



WUSATA Japan Monthly Report

April 2022

Executive Summary

Getting into a new Japanese fiscal year from April, rapid yen depreciation trends and impact of COVID-19 kept curbing the national economy to go upward while reportedly the western countries regained the economic growth. Japanese exports and industrial production have continued to increase to respond to growing demand from such the recuperating foreign markets. According to the latest report by the Bank of Japan, Japanese corporate profits have improved as a whole, but business mind in general still looked rigid and discreet. The employment and income situation has remained relatively weak even though the government encourages the business employers to increase the wages so the consumers might be able to afford spending more for the pricy food, living goods, services and traveling. Even after the measurements for semi-state of emergency under the pandemic were fully lifted in March, people in general tended to stay and consume food and drinks at home.

Japan is set to experiment with opening its borders to small groups of vaccinated foreign tourists in May 2022, in a potential lifeline for the country's ailing travel industry. According to the Prime Minister Kishida's scenario, the limited resumption of inbound tourism will be regarded as a trial and, if infections do not spread, the program will be expanded. Japan is also looking at doubling the daily entry cap to 20,000 and accepting overseas tourists from June as the decision by authority will be subject to come around the end of May (2022). For inbound foreign tourists, the recent depreciated yen rate will be remarkably attractive but China once the main supplier of high-volume tourists into Japan has been tightening borders, pursuing a COVID Zero strategy to make the feasibility of the Japanese inbound tourism recovery look quite mirky. According to the recent survey by NHK (National Broadcasting Corporation), 65% respondents said Japan should not ease restrictions, feeling the current government border restrictions as 'appropriate.' Only 27% said border restrictions should be relaxed even further. With such a mood, it is quite unlikely that Japanese food and beverage consumption will suddenly hike in short term. In the third year under the pandemic, it has become clear that the Japanese consumer attitude to be safe and healthy, and their life-styles are quite different by regions, age groups and labor conditions. Food industry and trade members will have to work harder to reach out to different age groups in different tempos per local community of Japan for distribution of credible information and safe food. SDGs are now on everybody's mouth as big trading houses, transportation companies and retailers appeal themselves as the pioneering SDGs achievers. Convenience, delicious taste, and affordable price will continue to drive food consumption trends like shown partially in the latest stats of the frozen food production in Japan.

Market intelligence update

In 2022 January to March period from the previous quarter, the total net profit of listed companies in Japan dropped 41.3 percent to 4.94 trillion yen (\$38.34 billion) reflecting the surge in raw material costs prompted by the Ukraine crisis. The companies saw a 16.0 percent fall in combined net profit in the first quarter per data of the SMBC Nikko Securities Inc. A weaker yen boosts exporters' profits earned overseas when repatriated.

Food issues, which were directly impacted by soaring material costs, plunged by 47.7 percent. In contrast, energy-related and nonferrous metal companies benefited from elevated material prices. Among nonmanufacturers, marine transportation and airline operators logged greater losses amid soaring energy costs.

Information influx regarding Russian invasion to Ukraine and daily news about specially approved arrivals of refugees from Ukraine into Narita airport have affected Japanese sentiment in a way to be too sympathetic and compassionate to feel the ‘pain’ to go through their own daily life under the pandemic era or to pay much more for buying food. COVID-19 lockdowns in China continued to impact negatively global food supply chain and international trade transactions, hitting the consumer ends at the end of the day. Other than the price-driven decision-making points, Japanese consumers are becoming to show more interests in feeling satisfaction and comfort in their process of selecting, buying and eating the food and beverages.

Retail Sector---'Delicious/tasty, convenient and affordable' continued attract general consumers

According to the consumer survey by the Japan Productivity Center released in March 2022, under the pandemic the following retail companies were ranked as the most preferred by the consumers per satisfaction level to the service provided throughout ‘shopping journey.’ Criteria to measure the customer satisfaction level included: 1) Expectations to the store brand; 2) Recognition/appreciation for the quality of store merchandise; 3) Cost performance; 4) Satisfaction to the services provided actually or virtually; 5) Intention of recommendation to the others, and 6) Loyalty (interest/intention to shop again).

