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Japan

Exporter Guide

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Report Highlights:
Japan is one of the most exciting markets in the world for U.S. exporters of food and agricultural products. The total Japanese food and drink market is valued at over $575 billion. In 2015, the United States exported almost $12 billion of agricultural and fishery products to Japan. There are tremendous opportunities and rewards for U.S. exporters willing to follow the strict Japanese regulations and keep up with the latest trends in this market.

Post:
Osaka ATO

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Notes:
1) US$1=Y122.59, the exchange rate on Dec. 26, 2015, was used throughout this report unless otherwise mentioned.
2) The data source used in this report for U.S. exports is USDA and the data source for Japanese imports is Global Trade Atlas (Source: Japanese Finance Ministry). Therefore, there may be some discrepancies in the numbers for different data sets.

I. Market Overview

1. Summary

Japan presents many great opportunities for U.S. exporters of food and agricultural products. It is the World's third largest economy, with a GDP of $4.1 trillion (The World Bank). Japanese consumers demand high-quality products, with 14.2 percent of their consumer expenditures going towards retail food compared to 6.4 percent in the United States (USDA Economic Research Service), even though they eat on average 1,000 fewer calories than consumers in the United States, per day (UN, FAO). However, decades of economic stagnation, increasingly strong competition from other countries, and strict government regulations are ongoing challenges that new exporters should be aware of.

Nevertheless, in 2015 the United States exported almost $12 billion of agricultural and fishery products to Japan, making it our fourth largest agricultural export market. The total food and drink market in Japan is valued at over $575 billion when the retail and the food service market segments are combined, and the United States is the number one supplier of food and agricultural products, including consumer-oriented food and beverage products, to Japan. High-quality U.S. products successfully enter the Japanese market if the products are delivered at a competitive price and when the exporter is willing to adjust to significant differences in consumer preference and the relevant Japanese government regulations.

2. Current Trends

Japan's market for high-value food and beverages continues to focus on functional, healthy and nutritious foods. While traditional menus and tastes still generally guide the average Japanese consumer's consumption habits, Western and other Asian ethnic cuisines are increasingly influencing the market. Although there is a strong tendency to prefer domestically produced products over imported products, Japanese consumers also enjoy flavors and tastes from other countries. Anything perceived as providing benefits for health and beauty has a greater chance of becoming popular, particularly among women.

Japanese consumers tend to be willing to accept high prices in exchange for quality and convenience. At the same time, consumers also seek value and have many options to satisfy their food needs including restaurants, fast food, convenience stores and a variety of retailers. Major supermarket chains are coping with this demand for value by introducing their own private store brands, while many restaurant chains are reducing their prices or differentiating themselves with new menu offerings in order to stay competitive in the industry.

The Japanese population has been declining since 2010 due to a low birth rate and the overall Japanese food market may weaken in the future. However, as the number of Japanese farms continues to decline and dietary preferences become more diverse, Japan will continue to depend on imported food to meet its needs. The Japanese average life expectancy is 85 years, according to the World Health Organization, and retirees tend to have large savings, so the opportunities for high-quality, high-value food ingredients and finished products are expected to remain strong.

3. U.S. Advantages and Challenges

The Japanese market offers a number of benefits to U.S. exporters, but it is not without difficulties.

Table 1. Advantages and Challenges

U.S. Advantages	U.S. Challenges
• U.S. food cost/quality competitiveness • Wide variety of U.S. food products • Reliable supply of U.S. food products • Advanced U.S. food processing technology • Relatively low U.S. shipping costs • Science-based U.S. food safety procedures • Growing Japanese emulation of U.S. food trends • Japanese food processing industry seeking new ingredients • Changes in the Japanese distribution system, becoming more similar to that of the U.S. • Japan's dependence on foreign food supply	• Increasing safety concerns and demands for information on food products by Japanese consumers • Long distance from Japan • Consumer antipathy for biotech foods and food additives • High expectations for quality and appearance • Consumers preference for domestically produced products • High cost of marketing in Japan • Complicated regulations and laws • High import duties on many products • Competition with other exporting countries, some with lower duties due to free trade agreements with Japan • Importers expectation of long-term involvement and commitment

II. Exporter Business Tips

1. Tips for Doing Business with Japanese Buyers and Traders

Japanese business people, no matter how Western they may appear, do not always approach business relations in the same way as Americans. Some differences are simply due to the language barrier, and others are due to deeply held traditions and practices. To help bridge these gaps, we suggest that you:

- Speak slowly and clearly, even if you know that your counterparts speak English.
- Use clear, simple words and expressions when writing in English.
- Use e-mail and fax, rather than telephone, whenever possible.
- Make appointments as far in advance as practical.
- Carry plenty of business cards (*meishi*) and present them formally with two hands at each new introduction—and be sure they include your information in Japanese on the back.
- Be on time for all meetings; the Japanese are very punctual.
- Be prepared for negotiations move slowly and require a number of meetings and probably several trips to reach an agreement.
- Expect requests for information on ingredients, production process and quality controls.
- Try to respond to all requests for information as thoroughly and promptly as possible. Ensure that all the information is correct
- Be aware that in Japanese, "*Hai*," (yes) may mean, "I understand," not, "I agree."
- Limit the discussion of business at evening meals, or when drinking with new Japanese counterparts; these occasions are for getting to know one another and building trust.
- Use metric terms.
- Quote price in CIF (cost, insurance and freight), unless the importer requests FOB (Free on Board).
- Price your products competitively; exclude U.S.-based costs such as domestic sales, advertising, marketing, etc.

- Consider limiting the number of trading partners you work with, but try to avoid exclusive agreements with one company.
- Be aware of major Japanese holidays, e.g., the New Year holiday (approximately from December 30 to January 3); Golden Week, a combination of national holidays (April 29 - May 5); and *Obon*, a period for respecting ancestors lasting for a week in mid-August, during which many companies close and people take vacations.

2. Consumer Preferences, Tastes and Traditions

These ideas may help you consider your product approach.

