

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 9/29/2011

GAIN Report Number: JA1041

Japan

Post: Tokyo

Japan Continues to be a Lead Market for U.S. Agriculture

Report Categories:

Agricultural Situation

Approved By:

Jeffrey Nawn

Prepared By:

Benjamin Petlock

Report Highlights:

Japan continues to be a major market for U.S. agriculture, especially in consumer-oriented and intermediate products. Given Japan's special economic and cultural aspects, in addition to the popularity of the United States, Japan will continue to be a lead market for U.S. agriculture.

General Information:

Overview

Despite the continued economic downturn, as well as the challenges caused both by the earthquake and tsunami that occurred in March 2011, Japan continues to be one of the best opportunities in the world for U.S. exporters of food products. Japan is the world's largest net importer of food products, and the United States is the leading supplier of Japan's agricultural imports. In 2010, total U.S. agricultural, fish, and forestry exports to Japan exceeded \$13 billion dollars, more than the value of U.S. agricultural exports to all EU countries combined. The United States also maintains a trade surplus with Japan in agricultural products, which in 2010, totaled over \$12 billion dollars. The U.S. agricultural community looks at Japan as an important market. In 2006 there were 31 U.S. Agricultural Trade Associations active in Japan. In 2010, there were more than 50. In 2010, Japan was the world's largest importer for a number of U.S. agricultural exports, including: pork, grapefruit, lemons, walnuts, wheat, frozen french fries, and coarse grains. It was also the second largest export market for U.S. pet food, asparagus, cherries, rice, strawberries, broccoli, blueberries, prunes, and feeds and fodders.

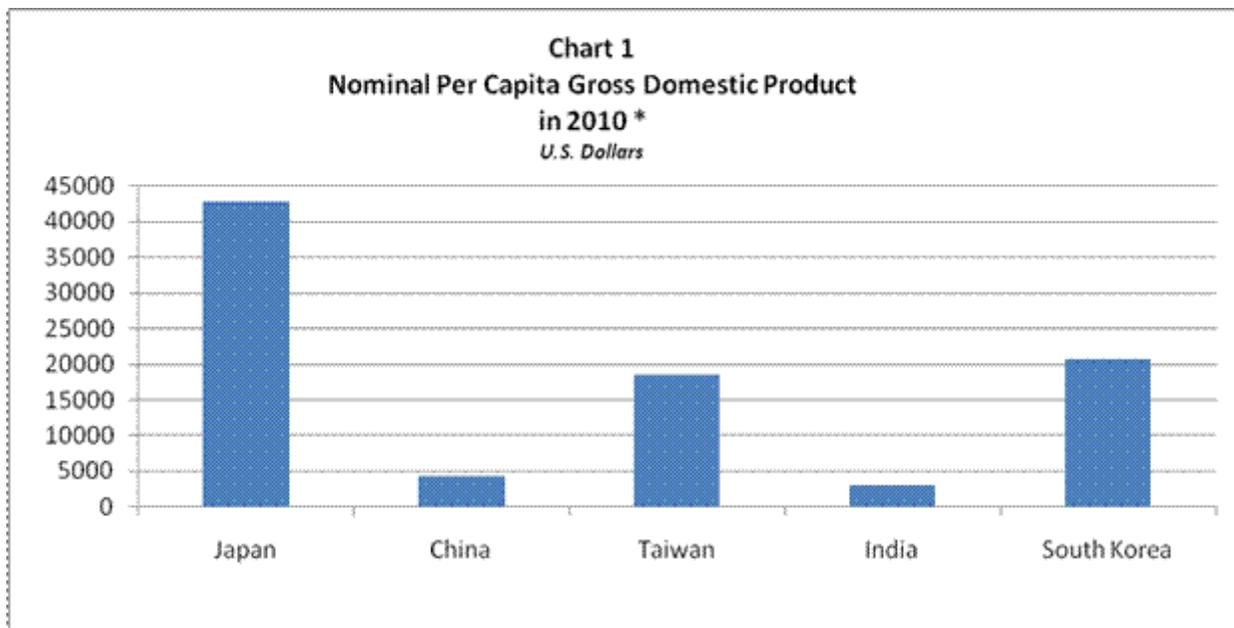
What also makes Japan special is that in 2010, it was the largest market in Asia (and the third largest in the world) for U.S. consumer-oriented agricultural goods, and was also a major destination for intermediate products. This performance has been steadily growing for decades since the end of the Second World War. Over the last 60 years, Japan has imported almost a third of a trillion dollars in agricultural products from the United States. There isn't a sector of rural America that hasn't benefited from this trade over the years.

The importance of this market can also be shown in U.S. jobs. The Japanese market for U.S. agricultural products provides full time jobs for over 100,000 Americans.