Thanks to the on-line shopping systems, those retailers who have built digital merchandising systems have achieved e-shoppers both among the existing clientele in the local communities and from the outside of the regions where these retailers are based.

Retail store format score=100 full mark)

- Department store chains: 1. Hankyu (77.4) 2. Takashimaya (76.6) 3. Mitsukoshi (74.7)
- Supermarket chains: 1. OK Stores (76.4) 2. Kobe Bussan (72.7) 3. Seiyu (70.5) 4. Aeon (69.7)
- Convenience store chains: 1. Seiko Mart (76.5) 2. Seven Eleven (68.7) 3. Mini Stop (68.4)

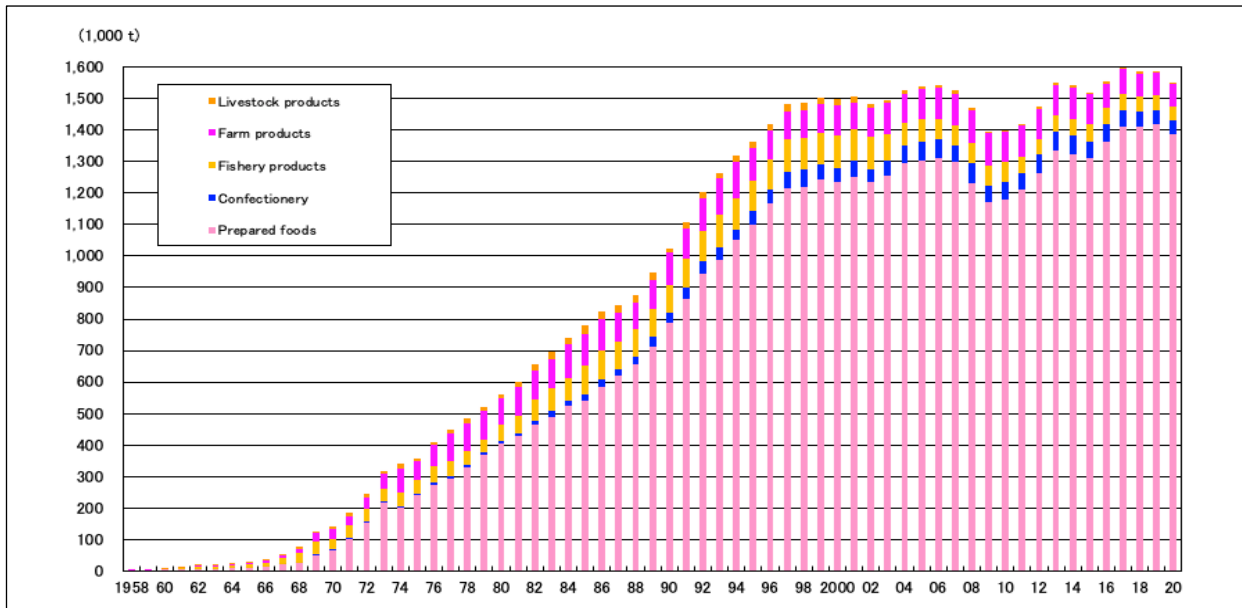


Major reasons found in the survey as making consumers satisfied were:

- a. Accessibility to the variety of high quality (local, fresh, tasty and gourmet) food on-line/smart phone shopping apps
- b. Credible door-to-door delivery system and payment settlement
- c. Attractive in-store merchandising and polite/friendly/knowledgeable store staff
- d. Fun, pleasant and comfortable feeling throughout shopping process actually or virtually

In regard to the ‘convenience,’ Japan Frozen Food Association publicized on April 22nd, 2022, the consumer research to show consumer expectations and satisfaction levels to analyze the reasons behind the recent growth of frozen food category. According to the survey, 47.2% of the male respondents (age 25 ~ 79) said ‘I purchase and cook myself frozen food at home’ whose ratio marked the record highest. 18.1% of the males said ‘The other family member purchase, and I cook at home,’ indicating two third (=65.3%) of the male respondents cook at home with frozen food. Among the 25 ~ 34 years old male group, self-buying & cooking at home ratio is 55.2% and combining ‘other-buying & self-cooking at home ratio marked 73.6%. The purpose of buying frozen food: ‘For dinner at home’ was a top both by male and female, and ‘For lunch at home’ followed. 51.0% of females said they buy frozen food for lunch at home.

