



## WUSATA Japan Monthly Report

January 2022

### Executive Summary

In this month, pandemic situation dragged on to affect food and beverage consumption trend to go more home-bound while Japan faced the difficulty to source consistent volume and quality of major agricultural and seafood products both from the domestic and foreign supplier. Japanese *Kishida* administration expects the new capitalism will increase consumption to make the national economy go upward eventually if the major food commodities will get higher-priced and at the same time if the companies will pay higher wages to the laborers and employees. Japanese government has greenlighted since last fall major food manufacturers to raise prices of the mainstream commodity food and beverage products. Such higher priced products started to appear in the retail shelves this month, which reportedly will go on until this coming March. Such the price-increased consumer products include ham & sausages by Nippon Ham & Prima Ham (5%~12%), Nisshin Flour's pastas and pasta sauces (3%~9%), Nissui's and Ajinomoto's frozen ready meals (4-13%) and Maruha Nichiro's frozen food items (2%~23%). All of surimi products, potato chips, cooking oils, fruit jams, mayonnaise and soy sauce products will become higher priced shortly. These frozen ready meals, delis, snacks and grocery items constitute Japanese common food items, so Japanese consumers have had no choice but to pay more for the staples and basics of their diet. Rapid and record-high increase of omicron infected cases in Japan will promote Japanese home consumption but soaring food and gas procurement costs plus lack of manpower on global basis will check consumers buying mind against being very active. Japanese food industry will be likely to focus on responding to growing demand for home consumption and finding solution to tackle soaring costs and disrupted channels to procure imported food ingredients/products. Government will encourage food industry to introduce so called DX Transformation which will affect Japanese traditional and cultural food procurement and buying decision making process.

Japan will continue with its cautious-but-soft pandemic management. While imposing drastic border controls that have closed the country to all tourists and pretty much every other type of visitor, the government has avoided hard lockdowns domestically relying on people's innate sense of responsibility. This has worked well, with high levels of social distancing, mask-wearing and adherence to safety protocols but without the politicization and bitter divisions seen in many Western countries. By keeping much of the country running, the economy has undoubtedly suffered less than it otherwise would have and, after expected gross domestic product growth of 2.6% in fiscal 2021, it is set to expand by 3.2% this year, its fastest growth in a decade. This economic recovery is also being underpinned by a series of record economic stimulus packages.

### Market intelligence update

**Retail Sector:** Consumer spending, which accounts for almost half of Japan's GDP, decreased 1.3% to 285 billion yen in the third quarter of 2021 from 288 billion yen in the second quarter. Consumer spending is a key trigger for recovery but consumers will need to be enticed out of their save for the next rainy day mentality. In the food retail sector, new type of race has opened for suppliers and distributors. They must keep consumers happy even in the contact-less and cash-less buying and eating food experiences which could be realized only by making more investment for utilizing high-technology and digital innovations. Getting into January 2022, 'Stay, Work and Eat Home' trend set the food consumption routines. Wrapping up 2021, total Japanese retail food sales in 2021 marked: 417 billion USD (est.) 99.1% vs. 2020, and by category:

GMS, Large SM chains: 118.1% vs. 2020

Department stores: 83.9% vs. 2020

Small-Medium SM & Grocery stores: 94.9% vs. 2020

Retail sector was facing a challenge to secure food distribution channels to be more consistent and reliable. Per growing consumer demand for food in the EC venues including on-line supermarkets site, large- to small- scaled food retailers will have to refine or rebuild infrastructure of food distribution by introducing digital platforms to manage their overall food supply chain systems including inventory management.

**Wholesale Sector:** In 2021 the national and regional food wholesalers targeting foodservice sectors decreased their sales as food and drink makers have developed new roads to deliver their products in the retail ends targeting customers directly who look for gourmet food and alcoholic beverages for home consumption.

**Foodservice Sector:** According to Japan Food Service Association, Japanese food service sector in 2021 marked minus 1.4% of total sales, compared with 2020; and minus 16.8% compared with 2019. In 2021 the modern ‘prohibition’ lasted from January to October which damaged Japanese HRI sectors to make this market size shrunk. In the Japanese food distribution systems, wholesaler is truly an indispensable being particularly for the retailers to run business in stable and responsible manner.

As stated in the above ‘Wholesale sector,’ Japanese people tended to eat and drink more often at home whose shift change will likely be pushing harder the sector of western-style and Izakaya Japanese style pub restaurants and bars to be about a half size compared with the one of ‘before COVID19’ in 2019. As people have come to share in the mode of ‘With Corona’ new values as below, lots of food market analysts predict alcoholic beverage served bars and restaurants not to speak of hotels/lodgings/ryokans will not regain their sales or service quality back to the level of before COVID.