Japanese consumers:

- Are highly concerned about food safety and traceability – commonly used terms are *anzen* and *anshin* that respectively mean 'safety' and 'peace of mind';
- Place great importance on quality—producers that fail to recognize this will not succeed;
- "Eat with their eyes" and often view food as art. A food product's aesthetic appearance—on the shelf, in the package, and on the table—is important in building consumer acceptance;
- Are well-educated and knowledgeable about food;
- Are highly brand-conscious—a brand with a good reputation or image will sell better;
- Care a great deal about seasonal foods and freshness—promotion of these characteristics can significantly build product sales;
- Are increasingly health-conscious;
- Have small families and homes with minimal storage space. Thus, large bulk packaging is often impractical, although stores such as Costco continue to do well, reflecting the increasing preference for value, not just quality;
- Eat fewer calories than the average American, and therefore often prefer ready-to-eat products in smaller-sized portions.
- Often prefer food that is less sweet, except when it comes to fresh fruit.
- Prefer packaged foods with fewer ingredients and are turned off by many food additives.

3. Food Standards and Regulations

U.S. exporters doing business with Japan for the first time often find Japanese food standards difficult to deal with. Here are some tips:

- Read USDA's "Japan: Food and Agricultural Import Regulations and Standards (FAIRS) Country Report." This document provides information on food laws, labeling, packaging, import procedures, and other key regulations. It is updated annually and can be found at http://gain.fas.usda.gov/Pages/Default.aspx, by selecting "search reports," and setting your search criteria in Country as "Japan", and Categories as "FAIRS Subject Report" under "Exporter Assistance".)
- Read other USDA Japan reports posted on the USDA Japan homepage (http://www.usdajapan.org) by selecting the "Reports" menu button.
- Read relevant sections of the Japan Food Sanitation Law. Make sure that the labeling you plan to use meets Japanese requirements. (http://www.jetro.go.jp/en/reports/regulations/)
- Check JETRO's report, "Specifications and Standards for Foods, Food Additives, etc. under the Food Sanitation Law" (http://www.jetro.go.jp/en/reports/regulations/). This report summarizes specific technical import procedures, especially for processed food products.

- Carefully check to make sure that any food additive used in each of your products is permitted, including all preservatives, stabilizers, flavor enhancers, etc. For information on U.S. laboratories approved by the Japanese Government, visit http://www.mhlw.go.jp/topics/yunyu/5/dl/a3.pdf.
- Work closely with your importer to verify all relevant import requirements.
- Provide a detailed list of product ingredients to your Japanese partners to allow them to verify their acceptability. Do not assume that U.S. approval means Japanese approval. For organic foods, make sure you obtain USDA's National Organic Program certification or JAS Organic certification, to meet the requirements of the U.S.-Japan Organic Equivalency Agreement (https://www.ams.usda.gov/services/organic-certification/international-trade/Japan)

4. Import and Inspection Procedures

An exporter's job is not complete once the product has been shipped. The product must still pass Japanese customs and port inspections. The points outlined below should aid in this process:

- As noted in section 4, review the "Japan: Food and Agricultural Import Regulations and Standards (FAIRS) Country Report" to get a better understanding of these procedures.
- Article 27 of The Food Sanitation Law states that "those who wish to import food, food additives, apparatuses or containers/packages for sale or for use in business shall notify the MHLW on each occasion as prescribed by the Ministerial Ordinance."
- The MHLW's Ordinance No. 23 requires the submission of an Import Notification prior to the import of products with information including materials, ingredients and manufacturing methods for processed food products to be imported. It is customary that the import notification will be accompanied by a list of ingredients and a process flow chart issued by the manufacturer.
- Importers are required to submit "Import Notification" to a Quarantine Station of the Ministry of Health, Labor and Welfare (MHLW). At the Quarantine Station, food sanitation inspectors examine the document to see if the foods and products to be imported conform to the Food Sanitation Law. Then, if necessary, an inspection will be carried out. Once it is confirmed that the products are in compliance with the Japanese food regulations, a certificate of notification is issued, allowing entry in Japan.
- For details on the procedures, please visit the following MHLW site: http://www.mhlw.go.jp/english/topics/importedfoods/1.html
- Confirm the specific tariff that applies to your product before offering pricing to potential customers. Remember that tariff rates in Japan are calculated on a CIF basis and that Japan adds an 8% consumption tax to all imports. Japan tariff rates can be found here: http://www.customs.go.jp/english/tariff/
- Do not send samples for preliminary checking without an actual request from your importer. Many private parcel delivery companies recently adopted a policy of not handling any animal or plant quarantine items (including dried fruit and nuts) due to possible delays in delivery caused by quarantine inspection. Make sure the delivery service you are going to use will handle your product before actually sending it.
- Recognize that the interpretation or application of the laws and regulations by individual customs officials may differ from one port to another and therefore changing ports could lead to new issues. Thus, changing to a lower cost or more convenient port may not be the best choice. Check with your local customer or in-country agent representative for advice on which port to use.
- Be sure to complete all documentation thoroughly and accurately.

- Send copies of documentation in advance, especially for first-time shipments, to assist your importer in getting timely release of your cargo from customs and clarifying matters with quarantine officials.
- For fresh products, check phytosanitary and sanitary requirements in advance and obtain proper USDA inspections in the United States (for plant products and pet food, visit www.aphis.usda.gov, and for meat and poultry products, visit www.fsis.usda.gov).
- All biotech ingredients must be approved by the Japanese government in order to be imported. Once approved, if these products are intended for human consumption, they will also require specific labeling in order to be admitted to Japan. For more details on the regulatory process for biotech ingredients and latest approvals, please refer to the FAS Japan Biotechnology Report at: http://tinyurl.com/hj2c786 or by searching on the FAS reports page at: http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx and selecting "Japan" under country and "Biotechnology and other new technologies" under categories.
- Make sure you have the proper import documents accompanying your shipment, including but not limited to: 1) Import Notification; 2) Health Certifications; 3) Results of Laboratory Analysis; 4) Manufacturer's Certification showing ingredients, additives and manufacturing process. (Note: Products imported for the first time may require more documentation.)

III. Market Sector Structure and Trends

One of the exporter's most important strategic decisions—other than those dealing with the product itself—is how to position the product and get it to the Japanese consumer, i.e. through retail, food service, and/or food processing channels. The following is a brief description of the three sectors.

1. Retail Sector

Japan's food retail market generated about $369.61 billion (45.31 trillion yen) in 2015, down 0.61% from the previous year. Although it is a huge market, it is highly fragmented. Unlike in North America and the EU, Japan's retail food sector is characterized by a relatively high percentage of specialty/semi-specialty stores, including "mom-and-pop" stores and local grocery stores. Such small retailers, however, are gradually losing ground to large general merchandise stores (GMS), supermarkets (SM), and convenience stores (CVS). These three categories offer the best opportunities to U.S. food exporters, although they should face strong competition from both domestic manufacturers and third country suppliers.