Production Volume of Frozen Food in Japan



Japanese frozen food consumption transition

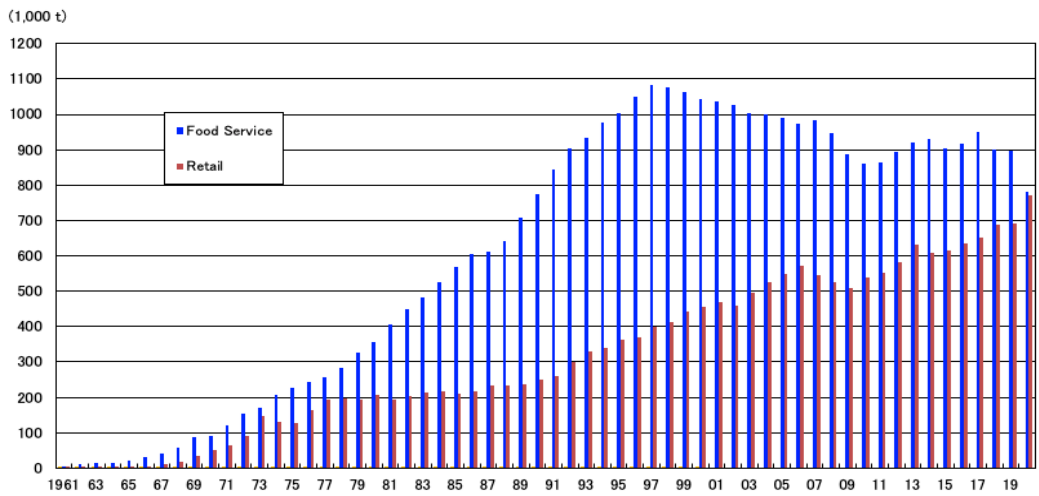
By Volume

		Domestic Production Total (MT)	Vegetables Import (MT)	Prepared Meals Import (MT)	National Consumption Total MT	% vs. prev.	Per capita consumption kg
平成23年	2011年	1,417,907	899,356	246,330	2,563,593	104.3	20.1
24	2012	1,476,368	952,041	273,635	2,702,044	105.4	21.2
25	2013	1,550,085	924,251	282,651	2,756,987	102.0	21.7
26	2014	1,541,891	907,964	261,237	2,711,092	98.3	21.3
27	2015	1,519,883	911,518	250,405	2,681,806	98.9	21.1
28	2016	1,554,265	943,211	230,735	2,728,211	101.7	21.5
29	2017	1,600,046	1,008,783	245,579	2,854,408	104.6	22.5
30	2018	1,587,008	1,051,938	254,353	2,893,299	101.4	22.9
令和元年	2019	1,588,457	1,089,449	269,043	2,946,949	101.9	23.4
2	2020	1,551,213	1,032,756	254,904	2,838,873	96.3	22.6
3	2021	1,596,214	1,072,390	236,142	2,904,746	102.3	23.1

