and production will continue to decline.

Figure 1. Japan's Potato Production by Prefecture in Marketing Year (April-March) 2020/21



Source: Ministry of Agriculture, Forestry and Fisheries (MAFF)

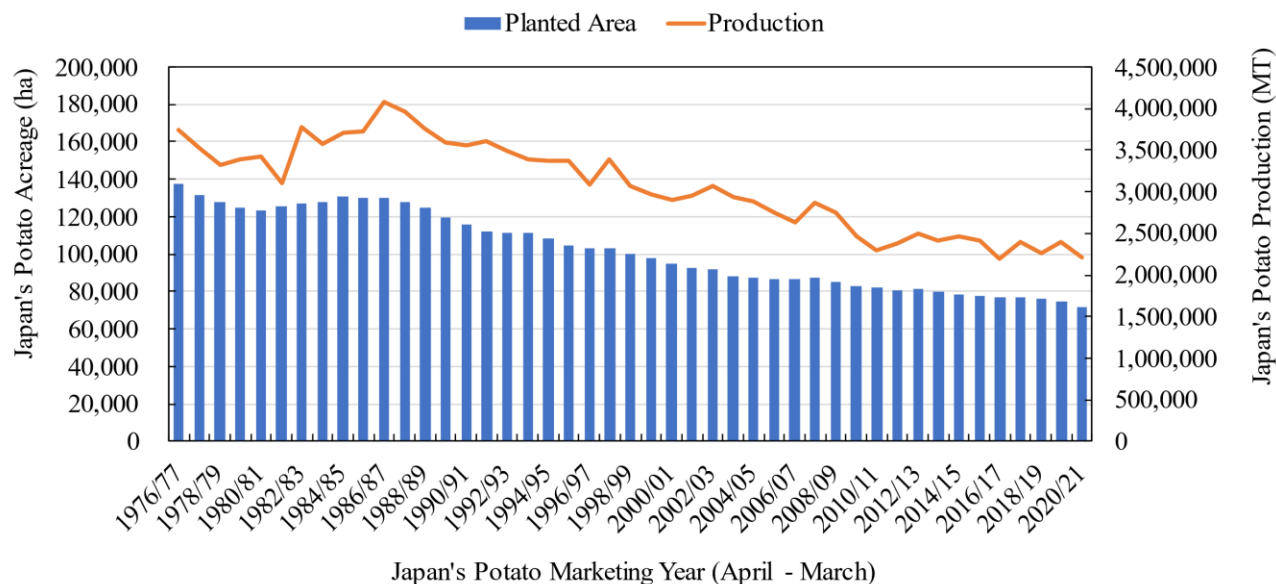
Figure 2. Numbers of Potato Farm Operations and Acreage in Japan



Source: MAFF's 2020 Census

The gradual decrease in potato planted area¹ and production (Figure 3) might have contributed to potato farm consolidation (Figures 2 and 4).

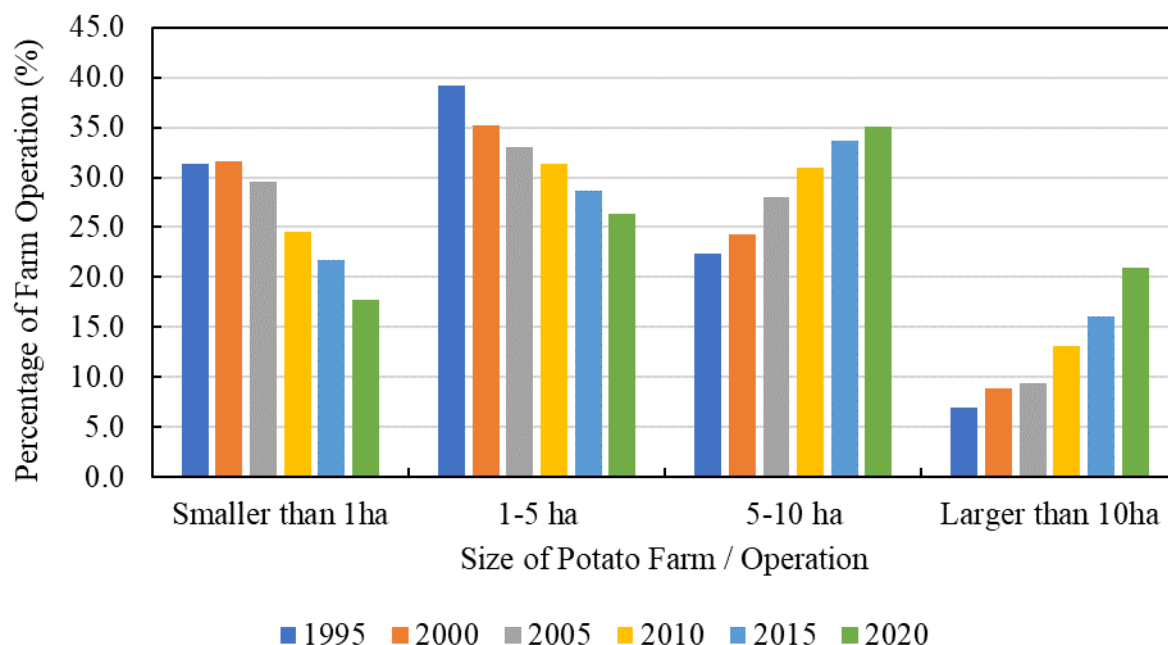
Figure 3. Japan's Historical Potato Acreage and Production