See the table below for an overview of food retailer classifications and characteristics:

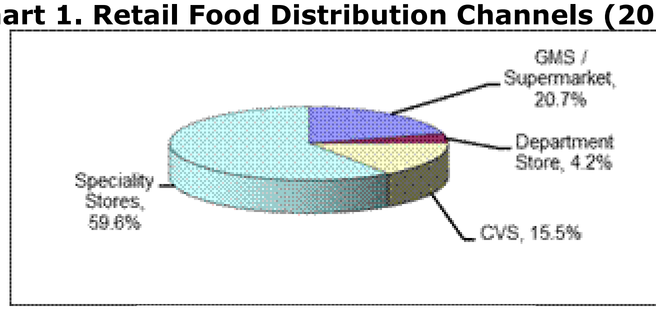
Table 2. Retail Store Channels and Characteristics

	GMS General Merchandise stores	**SM** Supermarkets	**Department Stores**	**CVS** Convenience stores	**Specialty Stores**	**Semi-Specialty Stores**
Share (2015)	20.7%		4.2%	15.5%	59.6%	

Future growth expectations*	M	M	L to M	M	D	D
Receptivity to imports**	M to H	M to H	M to H	M to H	L to M	L to M
Suitable for:						
Established brands	M to H	M to H	H	M	M	M
High quality/high price	M	M	H	M to H	M	M
Good quality/low price	H	H	M	H	M	M
New products	H	H	H	H	M	M

* Growth expectations: H - high; M - moderate; L - low; D - decline
**Receptivity ratings: H - high; M - medium; L – low
Sources: METI Commercial Census (2015); ATO estimates on import growth and receptivity.

Chart 1. Retail Food Distribution Channels (2015)



Source: METI Commercial Census 2015

General Merchandise Stores (GMS)

Japan's general merchandise stores (GMS), like supercenters in the United States, offer shoppers the convenience of one-stop shopping for groceries, perishables, clothing, household goods, furniture, and electrical goods. Food sales, which used to make up one third of the total sales at GMS's, now make up half of the total sales or even more at some chains. GMS's are operated by major national chains that have nationwide networks with hundreds of outlets and typically rely on centralized purchasing. GMS's are generally receptive to foreign products, although they often demand product modification to suit market tastes and preferences. They often purchase foreign products via trading companies. Inventory risks, long lead times, and communication problems make GMS buyers hesitant to import products directly. However, as Japan's retail market becomes more competitive, some GMS's are opting for direct purchase and offer excellent opportunities to U.S. food exporters.

Supermarkets (SM)

Supermarkets (SM) stores are smaller in size than GMS's and are more specialized in food and household goods. On average, food items account for 70% or more of the total sales of these stores. Supermarkets are facing higher purchasing costs than GMS's. They are seeking ways to stay competitive through product/service differentiation, private brand development, and global sourcing. To gain economies of scale, regional supermarkets are forming alliances through joint merchandising companies with non-competing retailers. Thus, although individual retailers are not large enough to engage in direct offshore sourcing, through joint merchandising companies, they offer good opportunities to U.S. food exporters. These retailers carry imported products particularly as a means to differentiate themselves from other competing stores in their region.

Department Stores (DS)

Department store sales have been slowly declining in recent years due to increasing competition with other retailers. Food sales at department stores account for less than 5% of the total retail food sales. Nevertheless, department stores offer excellent opportunities for imported high-end food products and they are an under-exploited channel for U.S. exporters. Most department stores have extensive basement concessions (i.e., small, independently operated retail stands), otherwise known as 'depachikas'. Some of these stands or outlets are operated by department stores themselves, offering an opportunity for U.S. exporters to launch pilot stores or to conduct marketing trials. Department stores provide a showcase for imported, novelty, and high-end products and thus can offer U.S. exporters of high-quality foods an excellent promotional opportunity.

Convenience Stores (CVS)

Convenience stores (CVS) are an extremely important sales channel in Japan. They have limited floor space, about 100 m^2 on average, and typically stock about 3,000 products. Convenience stores derive their competitive advantage from high turnover and efficient supply chains. Thus, short lead-times and nationwide distribution are essential in dealing with major CVS operators. While this presents a significant challenge to many overseas companies, indirect business with CVS offers great potential. Global sourcing of ingredients and raw materials, especially for use in their ready-to-eat products (which is increasingly competing with the fast food sector), has become more popular. CVS operators not only work with consumer product manufacturers but also with trading firms and ingredient manufacturers. In order to differentiate themselves from their competitors, major CVS operators are constantly searching for novelty items and new concepts, which offer good opportunities to U.S. food exporters.

Local Specialty Stores

Predominantly, Japanese food retail trade still consists of local specialty stores and grocery stores, most of which are small, family-run operations. These retailers offer limited market potential to exporters, as they are served by secondary or tertiary wholesalers, which, in turn, are supplied by Japan's major wholesalers. However, this sector has been shrinking as the food market has become more competitive. There are only a small group of retailers who specialize in imported products in Tokyo and other metropolitan areas, which may offer opportunities to U.S. exporters.

Home Meal Replacement (HMR)

As in North America, the growth of the HMR sector is one of the most important developments in the Japanese food sector in recent years. Examples of popular products in this sector are prepared foods sold at supermarkets, takeout meals sold at specialty stores, and various ready-made foods sold at convenience and department stores. Thus there is some overlap with the channels outlined above. The sector is expected to become an even more important market as the number of working women, single households and the elderly rises.

The sector consists mostly of small regional companies and is now going through a series of consolidations. Larger companies in the sector are suppliers for major supermarket operators, convenience stores and tenants in department stores. There are a number of constraints facing U.S. exporters in this sector. High-volume buyers are still relatively rare; global sourcing and direct transactions with foreign suppliers are also uncommon. In addition, relatively high turnover of menu items often makes companies hesitant about global merchandising. Nevertheless, HMR's are potentially an important customer for U.S. food exporters, especially for those who are willing to meet stringent cost, quality, and size specifications.

There is a separate report on Retail Food Sector in Japan. To read this report, please visit: http://gain.fas.usda.gov/Pages/Default.aspx, select "search reports," and set your search criteria to Country: "Japan," and Categories: "Retail Foods" under "Exporter Assistance".

2. HRI Food Service Sector

The food service sector generated $205.41 billion (25.18 trillion yen) in sales in 2015. The sector showed a 2.2% growth from the previous year, following 2.6% growth recorded in 2014. Increases in areas such as dining-out spending per capita, the number of foreign visitors to Japan, and corporate entertainment spending are driving growth in this sector.