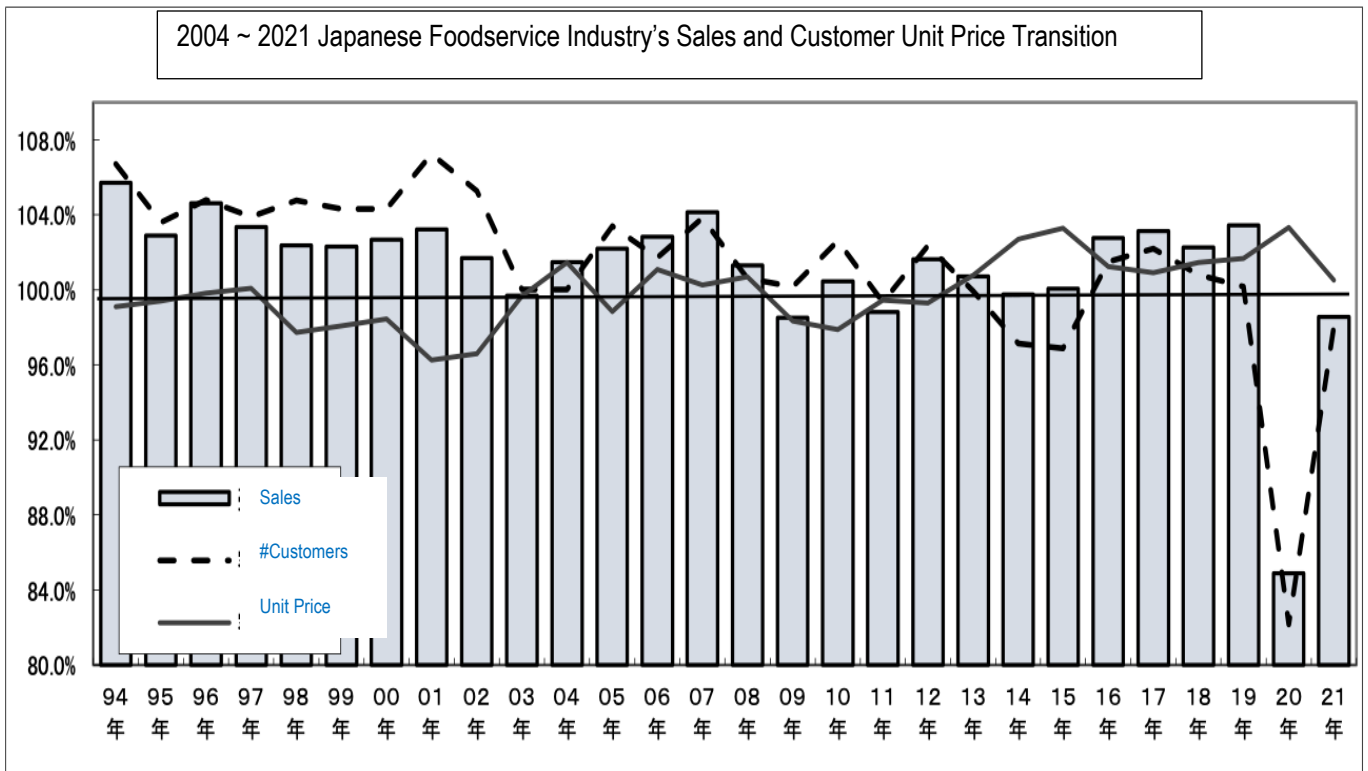
*\*Safe & Secure (Worry-Free)*

*\*Frugal*

*\*Fulfilling at-home life*

*\*Family First*

*\*Living in harmony with society*



**In January 2022, the following Japan market-related reports and news were released for the US food and beverage trade and US Export marketing**

**Japan Beef Market Analysis and Consumer Expenditure Patterns**

*This report provides an analysis on beef consumption trends, household expenditure patterns, and international visitor consumption patterns that have impacted the food service industry. This analysis examines trends pre-COVID-19, mid-COVID-19, and sub-sector analysis in a post-COVID-19 environment. These patterns influenced how American beef was utilized in the food service industry. Japan's food service industry is rebounding, attributed to high vaccinations rates and consumers transitioning to a post-COVID-19 environment.*

**FAS Tokyo Convinces Japan to Harmonize a Nectarine MRL with the Relevant US MRL**

*Through proactive communication with Japanese importers and FAS/Washington, FAS/Tokyo ensured that Japan adopted a maximum residue level (MRL) for fenpropathrin in nectarines in line with the U.S. fenpropathrin MRL. Following engagement with FAS/Tokyo, Japan raised its fenpropathrin MRL from 0.02 parts per million (ppm), further proposed to go down to 0.01 ppm, to 1 ppm. In 2020, the United States exported \$1.1 million of fresh nectarines to Japan.*

**Japan Proposes a New JAS Standard for Miso**

Japan invites public comments on the newly developed Japanese Agricultural Standard (JAS) for miso (fermented soybean paste). Comments are due on January 25, 2022 (Japan standard time).

News released by the Distilled Spirits Council on January 14, 2022 12:35 pm

**Japan Recognizes Bourbon and Tennessee Whiskey As Distinctive Products of the United States**

WASHINGTON, DC – Japan recently became the 44<sup>th</sup> country to officially recognize “Bourbon” and “Tennessee Whiskey” as distinctive products of the United States, according to the Distilled Spirits Council of the United States (DISCUS).

**Updates on trade and ATO communications:**

\*As Japanese government held its stance to implement strict measurement for the border control as the Omicron variant infection cases rapidly rose, as of end of January most of the food industry members and traders said they froze any plan on visiting international food trade fairs at least by the end of February.

\*ATO Osaka will conduct as planned The Great American Burger Spring Promotion, partnering with 13 popular gourmet burger chefs in Kansai area in this coming March. According to the current pandemic situation, some of the chefs/burger shops may do only 'to go' menus while the others may do eat-in services. WUSATA will be featured in the official poster as an official supporter of the event. ATO plans to do its Fall Promotion again where WUSATA may provide with a stronger support through media campaigns and by bringing in more Western US food and beverage items into the menus.

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