Source: MAFF

¹ The production statistics published by Japan's Ministry of Agriculture, Forestry and Fisheries assume planted area equals harvested area.

Figure 4. Changes in Potato Farm Size in Japan Between 1995-2020



Source: MAFF's 2020 Census

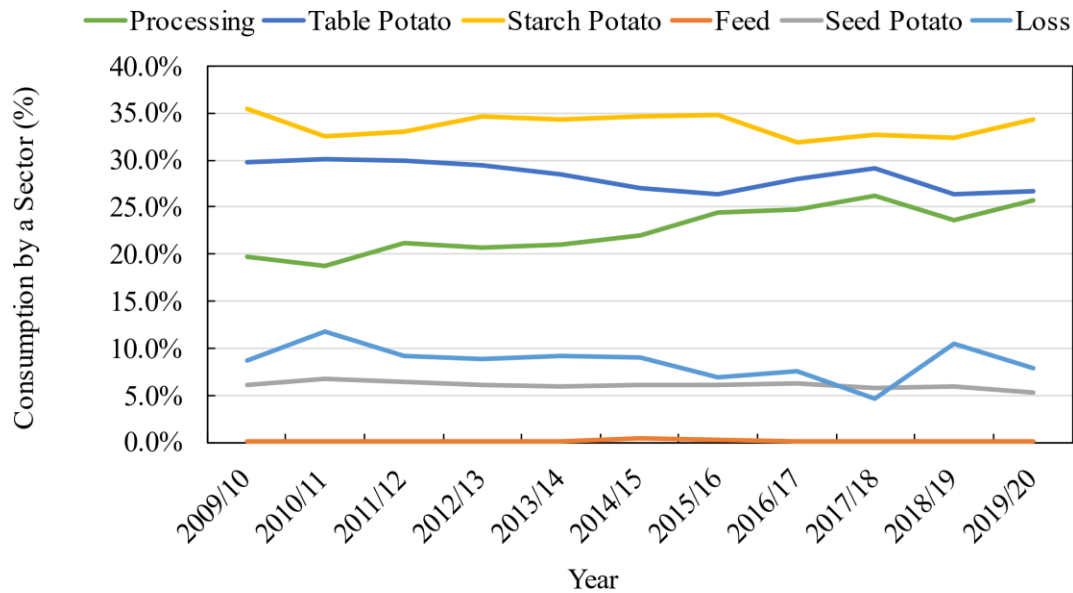
In marketing year (MY: April - March) 2020/21, Japan's fresh potato acreage was 71,900 hectares (ha) and production was 2,204,000 metric tons (MT). These values represent a decrease of 3.4 percent in acreage and 8.1 percent in production volume compared to MY 2019/20. MY 2020/21 season in Hokkaido was characterized by unfavorable weather, including insufficient sunshine and low temperatures in the latter half of June. Unfavorable weather conditions also impacted Hokkaido's MY 2021/22 potato production as June and July brought unusually high temperatures and drought. As a result, FAS/Tokyo estimates Japan's MY 2021/22 potato production to drop a further 18 percent to 1,800,000 MT.

Japan produces different potato varieties. Some end uses (e.g., potato salad and potato croquettes) allow for the utilization of different varieties, while other end uses (e.g., table-stock, starch and chipping) require specialized potato varieties.