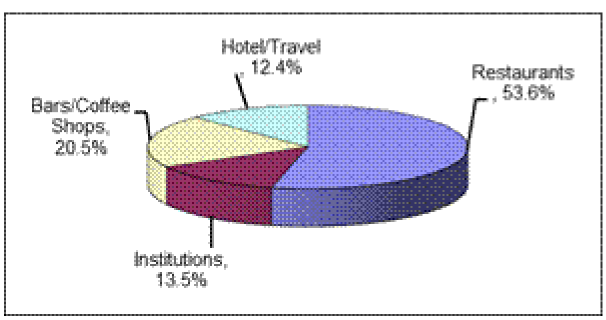
This sector can be divided into four major segments by business category: 1) restaurants; 2) hotels and travel-related facilities; 3) bars and coffee shops; and 4) institutional food service companies. The table below shows characteristics of these segments.

Table 3. Food Service Channels and Characteristics

	Restaurants	Hotels/ Travel related	Bars/ Coffee shops	Institutional
Sales Share (2015)	53.6%	12.4%	20.5%	13.5%
Future growth expectations*	M to H	H	M	M
Receptivity to imports**	H	H	M to H	H
Especially suitable for:				
High quality/high price	M to H	H	M	L
Good quality/low price	H	H	H	H
New products	H	H	H	H

*Growth expectations: H-high; M-moderate; L-low; D-decline
**Receptivity ratings: H-high; M-medium; L-low
Sources: Food Service Industry Research Center; ATO estimates of import growth and receptivity.

Chart 2. Food Service Distribution Channel (2015)



Source: Food Service Industry Research Center

Restaurants

The restaurant segment, the leading segment of the HRI food service sector, generated US$110.09 billion in sales in 2015, up 2.1% from the previous year. The growth comes from increased sales at family restaurants and other general restaurants which compensated for decreased sales at fast food restaurants.

Major family restaurant chains are becoming increasingly important for international suppliers. As they compete primarily on price, they are active in global sourcing. These chains, thus, represent a significant opportunity for U.S. food exporters. Chain restaurants are particularly interested in semi-processed or precooked foods. Premixed ingredients, seasonal fruits and vegetables, specialty sauces and seasonings, and desserts are particularly attractive products for restaurant chain operators.

Japan has a large and competitive fast food segment made up of both domestic and overseas operators. Generally, fast food restaurant operators are volume buyers of specific raw materials. In addition to low cost, suppliers must provide a stable supply of products at a specific quality to compete effectively in this segment. Exporters can approach most large restaurant chains directly but for the smaller chains, exporters must build relationships with trading companies or major food service wholesalers.

Hotels and Travel-Related Facilities

This segment showed 4.4% growth from the previous year. Strong demand by an increasing number of inbound travelers from overseas sustained the growth of the segment. Major hotels are attractive markets for U.S. exporters. They are oriented toward Western food and frequently have "food fair" promotions featuring a variety of international cuisines. The challenge for exporters lies in developing effective distribution channels to reach them. Hotels offer high consumer visibility and also promotional value for exporters. Highlighting the fact that a particular exporter's product is used by a major upscale hotel chain, for example, is a good way to promote the product to retailers and other prospective buyers.

Railway companies and domestic airlines operate kitchens in Tokyo and Osaka, while the overseas airlines tend to use contract caterers. These Japanese companies tend to feature Japanese cuisine. But there are companies who actively procure imported foods as well.
Theme parks are also an important part of the sector. Restaurants and snack outlets at Tokyo Disneyland and Disney Sea, as well as Universal Studios Theme Park, for example, draw millions of visitors every year. Other theme parks around the country also attract thousands of visitors each day and offer opportunities to U.S. food exporters.

Bars and Coffee Shops

These establishments account for 20.5% of the total food service sales and are a major market for foreign beverages and snack foods. After years of negative growth until 2012, sales from the segment have been recovering, recording growth of 5.2% in 2013, 3.5% in 2014 and 1.9% in 2015. The establishments in the bar and coffee shop segment tend to be small and difficult to reach. The best way to reach these outlets is to work with the large food distributors in Japan.

Institutional Food Markets

The institutional food market, comprised of cafeterias at factories, offices, hospitals and schools, generated $27.68 billion in 2015, up 1.3% from the previous year. This segment accounts for 13.5% of the HRI food service sector.

The cafeteria operations of these institutions are typically served by contract caterers. Building relationships with caterers through food service wholesalers is, therefore, essential to crack this market. The sector offers significant market potential to U.S. exporters, as the most important criterion for these institutional suppliers is cost competitiveness.

Long-term prospects are brighter as demand from contract caterers, serving the hospital and social welfare segments, is expected to grow due to an aging population.

There is a separate report on HRI Food Sector in Japan. To read this, please visit: http://gain.fas.usda.gov/Pages/Default.aspx, and select "search reports," and set your search to "Country: Japan," and "Categories: Food Service – Hotel Restaurant Institutional" under "Exporter Assistance".

3. Food Processing Sector

Food manufacturers in Japan offer a number of opportunities to U.S. exporters and they have the capacity to buy the following types of products from overseas:

- Ingredients for production in Japan;
- Finished products to be sold under their own labels;
- Finished products to be sold under the exporter's brand, but distributed through the importer's channels.

Dealing with food processors offers the following advantages:

- They often buy in large volumes;
- They have sophisticated distribution systems;
- They have a good understanding of their suppliers' businesses.

Exporters should be prepared for requests for a large amount of information from Japanese manufacturers, as they are very demanding regarding the release of data on product quality, origin of ingredients, and other related information. In large part, regulations from the Government of Japan require manufacturers to take steps to avoid risks. Such information is also increasingly important because of growing concerns about food safety and traceability among Japanese consumers, particularly when it comes to imported food. U.S. exporters must be prepared to deal thoroughly and promptly with these issues to compete in this market.

There is a separate report on Food Processing Sector in Japan. To read it, please visit: http://gain.fas.usda.gov/Pages/Default.aspx, and select "search reports," and set your search to select "Country: Japan," and "Categories: Food Processing Ingredients" under "Exporter Assistance".

4. E-Commerce and mail-order

The number of internet users in Japan reached 100.46 million with an 83.0% penetration rate in 2015. Due to this high number of internet users, online shopping is becoming popular in Japan.