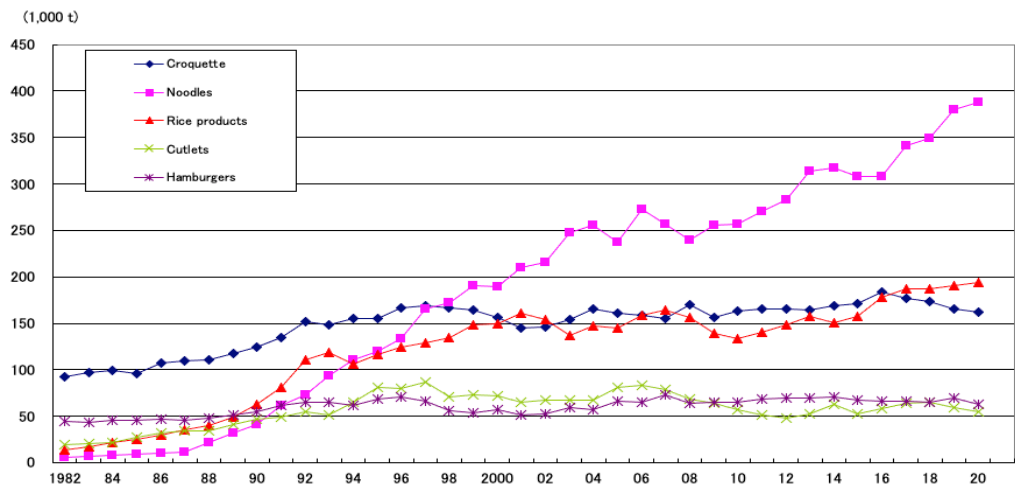
By Value

		Domestic Production Total (MT)	Vegetables Import (MT)	Prepared Meals Import (MT)	National Consumption Total Value (mil.JPY)	% vs. prev.
平成23年	2011年	630,041	120,178	109,048	859,267	103.2
24	2012	643,293	133,104	122,799	899,196	104.6
25	2013	677,373	157,210	142,542	977,125	108.7
26	2014	680,518	171,965	135,773	988,256	101.1
27	2015	687,044	187,684	140,866	1,015,594	102.8
28	2016	687,060	170,139	132,242	989,441	97.4
29	2017	717,154	187,171	153,349	1,057,674	106.9
30	2018	716,968	195,121	164,088	1,076,177	101.7
令和元年	2019	697,951	200,913	164,373	1,063,237	98.8
2	2020	700,494	186,723	156,845	1,044,062	98.2
3	2021	737,066	203,394	154,390	1,094,850	104.9

Production Volume of Frozen Food for Food Service & Retail in Japan



Production Volume of Major Prepared Frozen Food in Japan



What is the merit/reason for you to buy frozen food?

Female respondent:

- #1 Easy cooking/preparation & convenience (83.4%)
- #2 More choice for delicious items (39.5%)
- #3 Affordable & consistent price (35.7%)
- #4 Good meal varieties for the staying home family members (25.5%)

Male respondents:










- #1 Easy cooking/preparation & convenience (84.6%)
- #2 More choice for delicious items (51.2%)
- #3 Affordable price (43.1%)
- #4 Good meal varieties for the staying home family members (22.8%)

Foodservice/Hospitality Sectors:

Demand for the frozen food products in the foodservice sectors showed growth, too. Under the pandemic, lots of workforce left the industry in the past 2.5 years so those successful HRI sector players had to alter procurement and kitchen operation systems. Pre-cut/sliced/peeled vegetables, semi-prepared fish and meat, vac-packed/IQF bagged frozen food products are affordable and convenient for the chefs and cooks.

In Japan the top frozen food manufacturers are the major long-established seafood companies who started from whaling in the seven seas and salmon canning more than 100 years ago. These former seafood giants are strengthening their positions as sustainable and responsible general food makers, taking the majority of shelf & kitchen space for the food service sector as well.

Japanese Frozen Food Manufacturers' Sales Ranking (2020-2021)

#	Company name	Sales Turnover	Market Share	(Unit: approx.. 1 mil. USD)
1	Nippon Suisan (Nissui)	3,300 →	23.0	
2	Maruha-Nichiro	2,266 →	15.8	
3	Nichirei	2,251 →	15.7	
4	Ajinomoto	1,982 ↓	13.8	
5	JT (Japan Tobacco)	1,493 ↓	10.4	
6	Kyokuyo	797 ↓	5.6	
7	Toyo Suisan (Maruchan)	762 ↗	5.3	
8	Nisshin Foods	618 ↗	4.3	
9	Nitto Best	488 ↓	3.4	



*Those highlighted in blue are the seafood companies.

In April 2022, the following Japan market-related reports and news were released for the US food and beverage export opportunities:

Japan: Food Processing Ingredients

This report highlights Japan's food processing industry, notable trends, and a new market snapshot of western Japan processors. The industry benefited from a slightly higher exchange rate in relation to the dollar in 2021, compared to 2020, allowing the industry to experience marginal growth by value, totaling \$216.4 billion. Despite production decreases in many categories, the top manufactured products in Japan were in the health, canned, and bottled food categories.

