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Report Highlights:

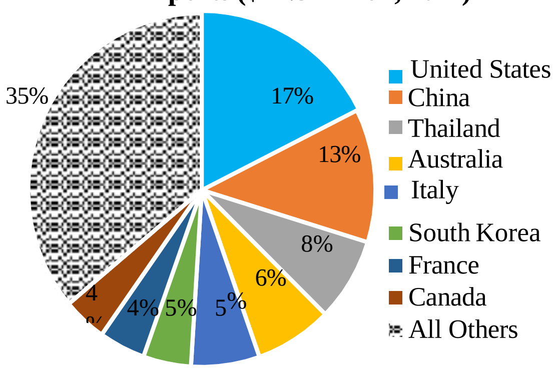
In 2022, the total value of all retail food and beverage (F&B) sales in Japan totaled $327 billion. As the market continues to transition to a post-COVID-19 environment, retailers and food and beverage manufacturers have implemented broad price increases on most food and beverage products, due to high inflation. Supermarkets continue to represent the bulk of sales in the retail food market, accounting for 35 percent, with convenience stores, drugstores and internet sales of food and beverages accounting for the rest of the market.

Market Fact Sheet: Japan

Executive Summary:

The United States is the largest foreign supplier of food and agricultural products to an import-reliant Japan (17 percent of import market share)—the fourth largest market for U.S. agricultural & related products in 2022 ($16.4 billion). On January 1, 2020, the U.S.-Japan Trade Agreement (USJTA) entered into force, providing preferential tariff access for many U.S. agricultural products. Japan's food industries are well-developed and innovative in all sectors, including: retail, food service, food processing, and distribution.

Japan Consumer-Oriented Product Imports ($41.5 Billion, 2022)



Food Processing Industry:
The $190 billion food processing industry produces a wide variety of foods: traditional Japanese, Western, and health-oriented foods for infants and the elderly. Food processors focus on maintaining market share among traditional product lines while developing creative and innovative food products to attract consumers.

Food Retail Industry:
In 2022, the total value of all retail food and beverage sales in Japan totaled approximately $327 billion. Supermarkets continue to represent the bulk of retail food sales totaling 35 percent, with convenience stores, drugstores and internet sales of food and beverages accounting for the rest of the market.

Population: 124,800,000 (Jan. 2023 est.)
GDP: $4.3 trillion (3rd)
GDP/Capita: $35,256

Top Ten Growth Food Products

1) Confectionary Products
2) Dairy Products
3) Eggs & Products
4) Beef and Beef Products
5) Wine and Related Products
6) Processed Fruit
7) Bakery Goods, Cereals, and Pasta
8) Condiments and Sauces
9) Processed Vegetables
10) Beer

Food Industry by Channels (US$)

Consumer-Oriented Imports	$41.5 billion
Food Processing Industry	$190 billion
Food Industry Gross Sales	$789 billion
- *Retail (2022)*	*$327 billion*
- *Food Service (2021)*	*$306 billion*

Top Ten Retailers

AEON	Life Co
Seven & I Holdings	H2O Retailing
Yamazaki Baking	Valor Holdings
Pan Pacific International Holdings	USM
Holdings Isetan Mitsukoshi	Izumi

Strength	Weakness
U.S. products are in demand and remain trendy.	The negotiating and decision-making process can take time.
Opportunity	**Challenge**
With USJTA, nearly 90 percent of U.S. products are duty free or receive preferential tariff access.	For products not covered in USJTA, many other suppliers enjoy tariff concessions through other FTAs.

Data sources include: Trade Data Monitor, Japan Ministry of Finance, Japan Ministry of Economy, Trade and Industry, Japan Food Service Association, The World Factbook, The World Bank

SECTION I. MARKET SUMMARY

The Food and Beverage retail industry totaled $327 billion in 2022 and encompasses supermarkets, department stores, convenience stores, drugstores, and the internet (See Figure 1). General Merchandise Stores (GMS) offer products such as apparel, shoes, sporting goods, bedding, kitchenware, etc., in addition to F&B products. There is no separate or official data source for GMS sales of F&B products due to a change in the Government of Japan's data collection methodology.