According to Japan Direct Marketing Association, total mail-order sales including e-commerce reached $53.10 billion (6.51 trillion yen) in FY2015 (April 2015 to March 2016), up 5.9% from the previous year. The sector recorded positive growth for 17 years in a row, driven by e-commerce. While online sales are often led by daily consumables including food, clothing, cosmetics, and stationary; natural & organic food and health food, in particular, are an important category within the area of e-commerce.

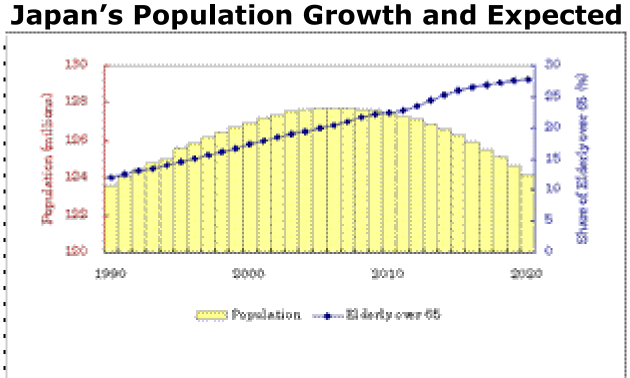
According to the Japanese Ministry of Internal Affairs and Communications, online sales are expected to continue to expand as customers note that internet shopping has many advantages. It can be done 24/7, saves time, often comes with no transportation costs, makes comparing products and prices easy, and allows for a larger selection to choose from. Now, major supermarket chains are expanding their internal internet shopping services as well.

5. Population Trends

Japan’s population has faced a decreasing number of births and a resulting aging of the overall population. Until 2004, Japan experienced small but steady annual population growth. However, the Japanese population declined by a 0.01% in 2005 for the first time and it has been declining since 2010. According to a national survey conducted in 2015, Japan’s population was 127.095 million, down 0.8% from the previous survey conducted in 2010.

By the year 2050, Japan’s population is predicted to decrease to 95 million, with the ratio of individuals over 65 climbing to 40%. While this may have a negative influence on overall consumptions, the older population in Japan enjoys a high standard of living and is relatively wealthy. Therefore, this segment of the population may present an opportunity for some products such as high-value, high-quality and health-oriented food and beverage items.

Chart 3. Japan’s Population Growth and Expected Decline



Source: National Institute of Population and Social Security Research

IV. Best High-Value Import Prospects

The following list of products are considered to hold the “best” import prospects for 2016-2017, based on a number of criteria, including high sales volume, demonstrated growth, and U.S. competitiveness in the Japanese market.

Table 4. Best Import Prospects

Product Category	HS Code	2015 Market Size	2015 World Imports	5 year Avg.* Annual Import Growth (2011-	Import Tariff Rate	Key Constraints to Market Development	Market Attractiveness for U.S.

				2015) (volume)			
Fresh Vegetable Sector: World Import Value (2015):$ 816 million							
Table Grapes	0806.10	Volume: 187,115 MT	World volume: 21,915 MT value: $57.49 million U.S. volume: 7,420 MT value: $23.92 million	Volume growth: World: 9.2% U.S.: 0.46%	7.8 % or 17% depending on the period of import	Japanese consumers are very sensitive to prices, and overall fruit consumption has been stagnant.	Japanese consumers' growing appetite for healthy snacks is a positive trend for California table grapes, which are easy to carry and eat.
Kiwi Fruit	0810.50	Volume: 100,447 MT	World volume: 78,648 MT value: $223.55 million U.S. volume: 342 MT value: $1.10 million	Volume growth: World: 4.5% U.S.: -5.8%	6.4%	Key to growth for U.S. kiwi fruit will be increased awareness of their new varieties, consistent quality and steady supply.	Kiwi fruit is one of the most popular fruits in Japan. The current volume of local production leaves room for imports during the months when New Zealand kiwis are not available in Japan. Golden kiwi varieties exported from the U.S. in recently were well-liked by customers.
Mandarin	0805.20	Volume: 695,544 MT	World volume: 11,644 MT value: $19.40 million	Volume growth: World: -14.0% U.S.:	17%	Japanese consumers are very sensitive to prices, and overall fruit	A growing awareness of the varieties of easy-peel U.S. mandarins

			U.S. volume: 8,765 MT value: $13.84 million	-16.0%		consumption has been stagnant.	and their sweet taste could create new demand.
Fresh/Chilled/Frozen Red Meat Sector: World Import Value (2015):$ 7,135million							
Chilled/Frozen Beef Cut	0201, 0202	Total Supply volume (Boneless Equivalent): 1.374 million MT	World volume (Customs Clearance Basis): 493,986 MT value: $ 2,784.72 million U.S. Volume: 165,427 MT value: $ 975.95 million	Volume growth: World: -1.1% US: 8.2%	38.5%	There is competition from third countries. The United States has a tariff rate disadvantage relative to Australian chilled and frozen beef (8 and 11 percentage points, respectively) because of the Japan-Australia FTA.	As of January 2015, all U.S. beef and beef products from cattle slaughtered in the United States under the LT30 QSA Program for Japan are eligible for export to Japan. Despite the tariff rate disadvantage the United States should continue to expand its share of the Japanese market through the end of 2017, as Australian supplies are forecast to remain tight. Further, Japan's limited domestic beef supply should continue to be constrained

							by limited feeder calf supplies over the medium-term.
Beef Offal, Tongue, etc.	0206.10, 0206.21, 0206.22, 0206.29	N/A	World volume: 61,187 MT value: $579.71 million U.S.: volume: 31,072 MT value: $356.88 million	Volume growth: World: 8.5% US:16.0%	12.8%	There is competition from third countries and domestic sources.	As of January 2015, all U.S. beef and beef products from cattle slaughtered in the United States under the LT30 QSA Program for Japan are eligible for export to Japan. Japanese market conditions for beef offal, including tongue and inside skirt meat, show prospects for these chilled/frozen beef cuts.
Wine & Beer Sector: **World Import Value (2015):$ 1,561 million**							
Craft Beer	Included in 2203	Volume: Total beer market: 2,720,594 KL Estimated craft beer market: 23,700 KL	N/A	N/A	Free	There are many competing countries including, Belgium, Germany, U.K. Mexico and domestic breweries.	Shift from cheaper mass produced beer to quality craft beer driven by demand from younger consumers. Increasing number of retail chains and

							bar/restaurants offering craft beer.
Hard Cider	Included 2206	Volume: 60KL	N/A	N/A	42.40 yen per liter	Little market in Japan, not familiar drink, requires significant promotion activities.	Unique taste, recently started to appear in the market, gluten-free, increasing number of new pub-style restaurants opening
Craft Spirits	2208.30, 2208.40, 2208.50, 2208.60, 2208.70, 2208.90	N/A	N/A	N/A	Varies depending on products	Many competing countries including U.K., Canada and Japan. Many Japanese consumers still prefer aged whiskeys. Some bartenders believe that the U.S. can only produce good bourbon.	Strong positive image of U.S. bourbon whiskey and renewed popularity of whiskey drinks in Japan. Growing popularity of craft beer may lead to receptivity to craft spirits.