[Japan: COOL for Main Ingredient Requirements Now in Force](#)

On April 1, 2022, processed food manufactures in Japan must be in compliance with new country of origin labeling (COOL) requirements. The new rule requires Japanese food manufacturers to identify on the label of the product the country(ies) where the main ingredient, by weight, was harvested or produced. This requirement applies only to Japanese food processors and manufactures. Imported processed foods are exempt (only the country of manufacture of the finished product will continue to be required). Japanese importers bear sole responsibility for the development of labels compliant with Japanese food labeling regulations.

[Japan: Oilseeds and Products Annual](#)

In MY 2021/22, profit margins of Japanese soybean crushing surpassed those of canola crushing. Meanwhile, as hotel, restaurant, and institutional service industries (HRI) began to recover from the effects of the COVID pandemic, demand for soybean oil spiked as canola oil demand dropped with less home cooking than during the peak crisis period. The price of palm oil also spiked which made palm stearin oil for power generation unprofitable. FAS/Tokyo expects Japan will increase soybean imports but decrease rapeseed and palm oil imports. Japan has suffered from a general deflation since the mid-1990s, but global commodities are a notable exception which will be felt by Japanese households. As a hedge against future price hikes, vegetable oil users already have stockpiled vegetable oil products. Of course, this hoarding will result in softer consumption at some time.

[Japan: Emergency Economic Package to Alleviate Food Price Hikes](#)

On April 26, the Japanese Cabinet approved a 6.2 trillion yen (\$48 billion) emergency economic package to mitigate the effect of surging energy and food prices on households and small businesses. The Ministry of Agriculture, Forestry and Fisheries will receive 75.1 billion yen (\$582 million) to facilitate increased use of domestic grains, wood, and seafood products in favor of imports, diversification of fertilizer input suppliers, and increased feed price support for livestock feeders.

[Japan: Tree Nuts Market in Japan](#)

This report details the strong demand for U.S. Tree Nut products, driven by the growing health-oriented trends among Japanese consumers. In 2021, fresh and dried nut imports to Japan totaled \$491 million, of which 78.2 percent or approximately \$384 million was from the United States. The key market sectors for U.S. Tree Nuts are in bakery and retail, valued at \$215.1 million. Almonds and walnuts are almost exclusively supplied by the United States.

[Japan: Japan 247th Food Safety Group](#)

Japan's Ministry of Health, Labour and Welfare (MHLW) proposed revisions to Japan's maximum residue levels for 11 agricultural chemicals (Afidopyropen, Cyantraniliprole, Tetraniliprole, Picoxystrobin, Flufenoxuron, Pencycuron, Cyfluthrin, Ampicillin, Phenoxymethylpenicillin, Lubabegron, and Bacitracin) for various agricultural commodities. MHLW also proposed to exempt Abscisic Acid as a substance having no potential to cause damage to human health. Furthermore, MHLW proposed to designate Calcium L-Tartrate and Potassium Ferrocyanide as food additives. Interested U.S. parties are encouraged to submit their comments to PlantDivision@usda.gov for plant products and to TFAA.FAS.AnimalDivision@usda.gov for animal products by April 11, 2022.

[Japan: Japan Reduces Planned Imports of Butter and Imports of NFDM also Remain Low in JFY2022](#)

The Japanese government announced they would reduce planned imports of butter to 7,600 metric tons (MT) in Japanese fiscal year (JFY) 2022 from 9,500 MT in the previous year while maintaining nonfat dry milk imports at 750 MT. Together with other designated dairy products, including butter oil, whey, and prepared whey, the initial planned imports are estimated at 136,949 MT (milk equivalent), the lowest volume since JFY 2013.