Why Japanese Consumers are Important

Japan, with a population of 127 million, is the world's third largest economy. Japan's Gross Domestic Product (GDP) reached \$5.459 trillion in 2010, and has a stable and highly convertible currency. Japan's economy was beginning to pull out of its decade long slump and was showing signs of recovery before the disasters of earthquake, tsunami and nuclear accident on March 11, 2011. In 2010, for instance, Japan's GDP increased 3.9 percent. Although the short term effects of the March 11, 2011 earthquake and tsunami have slowed economic activity, long term growth suggests that the economy is entering a stable period of growth.

Japanese consumers are highly educated, have considerable disposable incomes, and tend to be very conscious about the safety and quality of foods they eat (a concept known as "anshin"). According to the International Monetary Fund, Japan's nominal per capita GDP of \$43,000 dwarfs China's per capita GDP of \$4,400 and India's per capita GDP of \$3,000 (see chart 1). In addition, in contrast to developing countries like India, China, and Russia, Japan's import, distribution, and retail infrastructure is well-established, albeit complex. Japan also offers a relatively unified market, characterized by a common language, national media, uniform tastes with some regional variation, little corruption and a functioning legal system.



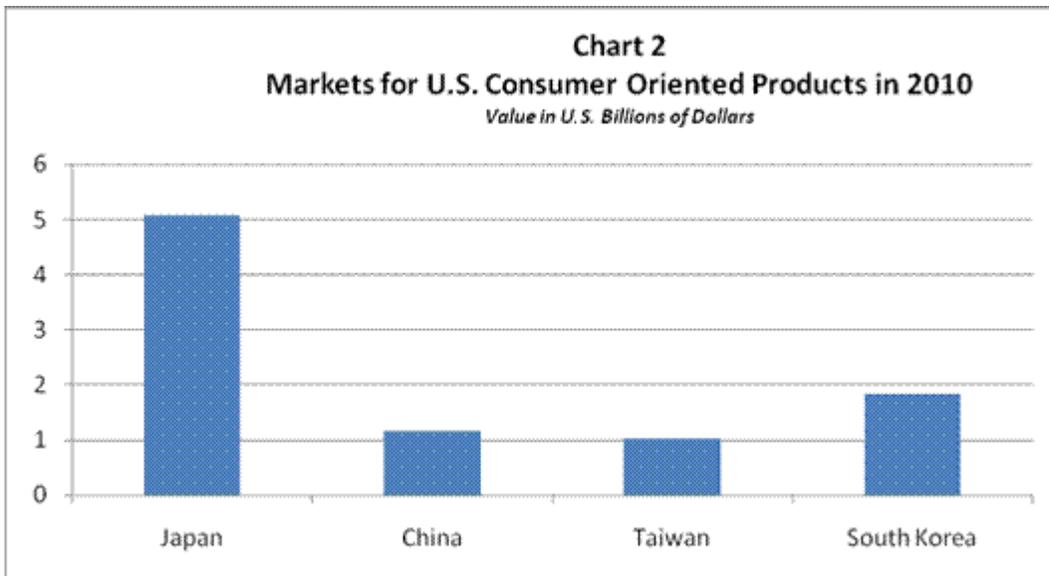
*Source: International Monetary Fund

The United States and Japan have a very close economic, diplomatic, and military relationship that was bolstered and enhanced by the U.S. humanitarian efforts in the wake of the Great Eastern Earthquake and Tsunami. The popularity of the United States is also reflected in food. Japanese consumers are strongly influenced by American food culture via their media. American foods are well liked by a cross-section of the population from children to senior citizens, and especially by young people in their teens and twenties, the newer affluent consumers.

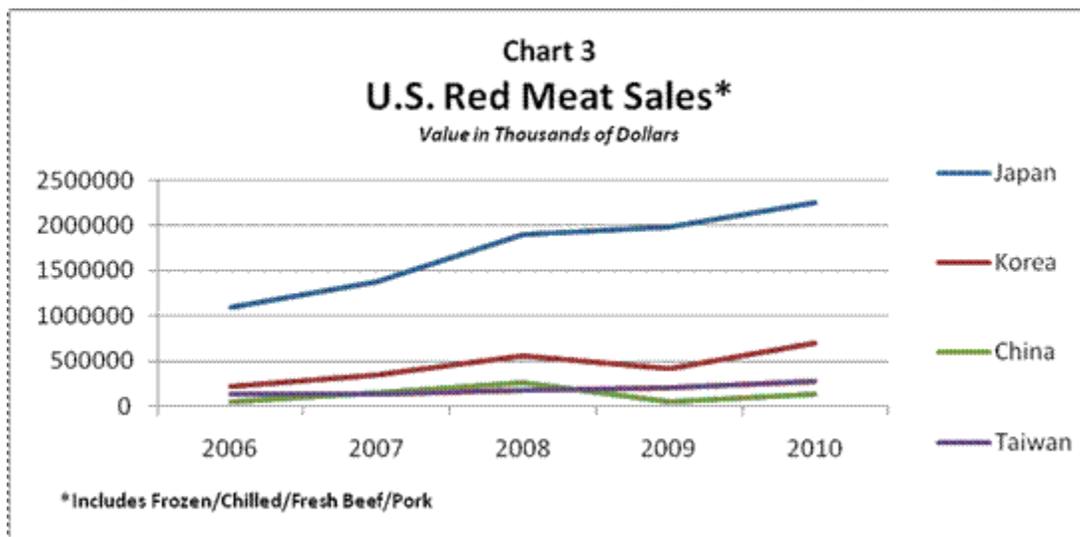
Japan's importance both as a market and as a gateway to Asia is best exemplified by FOODEX, the largest food and beverage show in Asia that takes place in Tokyo every March. The show attracts over 2,400 exhibitors from 70 countries and more than 75,000 trade-only visitors from Japan and abroad. This show has been held for 35 years.