Sources: Global Trade Atlas; Ministry of Agriculture, Forestry and Fisheries; Ministry of Economy, Trade and Industry; Ministry of Finance.
*Note: 5-year avg. annual growth is the compound annual growth rate from 2011 to 2015.

V. Key Contacts

The following tables provide information on key contacts.

Table 5: U.S. Government

Organization Name	Telephone/Fax URL/E-mail	Address
Agricultural Trade Office Tokyo American Embassy, Tokyo	Tel: 81(0)3-3224-5115 Fax: 81(0)3-3582-6429 www.usdajapan.org atotokyo@fas.usda.gov	1-10-5 Akasaka Minato-ku, Tokyo 107-8420
Agricultural Trade Office Osaka	Tel: 81(0)6-6315-5904 Fax: 81(0)6-6315-5906	2-11-5 Nishitenma

American Consulate-General, Osaka	www.usdajapan.org atoosaka@fas.usda.gov	Kita-ku, Osaka 530-8543
Office of Agricultural Affairs, American Embassy, Tokyo	Tel: 81(0)3-3224-5105 Fax: 81(0)3-3589-0793 agtokyo@fas.usda.gov	1-10-5 Akasaka Minato-ku, Tokyo 107-8420
American Embassy Tokyo, Japan	Tel: 81(0)3-3224-5000 Fax: 81(0)3-3505-1862 http://tokyo.usembassy.gov/	1-10-5 Akasaka Minato-ku, Tokyo 107-8420
Animal and Plant Health Inspection Service (APHIS)	Tel: 81(0)3-3224-5111 Fax: 81(0)3-3224-5291 www.aphis.usda.gov	1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
FAS Washington	www.fas.usda.gov	1400 Independence Ave., SW Washington, DC 20250
USDA Washington	www.usda.gov	1400 Independence Ave., SW Washington, DC 20250

For information on U.S. state government offices in Japan, please visit:

http://www.asoajapan.org/eng/index.html

Table 6: U.S. Trade Associations and Cooperator Group Representatives in Japan

Organization Name	Telephone/Fax URL	Address
Alaska Seafood Marketing Institute	Tel: 81(0)3-3225-0008 Fax: 81(0)3-3225-0071 www.alaskaseafood.org	International Place 26-3 Sanei-cho, Shinuku-ku, Tokyo, 160-0008
American Hardwood Export Council	Tel: 81(0)6-6315-5101 Fax: 81(0)6-6315-5103 www.ahec.org / www.ahec-japan.org/	c/o American Consulate General 2-11-5, Nishitenma Kita-ku, Osaka 530-8543
American Peanuts Council	Tel: 81(0)3-3221-6410 Fax: 81(0)3-3221-5960 www.usdec.org	Seibunkan Bldg., 5F 1-5-9, Iidabashi Chiyoda-ku,Tokyo, 102-0072
American Softwood	Tel: 81(0)3-3501-2131 Fax: 81(0)3-3501-2138 www.americansoftwoods.com/	Aios Toranomon 9F 1-6-12 Nishishimbashi, Minato-ku, Tokyo 107-0003
Blue Diamond Growers	Tel: 81(0)3-5226-5601 Fax: 81(0)3-5226-5603 www.bluediamond.com	4-8-26 Kojimachi Chiyoda-ku, Tokyo 102-0083

California Blueberry Commission	Tel: 81(0)3-3584-7019 Fax: 81(0)3-3582-5076 http://calblueberry.org/	Residence Viscountess, Suite 310 1-11-36 Akasaka Minato-ku, Tokyo 107-0052
California Fig Advisory Board	Tel:81(0)3-3560-1811 Fax: 81(0)3-3560-1813 http://californiafigsjapan.com/	4-14-14-2912 Akasaka Minato-ku, Tokyo 107-0052
California Milk Advisory Board	Tel: 81(0)3-3403-8288 Fax: 81(0)3-3403-8289 www.realcaliforniamilk.com/	1-26-4-7C Minami Aoyama Minato-ku, Tokyo 107-0062
Pomegranate Council	Tel: 81(0)3-5269-2301 Fax: 81(0)3-5269-2305 www.pomegranates.jp/	Shinjukugyoenmae Annex 6F 4-34 Yotsuya Shinjuku-ku, Tokyo 160-0004
California Prune Board	Tel: 81(0)3-3584-0866 Fax: 81(0)3-3505-6353 www.californiadriedplums.org / www.prune.jp/	Higashiazabu IS Bldg.,5F 1-8-1 Higashiazabu Minato-ku, Tokyo 106-0044
California Table Grape Commission	Tel: 81(0)3-3221-6410 Fax: 81(0)3-3221-5960 www.tablegrape.com	Seibunkan Bldg., 5F 1-5-9, Iidabashi, Chiyoda-ku, Tokyo, 102-0072
California Walnut Commission	Tel: 81(0)3-3505-6204 Fax: 81(0)3-3505-6353 www.walnuts.org / www.californiakurumi.jp/	Higashiazabu IS Bldg.,5F 1-8-1 Higashiazabu Minato-ku, Tokyo 106-0044
Cotton Promotion Institute, Japan	Tel: 81(0)6-6231-2665 Fax: 81(0)6-6231-4661 http://www.cottonusa.org / www.cotton.or.jp/	Mengyo Kaikan 2-5-8 Bingomachi Chup-ku, Osaka 541-0051
Dairy Export Council, U.S.	Tel: 81(0)3-3221-6410 Fax: 81(0)3-3221-5960 www.usdec.org	Seibunkan Bldg., 5F 1-5-9, Iidabashi Chiyoda-ku,Tokyo, 102-0072
Florida Department of Citrus	Tel: 81(0)3-3584-7019 Fax: 81(0)3-3582-5076 www.floridajuice.com	Residence Viscountess, Suite 310 1-11-36 Akasaka Minato-ku, Tokyo 107-0052
Food Export – MIDWEST/NORTHEAST	Tel: 81(0)3-3221-6410 Fax: 81(0)3-3221-5960 http://www.foodexport.org/	Seibunkan Bldg., 5F 1-5-9, Iidabashi Chiyoda-ku,Tokyo, 102-0072
Grains Council, U.S.	Tel: 81(0)3-6206-1041 Fax: 81(0)3-6205-4960 www.grains.org / http://grainsjp.org/	Toranomon Denki Bldg No.3, 1-2-20 Toranomon Minato-ku, Tokyo 105-0001
Hawaii Papaya Industry Association	Tel: 81(0)467-81-3921 Fax: 81(0)467-23-6987 www.hawaiipapaya.com/	Otani Bldg. #12. 2-11-11 Komachi Kamakura, Kanagawa 248-0006

