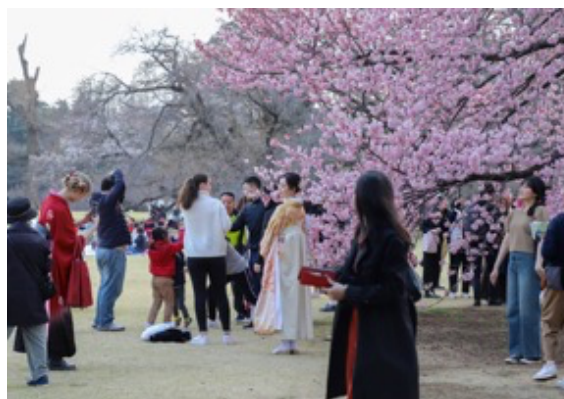




## WUSATA Japan Monthly Report March 2023

### Executive Summary

Finally, Japan's mask rules ended on March 13<sup>th</sup> to have the nation feel they would start moving toward "living with the coronavirus." In the marketplace, while pandemic seemed to be coming to an end, the trend of soaring costs and price increases stayed still strong, and the business environment in the Japanese food retail industry is becoming increasingly severe. Meanwhile, in the Japanese retail market, the movement of coalition is further accelerating as M&A and business alliance formation are progressing not only among companies in the same sector but also between different industries and business categories. After the pandemic, the theme for the food industry is how to envision new landscape with more reliable and competitive supply chain links and logistics. Foodservice sector and hospitality industry tackle to fill the gaps coming from the men power shortage and lack of sustainable work practices in place. Outside Japan, there are continuing flash points like Ukraine crisis, military tension in Korean peninsula, China-US frictions that all affect the national sentiments and attitude toward regaining the confidence to lead the normal life. From this new fiscal year, Japan will enforce various legal measurements gearing to reform this country's social welfare system and economic structures to be more sustainable.



### Market Intelligence Update:

Japan saw an estimated 1,817,500 foreign visitors in March, equivalent to 65.8 percent of the level seen in March 2019 before the novel coronavirus outbreak. The total was up 27.5-fold from a year before and the highest since the country lifted its pandemic-prompted ban on individual, non-prearranged trips last October. The symbolic phenomena in this month (March 2023) to show the upbeat of Japanese national sentiment were the scenes in the entertainment that Japanese people truly enjoyed without any concerns---'hanami (Cherry blossom viewing)' was the most missed by the nation for the past three years but this month people got it back with the instant feeling of Japan's economy returning to normal after COVID. In reality Japan's cherry blossom season and the resumption of foreign cruise ships docking at Japanese ports for the first time in about three years helped bring more visitors to the country. By country or region, the most arrivals came from South Korea at 466,800, followed by Taiwan at 278,900, the United States with 203,000 and Hong Kong with 144,900..

On the other hand, many Japanese people jointly enjoyed either in the fully packed stadiums or in front of the TV monitors for the World Baseball Classic competitions, one of the Japan's most popular sport events. The sales of canned beer, spirits, wines, snacks and deli items sold well as cherry blossoms began to bloom and the

celebrated baseball hero Otani's made headlines in the news thrilled Japanese to experience the seasonal spectacles as for the first time since the beginning of the pandemic. A win by Japan's national team at the World Baseball Classic actually lifted stock prices in the country. Katsuhiro Miyamoto, professor emeritus at Kansai University, estimated that the economic impact of the World Baseball Classic (WBC), a national and regional competition won by the national baseball Japan team, would reach 65.4 billion yen in Japan. As the tournament was more exciting than expected the forecast before the start of the tournament was revised upward by 5.8 billion yen, far exceeding the estimate (34.3 billion yen) if the team had won the previous tournament in 2017.

Professor Miyamoto also released his study on Japanese *hanami* (cherry blossom viewing) cultural and economic effect this March must have reached 615.8 billion (\$4.57 billion).



His latest study indicated economic effect by *hanami* in 2023 estimate was triple that of last year's figure of about ¥201.6 billion. In downtown Tokyo all the train stations and airport terminals are packed with the crowd of people in business attire and lots of foreign tourists. Reportedly major construction projects in central Tokyo are in full swing while the vacancy rate of offices in the capital has been increasing in recent years due to the spread of remote work amid the pandemic.