Figure 1: Food Retail Sales by Category for 2020 - 2022

	2020		**2021**		**2022**	
Category	**Billion $***	**Share %**	**Billion $**	**Share %**	**Billion $**	**Share %**
Supermarket	112.68	36.54	114.14	36.26	**115.28**	**35.30**
Convenience Store	83.90	27.20	84.85	26.96	**87.85**	**26.90**
Department Store	35.71	11.58	37.30	11.85	**41.90**	**12.83**
Drugstore	55.41	17.97	55.58	17.66	**58.64**	**17.96**
Internet	20.70	6.71	22.90	7.28	***22.90**	**7.01**
Total Market	308.40	100.00	314.77	100.00	**326.57**	**100.00**

Source: Ministry of Economy, Trade and Industry, Statistics Bureau of Japan
https://www.stat.go.jp/data/joukyou/12.html
* Official estimates for Internet sales were not available for 2022.
** Internet market uses the value of 2021, $22.90 billion.
Note: Because of the fluctuating exchange rates, we provide a table showing the annual average exchange rate of JPY to U.S. Dollar:

Yearly average	2020	2021	2022
JPY per USD	106.72	109.81	131.45

Source: IRS Yearly Average Currency Exchange Rate
https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchangerates

Supermarkets:
U.S. food and beverage products continue to be prominently displayed at supermarket stores and are frequently sought out by consumers for quality and freshness. Bakery goods, cereals, and pasta, along with confectionary products and processed vegetables represent some of the best prospects of U.S. consumer-oriented products. These prospects are similarly true for non-traditional retailers, such as drug stores, which have increasingly begun to sell – mostly processed – food. The rising demand for nutritious and convenient food, as well as the growing popularity of food purchases at drug stores and similar retailers further support export opportunities for nonperishable products such as nuts and dried fruit.

Retail Trends: Reduction in Products with Strong Brands in Focus
In 2022, point of sale data compiled from retailers nationwide indicated a 30 percent reduction of domestically manufactured/processed food products, with manufacturers opting to concentrate expenditures on core products with strong brand power. This was in large part due to the persistently high inflationary environment. The largest reductions of products were of those using seasonings and edible oils and fats. Other products that saw declines were soy sauces (71 percent), vinegar and vinegar-related seasonings (69 percent), margarine and butter spreads (67 percent), and mayonnaise (40 percent). For more information on the price increases in Japan and consumer expenditure shifts, please refer to the USDAJapan.org website.

Japanese Retailers Move Ahead with Implementation: Price Increases Here to Stay

In addition to the product reductions, retailers across Japan could not sustain operations without increasing prices, resulting from higher input costs, costs for distribution and raw materials. Historically, Japanese retailers try to avoid increasing prices and passing them on to the consumer. With recent government interventions and support, however, Japanese retailers have now joined their global counterparts with incorporating price increases. At the end of 2022, over 20,000 food and beverage products had increased in price, translating to an extra estimated annual household cost of over JPY 100,000 or USD $700. With stagnant wage levels, consumers have had to avoid nonessential spending, particularly among mid-to-lower income individuals and families.

Consumer Trends & 3's: Saving Time, Shorter Preparation, Single Serve
According to industry sources, consumer trends have been influenced by COVID, increasing demand for time-saving products. Ready-made and single-serve meals have grown in popularity due to their convenience. "Meal Packs" that contain all ingredients needed for a meal are also increasingly utilized, as they shorten both shopping and food preparation times. "Perfect Nutrition Food," which are high-protein and high-nutrition snacks are similarly on the rise.

Figure 1: Readymade meal set *Figure 2: High nutrition snacks* *Figure 3: Single serve meals*
Source: Intage Singapore Pte Ltd., 2023

Western Japan Snapshot: Western Japan accounts for nearly 40 percent of Japan's population and around one-third of the country's gross domestic product (GDP). The Kansai region, centered around the three major cities of Osaka, Kobe, and Kyoto, represents the second largest regional economy in Japan with 16 percent of national GDP. Although national retailers such as AEON and Life Corporation are also present in western Japan, the area features many local supermarket chains with strong regional presences. Among Japan's top ten retailers (by sales in

2022), six were headquartered outside of the Tokyo/Kanto region and four were in western Japan. These regional retailers have deep community roots and are known for tailoring their product offerings to meet local preferences. The major regional retailers in each of the western Japan regions are as follows:

Kinki:	Heiwado / Mandai / Okuwa / Izumiya / Kansai Supermarket / Hankyu Oasis
Chugoku:	Izumi
Shikoku:	Izumi / Fuji / Retail Partners
Kyushu:	Izumi Kyushu / Trial Company / San-A (Okinawa)