Japan: TRQ Allocation Rates for FTAs in JFY 2021

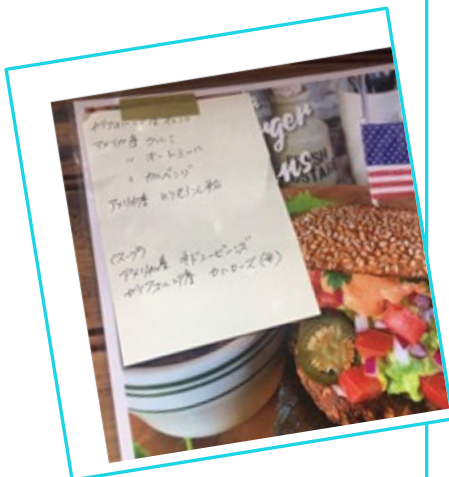
The U.S.-Japan Trade Agreement (USJTA), which entered into force on January 1, 2020, improved market access for U.S. products through the creation of tariff-rate quotas (TRQs) for food wheat, wheat products, malt, processed cheese, whey, glucose and fructose, potato starch, corn starch, and inulin. Fill rates for these TRQs, however, remained low throughout Japanese Fiscal Year (JFY) 2021. This report provides the latest data on TRQ allocation and fill rates as well as a brief overview of the TRQ application process.

Japan: Japan Designates the First Imported Marine Species to Require Catch Documents

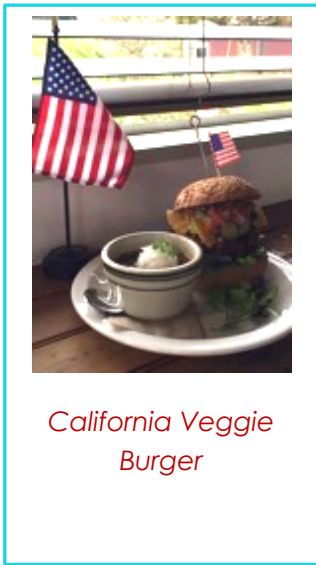
On April 26, 2022, Japan's Ministry of Agriculture, Forestry and Fisheries designated mackerel, Pacific saury, sardine, squid and cuttlefish as vulnerable to illegal, unreported, and unregulated fishing. From December 1, 2022, Japan will require catch certificates to import products containing these species as a main ingredient.

Japan: MAFF Announces Dairy TRQs for JFY 2022

On April 1, Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) announced tariff-rate quota (TRQ) volumes for dairy products that will be open during Japanese Fiscal Year (JFY) 2022 (April to March). The announcement includes quotas for natural cheese for processing, skimmed milk powder, evaporated milk, butter and butter oil, as well as certain whey products



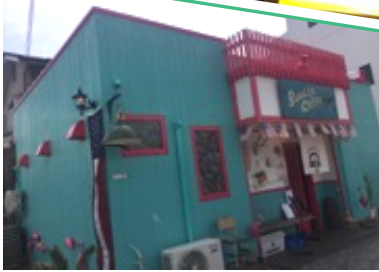
Chef Kitagaki,
'the leader of the band'
of GABA campaign



California Veggie
Burger



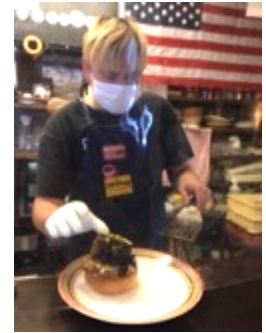
Dakota Rustic Tables
Kobe City, Hyogo



Burger Crazy, Nishiwaki-city, Hyogo



Hand-made from scratch
Pastrami + Cheese Burger



Owner Chef Ueda,
Co-pilot of the
GABA campaign



Just Like Portland



Owner Chef Takamatsu,
Sunchago Burgers, Kobe-
Motomachi, Hyogo;
'My dream is to make American
burgers be the soul food for the
ordinary Japanese people.'



New Mexico Tortilla Burger



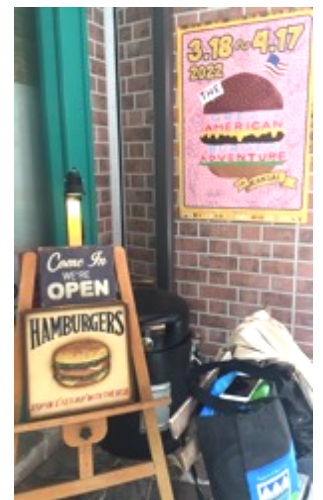
Owner Chef Miyata of
Hello New Day Burger Shop;
'I hope to make my shop a
hub to cheer up and entertain
Japanese families and
business people in Osaka.'



Owner Chef Yamamoto
of **Kokopeli**



Pueblo Slopper



Kokopeli, Namba, Osaka