As already reported in the last (Feb. 2023) contractor's monthly report, per USDA's International Agricultural Trade Report titled as 'Japan's Reopening Signals Export Opportunities,' despite various challenges including pandemic and an uncertain global economic environment, Japan's agricultural trade, particularly agricultural imports, has been resilient because these imports play a crucial role in Japan's domestic food supply. According to Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) annual report, Japan's food self-sufficiency ratio on a caloric basis was 37 percent in 2020, suggesting that many food items depend on imports to boost food availability. In 2022, Japan imported \$70.2 billion of agricultural products, a 16.4-percent increase from pre-COVID 2019 and also surpassing record-level agricultural imports of 2011 and 2012. Although rising food prices contribute to higher unit prices, putting downward pressure on real income and purchasing power, Japan is an advanced economy where demand for high-quality food is relatively stable compared to emerging economies. Going through the critical situation during the pandemic Japan had deepened its dependence on the imported food stuff and raw where US-Japan Free Trade Agreement played significant role to bond these two countries through the bilateral relationships.

Remnants of COVID-19 prevention guidelines created by industries will likely be less common after May 8, when Japan officially downgrades the legal category of COVID-19 to Class 5, on par with the seasonal flu. In the end of March, health ministry said that, with the downgrade, the government would no longer recommend businesses take unified infection prevention measures. All in all, Japanese society is heading with further uniformity to be more politically and economically stable country. In the rest of 2020's, Japan's unique cultural backbone will continue to attract more opportunities for the new business, tourism, academic exchanges and the labor from the foreign countries.

### **Factors driving consumptions in retail and foodservice sectors:**

Japan will see another wave of price hikes at the start of the new business year from April as higher raw material costs eat into company margins, dealing yet another blow to consumers already facing inflation rates that have outpaced wage growth. Over 5,100 food and beverages, ranging from mayonnaise and dairy products to imported wine will be pricier. A research estimates an average household will have to pay an extra 2,140 yen (\$16) a month for foodstuffs. In a sign that price hikes are broadening, consumers will also be saddled with more expensive services like public transportation and package delivery, while theme parks are raising ticket prices in response to the double whammy of COVID-19 aftershocks and surging costs. Consumers are already bearing the brunt of inflation that has hit a four-decade high above 4 percent, even though the outcome of annual wage negotiations between labor unions and management for the new fiscal year will likely deliver the largest salary increases in three decades.

The factor of pushing up some consumer food items is not just coming from the pandemic or global economy. In Japan for these several months the spread of the avian flu has been exacerbating the pain, sending the prices of eggs and products made with them like mayonnaise higher. Egg prices are soaring in Japan as the current avian flu season sees a record 16 million birds marked for culling, impacting both the restaurant sector and households already struggling with inflation.



Egg-laying hens make up more than 90 percent of birds in the process of being culled, according to the agriculture ministry, limiting the supply of eggs and pushing prices higher. The current bird flu outbreak has spread at an unprecedented pace since the season began in October, with at least 80 cases at poultry farms in 26 of the country's 47 prefectures. As of March 2, the wholesale price per kilogram of medium sized eggs was 335 yen (\$2.4) in Tokyo, the highest ever since 1993 when data first became available, according to JA.

Z-Tamago Co., the egg seller within the JA agricultural cooperative group. Concerns about shortages are also growing, with an increasing number of restaurants opting to suspend offering egg-based dishes. It is expected to take at least six months until egg availability recovers to former levels.

Condiment makers Kewpie Corp. and Ajinomoto Co. are going ahead with their fourth price hike since July 2021. Kewpie's 450-gram mayonnaise will be sold at 520 yen, nearly a 10 percent increase on the most recent hike. The price of soy sauce, a daily necessity for many Japanese households, will be some 10 percent higher.

After the COVID-19 pandemic boosted demand for courier and delivery services and deepened labor shortages, Yamato/Blackcat Transport Co. and Sagawa Express Co. are raising fees by around 10 percent. The price hikes coincide with Japan's slow recovery from the COVID-19 pandemic as higher fuel and raw material costs, partly blamed on Russia's war on Ukraine, are further inflated by the yen's precipitous fall. Higher energy costs are particularly painful for the resource-poor nation. With the lifting of antivirus curbs, Japan has seen a pick-up in demand for services as more people eat out, go on trips and spend more on entertainment. Private consumption, which makes up the bulk of gross domestic product, has remained resilient despite the blow from inflation. A survey targeting around 190 theme parks, zoos and aquariums in Japan found that roughly 40 percent are hiking their ticket prices as of April.