Consumption

MAFF categorizes Japan's fresh potato use by sector into processing, table potato, starch potato, feed, seed potato and loss. Starch potato, seed and feed potato categories have steadily represented about 34 percent, 5.5 percent, and 0.1 percent, respectively of national production (Figure 5). On the other hand, the processing sector has been increasing its annual share of the potato market by reducing natural loss and gradually replacing table potato varieties. In 2020, MAFF reported that approximately 25 percent of domestic potatoes went toward processing, of which approximately 70 percent was used for potato chips and 14 percent for frozen potato products, such as French fries.

Figure 5. Japan's Domestic Fresh Potato Consumption by Sector

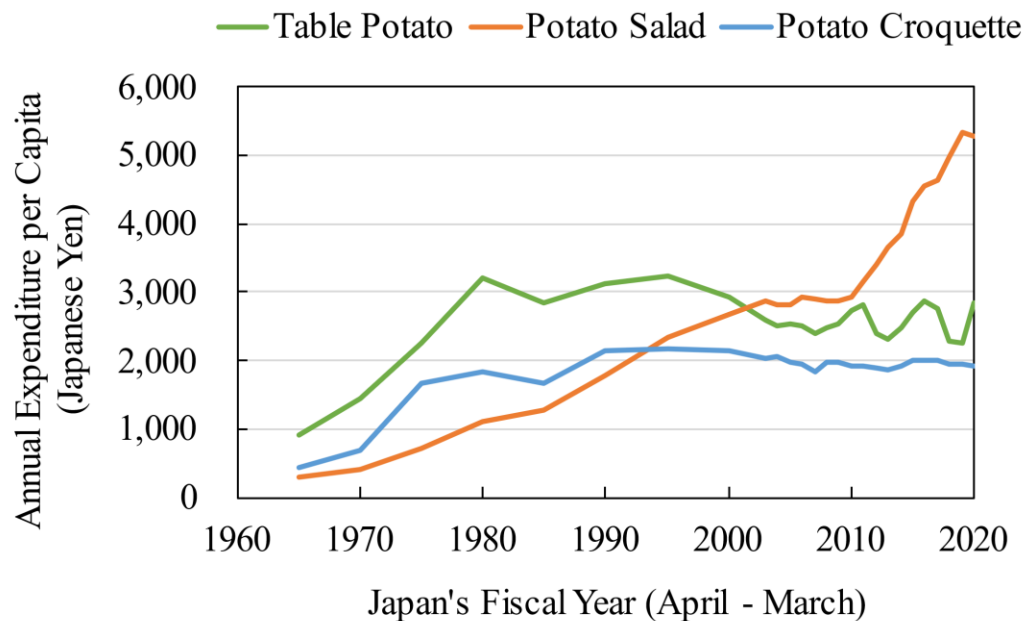


Source: MAFF

Note: As of November 2021, MY 2019/20 data is the latest data available.

According to the annual household survey conducted by the Ministry of Internal Affairs and Communications (MIC), the per capita consumption of potatoes, including imported potato products, has increased from 14.8 kg per person in 2010 to 16.5 kg per person in 2019. Japanese consumers have been steadily increasing their consumption of potato salad, while reducing consumption of table potatoes (Figure 6). Per capita expenditures reflect these trends, as consumers increased their spending on potato salads, but cut down spending on table potatoes. The trend in potato croquette and potato salad consumption may reflect dining trends in Japan, where until 1990, consumers increasingly dined out and purchased ready-to-eat foods (*"souzai"*) but began to prioritize healthy food options after 2010. As a result, potato salad consumption continued to increase especially after 2010, while potato croquette consumption remained steady after 2000.