Meat Export Federation, U.S.	Tel: 81(0)3-3501-6328 Fax: 81(0)3-6205-7330 www.usmef.org / www.americanmeat.jp	Toranomon Denki Bldg., No.3, 1-2-20 Toranomon Minato-ku, Tokyo 105-0001
Napa Valley Vintners	Tel: 81(0)90-8487-8293 Fax: 81(0)3-3707-7308 www.napavintners.com/	7-14-3C1, Fukazawa Setagaya-ku, Tokyo
National Watermelon Promotion Board	Tel: 81(0)3-3584-7019 Fax: 81(0)3-3582-5076 www.watermelon.org/	Residence Viscountess, Suite 310 1-11-36 Akasaka Minato-ku Tokyo 107-0052
Northwest Cherry Growers	Tel: 81(0)3-4578-9389 Fax: 81(0)50-3488-4172 www.nwcherries.com	9F UCF Win Aoyama Bldg. 2-2-15 Minami Aoyama, Minato-ku, Tokyo 107-0062
Potatoes USA	Tel: 81(0)3-3586-2937 Fax: 81(0)3-3505-6353 www.potatoesusa.com/ www.potatoesusa-japan.com	Higashiazabu IS Bldg.,5F 1-8-1 Higashiazabu Minato-ku, Tokyo 106-0044
Poultry and Egg Export Council, USA	Tel: 81(0)3-3403-8288 Fax: 81(0)3-3403-8289 www.usapeec.org	1-26-4-7C Minami Aoyama Minato-ku, Tokyo 107-0062
Raisin Administrative Committee	Tel: 81(0)3-3221-6410 Fax: 81(0)3-3221-5960 www.raisins.org / www.raisins-jp.org	Seibunkan Bldg., 5F 1-5-9 Iidabashi Chiyoda-ku, Tokyo 102-0072
Rice Federation, USA	Tel: 81(0)3-3292-5507 Fax: 81(0)3-3292-5056 www.usarice.com / www.usarice-jp.com/	M&C Bldg., 2-3-13 Kandaogawamachi Chiyoda-ku, Tokyo, 101-0052
Soybean Export Council. U.S.	Tel: 81(0)3-6205-4971 Fax: 81(0)3-6205-4972 www.americanmeat.jp	Toranomon Denki Bldg., No.3, 1-2-20 Toranomon Minato-ku, Tokyo 105-0001
Sunkist Pacific Ltd.	Tel: 81(0)3-3523-0717 Fax: 81(0)3-3523-0710 www.sunkist.com	New River Tower, 8F 1-6-11, Shinkawa Chuo-ku, Tokyo 104-0033
U.S. Dry Bean Council	Tel: 81(0)3-3221-6410 Fax: 81(0)3-3221-5960 http://www.usdrybeans.com/	Seibunkan Bldg., 5F 1-5-9 Iidabashi Chiyoda-ku, Tokyo 102-0072
Western Growers Association	Tel: 81(0)3-3991-3290 Fax: 81(0)3-3991-3290 www.wga.com	Uchino Bldg., #501 5-24-15 Toyotamakita Nerima-ku, Tokyo176-0012
Wheat Associates, U.S.	Tel: 81(0)3-5614-0798 Fax: 81(0)3-5614-0799 www.uswheat.org	Seifun Kaikan 9F 15-6 Nihonbashi Kabutocho Chuo-ku, Tokyo 103-0026
Wine Institute of California	Tel: 81(0)3-3707-8960 Fax: 81(0)3-3707-8961 www.wineinstitute.org	2-24-6-403 Tamagawa Setagaya-ku, Tokyo 158-0094

Table 7: Japanese Government and Related Organizations

Organization Name	Telephone/Fax URL	Address
Ministry of Agriculture, Forestry and Fisheries (MAFF)	Tel: 81(0)3-5202-1111 http://www.maff.go.jp/e/index.html	1-2-1 Kasumigaseki Chiyoda-ku, Tokyo 100-8950
Ministry of Health, Labor and Welfare (MHLW)	Tel: 81(0)3-5253-1111 http://www.mhlw.go.jp/english/	1-2-2 Kasumigaseki Chiyoda-ku, Tokyo 100-8916
Japan External Trade Organization (JETRO)	Tel:81(0)3-3582-5511 https://www.jetro.go.jp/en/	Ark Mori Bldg., 6F 12-32, Akasaka 1-chome, Minato-ku, Tokyo 107-6006
National Federation of Agricultural Co-operative Associations (Zen-noh or "JA")	Tel: 81(0)3-6271-8111 http://www.zennoh.or.jp/about/english/index.html	JA Bldg. 1-3-1 Otemachi Chiyoda-ku, Tokyo 100-6832

Reports and Further Information

The following homepages and reports can provide useful information to interested exporters.

- ***Agricultural Trade Office's homepages***

http://www.usdajapan.org
Follow us on Twitter at @USDAJapan

- ***GAIN reports on the food sectors in Japan (Retail, HRI, Food Processing)***

The above reports are annually updated. Please access http://gain.fas.usda.gov/Pages/Default.aspx, to obtain the latest reports.

- Retail report, select "Country: Japan," and "Categories: Retail Foods"
- HRI report: select "Country: Japan," and "Categories: Food Service – Hotel Restaurant Institutional"
- Food Processing report: select "Country: Japan," and "Categories: Food Processing Ingredients'

Or please access http://www.usdajapan.org/# and click the "Reports" menu button to see a list of our latest reports.