Figure 2: Summary of U.S. Food Product Advantages in the Japanese Market

Key Words	Advantages	Challenges	Advice
Quality	U.S. specialty food products attract Japanese consumers. U.S. products often have a good story to tell.	Image of the U.S. as a large producer with corporate farms. It is difficult to import foods to Japan.	Have a good story to educate customers about the history and quality of your product. Also, emphasize the quality and source of ingredients.
Cultural Influences	Japanese consumers are strongly influenced by U.S. food culture and enjoy trying “cool” or “trendy” foods.	Many products common in the U.S. are uncommon to Japanese consumers.	Be able to explain how your product relates to American culture. Also explain how you use or prepare it.
Healthy	The health-related food market in the U.S. is very advanced.	Some Japanese consumers believe American products (and imported cuisine in general) are unhealthy.	Make sure to emphasize health-related benefits but be careful not to make claims unless provided approval by the Japanese government.
Food Safety	U.S. agriculture can successfully differentiate itself from Japan and other countries with its food safety assurances such as HACCP, GAP, ISO, etc.	Some Japanese consumers believe U.S. foods contain more pesticide residues, hormones, artificial chemical, and food additives than domestic products. Japanese residue tolerance levels are lower than the U.S.	Educate customers about safety issues in order to help facilitate communication and provide customers with transferable knowledge.
Stable Supply	The U.S. is a major supplier of food products all over the world, providing stable annual production.	Japan’s food self- sufficiency rate is 38 percent. Japan is dependent on imports, and thus sensitive to trade disruptions.	Exporters should understand the demands of the Japanese consumer and avoid disruptions. Ensure product complies with Japanese regulations.

SECTION II. ROAD MAP FOR MARKET ENTRY

Market Entry and Structure

Generally, the first step to market entry is to find an importer, which may take a considerable amount of time. Importers introduce new product to retailer buyers, and if interested, they will request their wholesaler/distributor and/or importer to consider purchasing. It can often be difficult to identify appropriate retailers and even more difficult to get an appointment with their buyer. Japanese retailers usually have large purchasing teams with dedicated buyers for different product lines such as meats, seafood, fresh produce, specialty foods, frozen ingredients, and frozen processed foods. In many cases, they have a person in charge of international trade. Japanese retailers usually do not import directly. In most cases, distribution will include at least one importer and one wholesaler.

Determining the structure of product distribution is important for setting pricing so that each partner's margin is sufficient.Strategies for entering the market vary depending on product characteristics, competition, and the market environment. However, buyers in the food and beverage industry often prefer to find new products at large trade shows, or specially targeted trade shows, where they can look at many products at once. Therefore, participating in one of Japan's many trade shows is highly recommended to learn about the market and meet with potential business partners. The largest local food related trade shows are the Supermarket Trade Show and FOODEX Japan, which take place every February and March, respectively. For more information on trade shows, please contact the Agricultural Trade Office (ATO) in Tokyo.

Entry Strategy

To get started, companies interested in exporting should:

a. Ensure production capacity to commit to the market;
b. Ensure sufficient financial and non-financial (staff, time, etc.) resources to actively support exported product(s);
c. Evaluate whether the ability exists to tailor product packaging and ingredients to meet foreign import regulations, food safety standards, and cultural preferences;
d. Ensure knowledge necessary to ship overseas, such as being able to identify and select international freight forwarders, manage climate controls, and navigate export payment mechanisms, such as letters of credit;
e. Research USDA cooperators or local State Regional Trade Groups (SRTG) by visiting the

"Getting Started" FAS webpage (https://www.fas.usda.gov/topics/getting-started). These groups work closely with USDA to help food and agricultural companies advance their exporting goals.

Once a company has established a foundation for exporting, they should:

1. **Determine whether product is permissible under Japanese food regulations.**
   a. The Exporter Guide and the Food and Agricultural Export Regulations Report (FAIRS), published by the USDA Japan offices contains much of the necessary information.
   b. The ATO's Import Process Guides identify import requirements for many products.
   c. For plant or animal health inquiries, local APHIS offices can provide information.
   d. If the product contains meat or meat products, companies should reference the Food Safety Inspection Service Export Library.
   e. JETRO's Handbook for Agricultural and Fishery Products Import Regulations is a helpful tool for reviewing Japanese food regulations to determine product compliance local laws regarding additives, residue levels, and processing procedures, as well as regulations in terms of weight, size, and labeling.

2. **Perform basic market research by:**

a. Determining the specific area of the market the company product is targeting,
b. Determining whether there is demand for the product by searching online websites, speaking with other companies that have experience in the market, visiting Japan to conduct market tours, or attending a trade show,
c. Determining the comparative advantages of product versus Japanese and other suppliers, keeping in mind transportation and modification costs. Potential customers need to be convinced of the product merits: price savings, higher quality, higher value, or more convenient packaging.