The government is implementing steps to mitigate the inflation pain while urging companies to reward employees with aggressive wage hikes that can keep pace with inflation, which hit 4.2 percent in January from a year earlier. The government's new inflation-relief package includes cash handouts for low-income families. While expecting mothers can receive a lump-sum payment of 500,000 yen, up from 420,000 yen at present. Kishida Administration has emphasized making Japan a friendlier child-rearing environment at a time when the country's birthrate has sunk to a historic low. Pensioners aged 68 and older, meanwhile, will see their national pension benefits increase 1.9 percent in fiscal 2023 from a year earlier, far below the pace of inflation.

Wage growth will be a key determinant of economic expansion after the world's third-largest economy narrowly escaped a recession last year. Japanese companies have agreed to an average pay hike of 3.76 percent during this year's Spring season wage negotiations. However, a gap remains between large companies and smaller ones in the pace of pay hikes. Economists expect food price hikes will continue in the coming months, even as government subsidies to curb utility bills take some pressure off the consumer price index, saying higher food prices will boost spending by an average 32,000 yen per household in the fiscal year from April.

**USDA Japan released the following reports in January 2023 relevant to the US food and beverage export to Japan:**

Japan: Livestock and Products Semi-annual

Cattle stocks decline in 2023 as farmers thin dairy herds to counter surplus production capacity. The resulting increase in domestic beef production will lower demand for imports in 2023. While tourism growth will boost food service demand for beef, inflation prompts caution among retail consumers who will consume less expensive meats such as pork or chicken. Japan’s pork production will grow in 2023, but imports will be soft as large 2022 ending stocks are drawn down.

Japan: Japan Announces Measures to Strengthen Food Security

On December 27, 2022, the Government of Japan (GOJ) released the “Food Security Reinforcement Policy Framework,” which aims to lower Japan's dependence on imports and to push increased domestic production of wheat, soybeans, feed grains, hay, and fertilizer inputs. The GOJ will fund new food security reinforcement measures through the Japanese Fiscal Year (JFY) 2022 second supplementary budget and JFY2023 annual budget.

Japan: Grain and Feed Annual

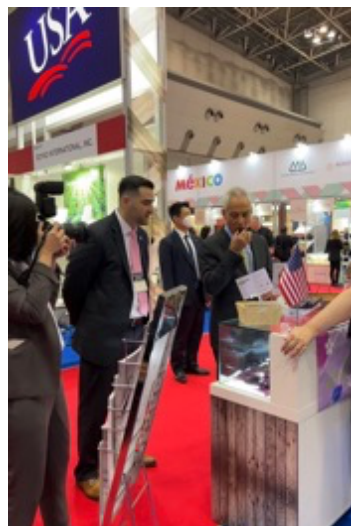
FAS/Tokyo projects reduced corn imports and feed consumption in MY2022/23 due to large outbreaks of Highly Pathogenic Avian Influenza as well as increased competition from domestic feed rice, followed by a recovery of corn consumption in MY2023/24. Post forecasts strong demand for feed wheat and barley in MY2022/23 and MY2023/24 and for food wheat consumption to gradually recover despite price increases. FAS/Tokyo projects flat rice consumption in MY2022/23 due to strong demand for feed rice offsetting lower table rice demand but forecasts a decrease in MY2023/24 consumption as feed rice production declines.

Japan: Japan 254th Food Safety Group

Japan’s Ministry of Health, Labour and Welfare (MHLW) proposed revisions to Japan’s maximum residue levels for 11 agricultural chemicals (Ametoctradin, Amisulbrom, Flumioxazin, Flupyradifurone, Glufosinate, Mefentrifluconazole, Metaldehyde, Simeconazole, Cefuroxime, Dicloxacillin, and Amprolium) for various agricultural commodities. In addition, MHLW proposed a revision to the mineral water specifications. Interested U.S. parties should submit their comments to [PlantDivision@usda.gov](mailto:PlantDivision@usda.gov) for plant products and to [TFAA.FAS.AnimalDivision@usda.gov](mailto:TFAA.FAS.AnimalDivision@usda.gov) for animal products by April 5, 2023.

**WUSATA and its inspired generic events:**

*FOODEX Japan 2023: March 7 ~ 10, 2023 @Tokyo Big Sight*



*California Ag Trade Mission to Japan: March 12 ~ 17, 2023 in Tokyo, Nagoya and Osaka/Kobe, headed by CDFA Secretary & WUSATA current president, Ms. Karen Ross*