- ***Food and Agricultural Import Regulations and Standards (FAIRS) Report***

The FAIRS report is a comprehensive guide to Japan's food and beverage regulations, standards and requirements for importation. At the URL, http://gain.fas.usda.gov/Pages/Default.aspx, set your search to select "Country: Japan", and "Categories: FAIRS Subject Report".

Or please access http://www.usdajapan.org/# and click the "Reports" menu button to get information and report.

- ***Japan External Trade Organization (JETRO) Reports***
  An excellent source for links to other Japanese government websites, food sector reports and English translations of Japan's documents. The homepage is located at: http://www.jetro.go.jp/

But most relevant documents are at: http://www.jetro.go.jp/en/market/regulations/index.html

Appendix- Statistics

Table A. Key Trade & Demographic Information

Data is for 2015	
Agricultural Imports from all Countries ($Mil)/U.S. Market Share (%)/1	$50,245 / U.S. 25.07%
Consumer Food Imports from all Countries ($Mil)/U.S. Market Share (%)/1	$29,391 / U.S. 20.41%
Edible Fishery Imports from all Countries ($Mil)/U.S. Market Share (%)/1	$12,207 / U.S. 10.54%

Total Population (Millions)/Annual Growth Rate (%)/2	127.095 / -0.8% over past five years
Number of Major Metropolitan Areas/3	12
Per Capita Gross Domestic Product (U.S. Dollars) /4	$36,230 *
Unemployment Rate (%)/5	3.4%
Percent of Female Population Employed/5	48.0%
Exchange Rate (Japan Yen per US$)/6	122.59 (Dec 2015)

1. Import data: Global Trade Atlas 2. Total Population/ Growth Rate: Statistics Bureau, Ministry of Internal Affairs and Communication 3. Population by city: Ministry of Internal Affairs and Communication 4. Per capita GDP current prices: Cabinet Office, GOJ, *data from 2014 5. Unemployment Rate/Percent of Female Population Employed: Statistics Bureau, Ministry of Internal Affairs and Communication; 6. Exchange Rate: Japan customs

Table B. Consumer Food and Edible Fishery Product Imports, Source: Global Trade Atlas

Japanese Imports	**Imports from the World**			**Imports from the U.S.**			**U.S. Market Share %**		
(in Millions of Dollars)	2013	2014	2015	2013	2014	2015	2013	2014	2015
CONSUMER-ORIENTED AGRICULTURAL TOTAL	31,581.27	32,137.58	29,390.61	6,854.05	6,895.21	6,000.07	21.70	21.46	20.41
Snack Foods (excl. Nuts)	705.88	751.36	647.78	74.69	71.23	71.41	10.58	9.48	11.02
Breakfast Cereals & Pancake Mix	27.46	41.96	35.66	4.18	8.50	7.65	15.24	20.25	21.45
Red Meats, Fresh/Chilled/Frozen	7,469.79	8,090.77	7,135.28	2,915.10	3,047.34	2,548.41	39.03	37.66	35.72
Red Meats, Prepared/Preserved	3,283.25	3,141.50	2,912.71	495.27	533.79	433.72	15.08	16.99	14.89
Poultry Meat	1,201.61	1,415.81	1,377.21	51.97	60.33	47.42	4.32	4.26	3.44
Dairy Products	595.20	729.38	607.71	97.83	111.34	84.02	16.44	15.27	13.83
Eggs & Products	192.28	223.32	207.36	57.84	46.59	35.62	30.08	20.86	17.18
Fresh Fruit	1,998.27	1,944.01	1,913.74	437.44	376.68	352.29	21.89	19.38	18.41
Fresh Vegetables	978.92	890.07	815.89	147.36	131.68	88.84	15.05	14.79	10.89
Processed Fruit & Vegetables	4,693.87	4,556.35	4,361.98	836.08	781.14	783.00	17.81	17.14	17.95
Fruit & Vegetable Juices	879.51	762.74	654.18	156.36	145.71	117.08	17.78	19.10	17.90
Tree Nuts	539.82	631.41	674.89	361.29	449.60	483.27	66.93	71.21	71.61
Wine & Beer	1,652.90	1,712.70	1,561.22	122.10	121.74	119.21	7.39	7.11	7.64
Other Consumer-Oriented Products	7,362.51	7,246.20	6,485.00	1,096.54	1,009.54	828.13	14.89	13.93	12.77
FISH & SEAFOOD PRODUCTS	13,931.98	13,535.28	12,206.85	1,188.47	1,230.83	1,286.23	8.53	9.09	10.54

Table C. Top 15 Suppliers of Consumer Foods and Edible Fishery Products

Consumer-Oriented Agricultural			
Top 15 Suppliers to Japan			
($1,000)	**2013**	**2014**	**2015**

United States	6,854,048	6,895,213	6,000,075
China	5,446,248	5,202,643	4,662,247
Thailand	2,476,856	2,488,806	2,674,764
Australia	2,516,972	2,561,756	2,570,055
Brazil	1,368,887	1,378,989	1,243,910
France	1,303,906	1,362,672	1,187,622
New Zealand	1,246,197	1,335,379	1,169,548
Canada	1,087,697	1,109,371	1,030,874
Philippines	983,744	988,152	932,339
Mexico	810,569	806,361	770,675
Italy	785,925	870,846	734,700
Korea South	893,685	813,456	722,207
Denmark	766,339	838,253	612,866
Spain	432,522	591,538	546,541
Netherlands	526,686	604,128	544,388
Others	4,080,983	4,290,016	3,987,801
World	31,581,265	32,137,578	29,390,612

Source: Global Trade Atlas

Fish & Seafood products				
Top 15 suppliers to Japan	**2013**	**2014**	**2015**	
($1,000)	2,465,579	2,371,686	2,218,719	
United States	1,188,469	1,230,829	1,286,233	
Thailand	1,259,568	1,054,159	928,053	
Vietnam	912,280	972,686	852,895	
Russia	1,209,251	1,100,747	849,166	
Norway	789,967	861,108	832,237	
Indonesia	848,657	751,917	632,291	
Chile	786,431	844,484	607,083	
Korea South	656,104	597,817	518,738	
Taiwan	407,364	446,756	415,380	
Canada	397,324	428,625	397,451	
India	426,794	451,268	394,818	
Argentina	160,247	187,682	165,523	
Australia	221,193	200,947	164,795	
Morocco	163,054	134,100	154,809	
Others	2,039,698	1,900,468	1,788,658	
World	13,931,980	13,535,278	12,206,848	

Source: Global Trade Atlas