3. **Develop an export action plan:**
Once the general market, product, and regulatory information is collected, companies should begin the process of creating an export action plan. This can be a helpful tool for relaying product vision to distributors and buyers. The plan should have some flexibility as portions may change after personal interaction with the market or as more information is gathered. This action plan should include:
· The company's story
· Goals and benchmarks, short/long-term
· Product
· Product modifications, if applicable
· Product packaging and handling
· Objective
· Financial resources to be committed
· Marketing plan
· Non-financial resources to be committed
· Schedule
· Additional financing
· Evaluation
· Potential importers and buyers
· Literature in Japanese

4. **Get to know the market personally:** Companies should visit Japan to explore opportunities first-hand or find a representative. Face-to-face interaction remains very important in Japan, where personal relationships are highly valued. Companies should vet their partners to ensure they have a good reputation and record of accomplishment.

Finding a Buyer: Developing relationships with importers is important for success. Also important is to have a long-term plan and to manage expectations. The decision-making and negotiating process can be lengthy. Visiting Japan to meet importers and returning during the negotiating process can be beneficial. Buyers in the food and beverage industry often prefer to find new products at large trade shows, or targeted trade shows, where they can look at many products at once.

SECTION III. COMPETITION

The United States is Japan's top agricultural trading partner and known as a reliable export partner that provides safe and high-quality food and beverage products. Under the U.S.-Japan Trade Agreement, nearly 90 percent of U.S. agricultural products enter Japan under duty free, or receive preferential treatment. For more information, please refer to the [USDAjapan.org website.](USDAjapan.org) However, other nations such as the EU, Canada, Australia, Chile and Mexico, also have competing free trade agreements with Japan that reduce or eliminate food and agricultural tariffs..

The United States is the leading pork exporter to Japan with a 35 percent overall market share and is the leading supplier of fresh/chilled pork, with a 33 percent market share. The United States has a strong association with beef and shares Japan's import market primarily with Australia. U.S. wheat accounts for roughly half of Japan's annual imports of the commodity, while Canada and Australia make up the other half. Brazil and Canada are the main import competitor for food-grade soybeans, however, the United States maintains approximately 70 percent of Japan's soybean market share. The EU, New Zealand, and Australia supply most cheeses, while the U.S. market share is around ten percent. The main U.S. competition for fruits and vegetables come from regional producers and China, which can supplement demand due to proximity, price competitiveness, and varietal preferences.

Figure 3: Japan Imports of Agricultural and Related Products in 2022

Partner Country	United States Dollars (Billions)			% Share			% Change
	2020	2021	2022	2020	2021	2022	2022/2021
World	58.6	64.0	70.2	100.0	100.0	100.0	9.72
United States	12.9	15.1	16.4	22.0	23.6	23.4	8.78
China	6.2	6.5	6.9	10.7	10.2	9.8	5.23
Canada	3.9	4.4	4.5	6.6	6.9	6.4	1.01
Australia	3.8	4.3	5.6	6.4	6.7	8.0	28.68
Thailand	3.5	3.6	3.9	6.0	5.6	5.6	9.4
Brazil	3.4	3.2	4.6	5.9	5.0	6.6	44.72
Italy	2.8	3.3	2.4	4.9	5.2	3.4	-26.66
South Korea	2.1	2.0	2.2	3.6	3.1	3.1	7.55
France	1.8	2.0	2.1	3.1	3.1	3.0	4.97
New Zealand	1.6	1.7	1.7	2.7	2.7	2.4	2.44

Source: Trade Data Montior: BICO Agricultural Products

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

With the implementation of USJTA, USDA Japan published one-page fact sheets to highlight key product categories that received preferential tariff treatment in the agreement (linked in the table below). More information on tariff treatments may be found at USDAJapan.org.

Beef & Beef Products	Prior to the COVID-19 pandemic, demand for U.S. lean beef and products was trending up in the food service and restaurant channels. This longstanding growth can be attributed in part to Japan's aging population and single-person households, coupled with health-conscious attitudes. For more information, please refer to GAIN repot JA2022-0023.
Pork & Pork Products	Japan imports around 50 percent of its pork supply. Pork is one of the most popular protein choices for Japanese households. Ground seasoned pork (GSP) is a key ingredient for domestic sausage manufacturers. For more information, please refer to GAIN repot JA2022-0023.

