



WUSATA Japan Monthly Report

March 2022

Executive Summary

So far in Japan people have come to feel pandemic situation could be somewhat self-controllable. Japanese government also announced recently NOT to advise the nation particularly to curfew/limit local traveling, dining out, hosting/participating in the large-scale events during the GW first time in two Spring seasons.

The environment surrounding Japanese agricultural, seafood and general food sectors was still quite harsh in March 2022 because of chronic labor shortage owing to the pandemic, staggering global commodity food supply chains including that of wheat due to the Russian attack to Ukraine, soaring crude oil prices and overall transportation costs. These phenomena continued to impact overall Japanese food security system and the business sectors depending upon imported food--from the sectors handling ingredients to the finished products.

General consumers mind downturned a little bit this month to spend less for the pricy food materials in the retail markets. Thanks to the nation-widely lifted curfew by the COVID, people started enjoying dining-out, local traveling and getting together for the seasonal/community events still in a low-key mode. At least it was not advised first time in two years by the authorities for the nation to cancel school/college graduation ceremonies and the Japanese favorite out-door cherry blossom viewing picnics.

On the other hand, Japanese government reported that in the FY 2021 (April/2021-Mar/2022) its export of 'Made-in-Japan' agricultural, seafood and general foods renewed the highest record after growing in 9 years in a row, marking it as high as one trillion JPY (approx. 7.9 billion USD). A couple of the reasons behind the growth indicated that the Japanese major export markets like China and the US recovered from the bottom owing to the pandemic situation; their local economies started accepting more Japan-made food materials for their food service sector and even for the local retail distributions and EC markets. Japanese government looks like strengthening its investment to streamline its public service system such as smooth export cert issuance, backing up national and local industry organizations to promote made-in-Japan food and beverage export. Japanese government has newly set the goal of export numbers as two trillion JPY by YR2025 (doubling the current figure) and five trillion by YR2030 although these goals are perceived quite ambitious. Japan-made premium fresh fruits, sake, craft spirits/beers and processed seafood products will face more competitions in and out of Japan although the country will have to continue on long term to support local producers and harvesters who face the generation changes, shrinking labor population and risk management of natural disasters/global warming trends.

Market intelligence update

Players in Japanese food distribution channels kept challenged by several issues related to the supply chain management due to the congested global logistics, soaring procurement costs, poor crop of seasonal produce particularly from the US west coast. Russian attack to Ukraine is giving enormous impact negatively EU air route as most of the European airline companies stopped the Asian-bound services. Fresh and chilled gourmet products from the European continent were at stake to lose the sales opportunities in Japanese HRI sectors who finally became ready to raise the nose up.

Since March 6th semi state of emergency state in 13 prefectures was officially lifted, consumers came to do shopping more frequently in retail outlets than in previous months. Overall food and drink consumption stayed consistent with no big drop nor big leap. More turnout in general was seen in the shopping malls, eateries around event halls and stadiums, showing consumers started feeling the pandemic situation would be manageable and so they could slowly expand their action range for eating-out and traveling for recreation.

Retail Sector---hardening competitions for consumer mind share:

According to the Japan Supermarket Association, the total sales of March of its member GMS, Supermarket store chains exceeded that of the same month in 2021 with 4.4% plus.

Due to the rapid growth of omicron variant infection cases in the previous few months, people tended to be discreet. As people came to have more choice where/how to buy food, retailers across the borders over the food and non-food genre came to fight much harder for the limited number of the peoples' stomachs.



To prevail in the competitions, national and regional retailers were working on rebuilding new supply chain systems and also on creating new arena in the crossroads of their virtual and actual shopping sites to offer consumers new upgraded shopping experiences. Digital transformation has been a key word driving both food suppliers and consumers. Those retail companies who ever capable are investing to the IT platform and to large-scaled distribution centers to respond to the changing consumer awareness, attitude and behavior.