Figure 6. Japanese Per Capita Consumption of Potato Products Between 1960-2020



Source: MIC

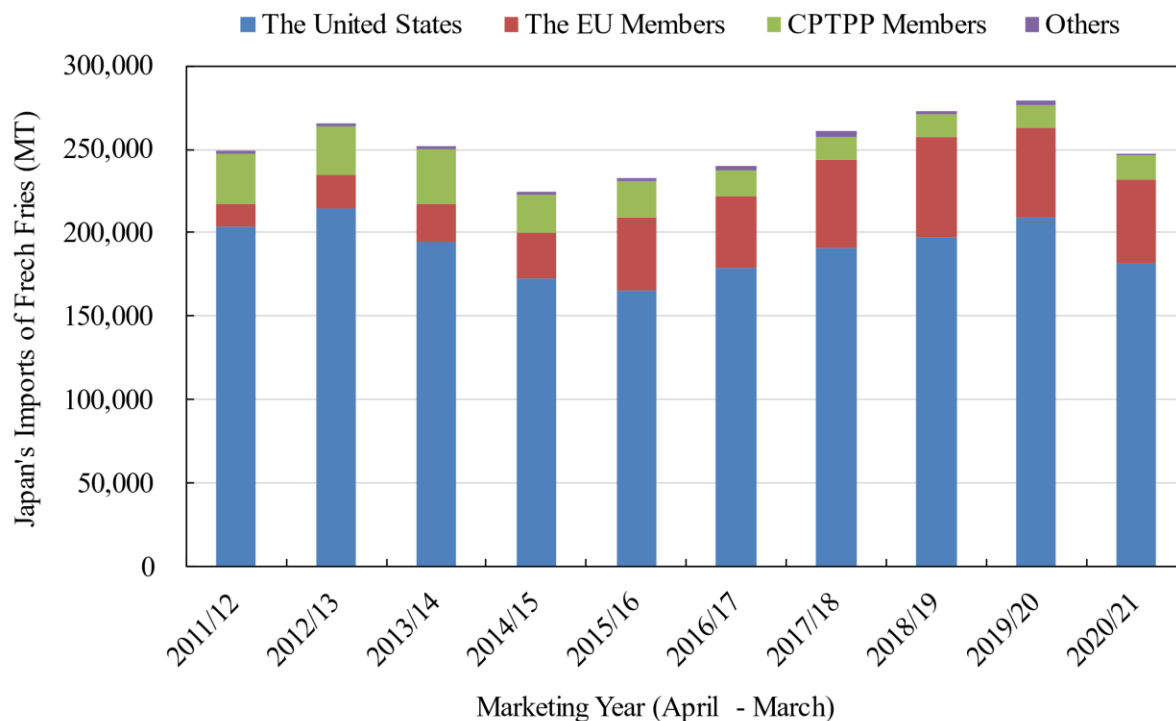
Note: As of November 2021, the currency exchange rate is approximately \$1=113 yen

Imports

Japan heavily restricts the import of fresh potatoes. Currently, the United States is the only country with market access for fresh potatoes to Japan, though the use of imported U.S. potatoes is limited to potato chips. In MY 2020/21, the United States exported 27,435 MT of potatoes, valued at approximately \$15.3 million, a 4.3% drop compared to MY 2019/20. The decrease in MY 2020/21 potato consumption in Japan was likely driven by COVID-19-related consumption reduction by the food service industry. Given the poor outlook for MY 2021/22 domestic production and the expectation of a gradually rebounding demand, FAS/Tokyo forecasts U.S. potato exports to increase by 82.2 percent to 50,000 MT in MY 2021/22.

U.S. main potato exports to Japan are frozen processed potatoes, particularly frozen French fries. Figure 7 illustrates Japan's imports of frozen French fries in the last 10 years (represented by Harmonized System (HS) code 2004.10.100). In MY 2020/21, Japan imported 246,955 MT of frozen French fries, valued at approximately \$289 million, of which 73.5 percent by volume came from the United States, 20.2 percent from the EU (primarily Belgium and the Netherlands), and 6.0 percent from the Comprehensive and Progressive Agreement for Trans-Pacific (CPTPP) countries (primarily Canada). The U.S.-Japan Trade Agreement (USJTA), which went into effect on January 1, 2020, provided a stepwise tariff reduction for French fries, and culminated in complete tariff elimination from April 2021. As a result of USJTA, U.S. exports of frozen French fries now face the same tariff environment as EU and CPTPP exports to Japan.

Figure 7. Japan's Imports of Frozen French Fries by Exporter



Source: Trade Data Monitor

In addition to frozen potato products, the United States exports dehydrated potato products, such as potato flakes and mashed potatoes, valued at approximately \$40 million a year to Japan. Japanese consumption of these products has increased during the COVID-19 pandemic as take-out and easy-to-cook options became more in demand.

Typically, Japanese imports of processed potatoes increase when domestic production decreases because shortages of processing potatoes can in part be met through imports. Based on FAS/Tokyo's MY 2021/22 production estimate, Post anticipates increased demand for frozen French fries and dehydrated potato products.

Attachments:

No Attachments.