Processed Vegetables	The United States is a major supplier of prepared potatoes, tomato paste, and prepared sweet corn. Higher consumption of home-meal replacements is expected to bolster producer demand for processed vegetables. For more information, please refer to GAIN repot JA9710.
Wheat and Wheat Products	U.S. food wheat is a key ingredient in Japanese bakery and noodle production. USJTA provides tariff parity with competing food wheat suppliers such as Australia and Canada. It also gives the United States a tariff advantage over Turkey, one of the leading pasta suppliers. Pasta is the primary wheat product imported by Japan. For more information, please refer to GAIN repot JA2021-0128.
Fresh & Processed Fruit	Opportunities for U.S. fresh fruit exports to Japan are expected to increase due to falling domestic production. The United States is the top supplier of dried fruits to Japan but has lost market share to other frozen fruit suppliers in recent years. For more information, please refer to GAIN repot JA2020-0158.
Tree Nuts and Peanuts	U.S. tree nuts are increasing in popularity in the convenience health snack sector, as detailed in JA9502. Almonds, walnuts, pecans, and peanuts, in plain, roasted, and salted forms, are common in single-serve snack packaging at convenience stores across Japan. The Japanese food service industry is beginning to explore new salad creations that incorporate tree nuts.
Whiskey	In 2021, Japan's total whiskey imports were $430.9 million. Japan remained the top export market for American whiskey, totaling approximately $96 million, with a 22 percent market share. For more information on the whiskey market, please refer to GAIN report JA2020-0053.
Wine & Beer	Wine consumption in Japan has risen steadily over the last decade. Total imports of wine and related products were $1.9 billion in 2022, though primarily from the EU. For an overview on the wine market in Japan, please refer to the following GAIN report, JA9501. In 2021, the United States continued to be the leading supplier of beer by value at $12.4 million, down $2.9 million from 2020. For more information on the craft beer market, please refer to GAIN report JA8507.
Cheeses	Nearly 90 percent of cheese consumed in Japan is imported. Cheese consumption has grown continuously since 2013. Consumption has traditionally focused on domestically produced processed cheese products which use imported natural cheese as ingredients. Popular processed products include sliced cheese, cheese sticks, and bite-sized cheese wedges. For more information, please refer to GAIN reports JA2021-0139 and JA2022-0012.

Products Not Present in Significant Quantities which have Good Sales Potential
Japan imports a broad array of products representing the full spectrum of America's consumer-ready, intermediate, and bulk food production. However, Japanese importers and consumers frequently seek new, trendy, and innovative products. The freeze-dried food market is expanding. According to TPC Marketing Research Corp., the best seller is miso soup, followed by other soup products. Opportunities may be found at any time for competitively priced, quality, or novel products, for example plant-based protein products, prepared chicken, craft beer, and spirits. For more details on alternative foods, see our latest report on this new trend: Japanese Companies Exploring Alternative Meat Product.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION
Reports from USDA Japan, including the Agricultural Trade Offices and the Office of Agricultural Affairs, are frequently updated and can be found by searching the FAS Japan Reports website.
ATO Tokyo U.S. Embassy, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420, Tel: 81-3-3224-5115
E-mail address: atotokyo@usda.gov

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USDA Japan Online
http://www.usdajapan.org/ (FAS Japan, English) https://twitter.com/usdajapan (FAS Japan, English)

Japan External Trade Organization (JETRO)
Japanese market and regulations: https://www.jetro.go.jp/en/reports/ Japan Food Sanitation Law: Food Sanitation Act - Japanese/English - Japanese Law Translation
Specifications and Standards for Foods, Food Additives, etc. under the Food Sanitation Law:
https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryou/shokuhin/syokuten/index_00012.html

Ministry of Agriculture, Food and Forestry:
U.S. laboratories approved by the Japanese Government, visit
http://www.mhlw.go.jp/topics/yunyu/5/dl/a3.pdf.
Statistics and articles: http://www.maff.go.jp/e/index.html
Japan Customs
Tariff rates in Japan are calculated on a CIF basis and Japan adds an 8 percent consumption tax to all imports. Japan tariff rates are found here: http://www.customs.go.jp/english/tariff/

Sources for Retail Market Figures:
METI, Large-scale retail sales trade, Part 3- Table 1, Report on the Current Survey of Commerce.
METI, Convenience store, Part 4- Table 1, Report on the Current Survey of Commerce.
METI, Drug Store, Table Part 4-Table 1, Report on the Current Survey of Commerce.

Attachments:

No Attachments