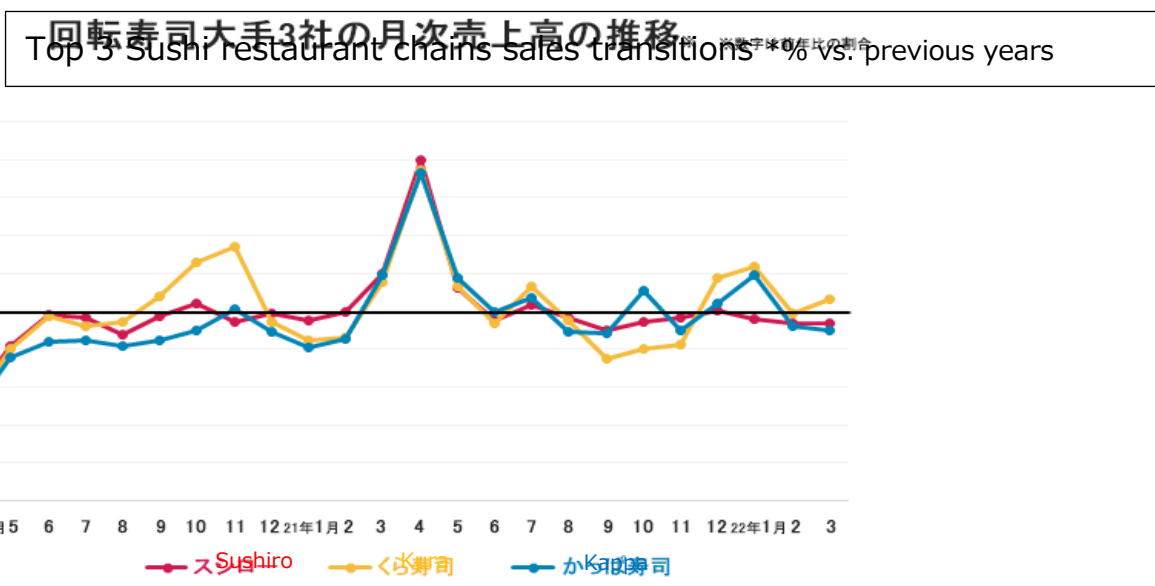
These retailers have set the goals to improve customer satisfaction and engagement=loyalty by calling the whole process of consumer buying as 'customer journey.' The course for that journey has to be fun and easy. To pave the roads of such an attractive customer journey in the retail scenes, consumer data analysis, supply chain management, smart merchandising, inventory management and logistics including real-time communication with the food suppliers will become indispensable parts.

Foodservice/Hospitality Sectors:

In major cities, hotels and restaurants re-opened breakfast/lunch/dinner buffet tables, asking the people for discretions and wearing masks/disposable gloves. Weddings and funeral halls started serving for hundreds of guests at a time banquet food and drink. Full recovery of entire hospitality industry looks still far away with absence of foreign travelers.

March is the month for the Japanese people traditionally to celebrate commencement and blooming blossoms of peach and cherry. In these events the most preferred and often eaten food must be sushi.

According to the Maruha-Nichiro's annual sushi consumption trend research, 76% Japanese people eat sushi at the *Kaiten Zushi* (belt-conveyor rotating sushi) restaurants. *Sushiro* kept running front in the track among the top five sushi restaurant chains dominating 84% of the total sales. At the same time the report indicated many of the small sized sushi chains and single outlets in local communities bankrupted in the covid situation.



While combating unexpected poor catch of fishing resources due to global warming and disrupted logistics, major sushi chain buyers were driven hard to source any edible seafood to substitute for top selling but likely disappearing soon salmon, sea-urchin, squid and crabs. Traditional fish-oriented diet patterns of the Japanese people may be about to change because the varieties of available fish and marine products even for sushi will be different from those for the original menus. Per Maruha Nichiro's research, around 40% of Japanese consumers said they would love to try for the new fish/seafood topping they have never seen nor heard of if presented on the menus quite fresh looking delicious. 30% of the consumers said they would be willing to try for the new seafood varieties---they said they want to learn about seafood varieties and production points on the menu or any 'point of order' materials as their decision making points.

The other notable point per research, 40% of teen-age sushi eaters said they would actively like to choose seafood variety certified as sustainable and/or caught in friendly-to-earth ways with MSC or ASC logo. As a total of 3000 respondents in all age groups, 33.7% said they would actively choose and 46.9% said they would prefer to choose 'certified sustainable' seafood varieties. The younger the more such tendencies indicated looking for the eco-friendly seafood. In the foodservice and hospitality sectors as well as in the retail industry, the digital marketing and non-contact services advanced farther to be the main handles to grab consumer minds, especially the free and open hearts of the younger generations.

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

Japan: MAFF 2022 Budget Focuses on Exports and a Green Food System Strategy ---The Japanese Diet is poised to allocate a combined total of 3.2 trillion yen (\$27.7 billion) to the Ministry of Agriculture, Forestry and Fisheries (MAFF) from the Government of Japan's 2021 supplementary budget and 2022 annual budget. MAFF's budget will see increased funding for export facilitation, smart agriculture development, and implementation of MAFF's Green Food System Strategy.

Japan: Grain and Feed Annual --- FAS Tokyo projects Japan's overall demand for feed grain to remain robust in MY2021/22 and MY2022/23 as livestock production expands. FAS Tokyo anticipates corn imports to decrease in MY2021/22 and MY2022/23 as feed millers increase the ratio of low-cost rice at the expense of corn in compound feed. FAS Tokyo estimates reduced food wheat imports for MY2021/2022 as Japan's contracting population and declining per capita wheat consumption, coupled with increasing domestic production, limits demand for imported wheat. FAS Tokyo projects an increase in MY2021/22 and MY2022/23 rice consumption as growing rice for feed consumption outpaces declines in table rice consumption. The Black Sea region is not a significant supplier of grain and feed to Japan.

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