Japan and U.S. Consumer-Oriented Goods

In terms of consumer oriented agricultural products, goods that are generally consumer-ready, Japan marked five years of continued import growth for U.S. products, with a 2010 end-year value of over five billion dollar; more than South Korean, China, and Taiwan combined* (see chart 2).

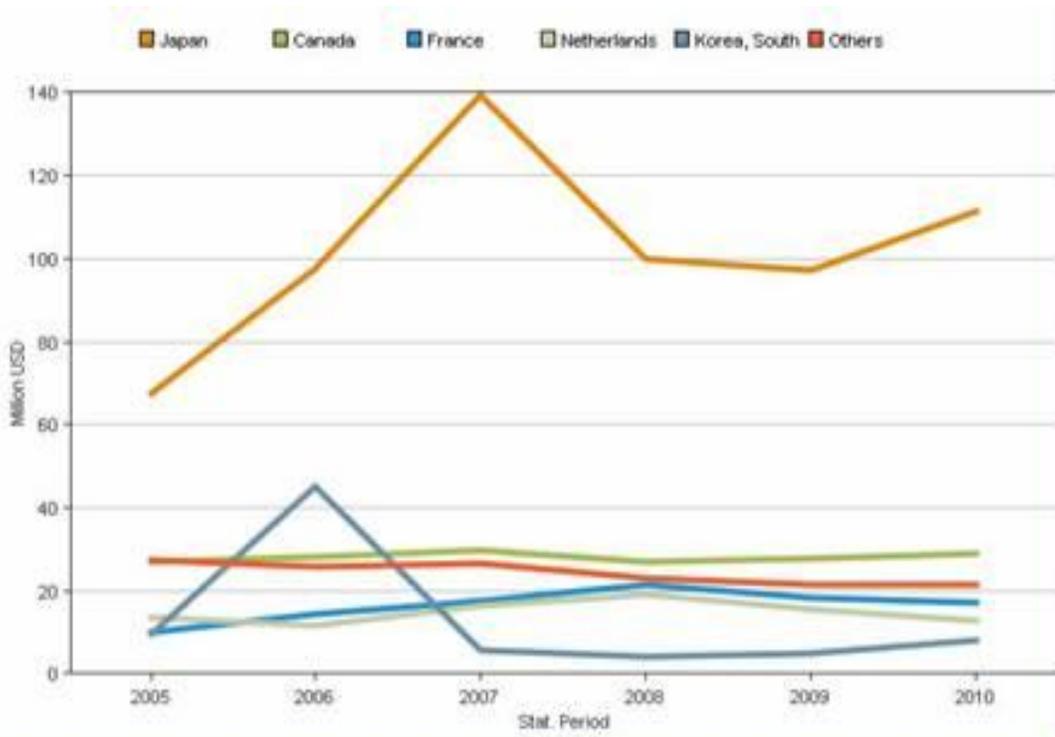


Since 2006, the Japanese consumer-oriented market has seen a 14 percent increase, a faster growth rate than other major U.S. markets in the same timeframe (Canada - nine percent, Mexico - 11 percent, and China - one percent). In looking further at trade data, Japan's largest growth group of consumer-oriented imports is in red meat products (which includes beef and pork products). Japan is the largest importer of such products in Asia, importing over \$2.2 billion in 2010, more than South Korea, China, Taiwan, Indonesia, and India combined. Post estimates that in 2011, the United States will remain Japan's top pork supplier claiming an estimated share of total imports at 39 percent for pork cuts and at 65 percent for prepared and processed pork products. This will also mark a doubling of the value of the U.S. red meat market in Japan since 2006 (see chart 3).



Notably, Japan is also the regional leader for U.S. exports of processed fruit and vegetables, fresh fruit, fresh vegetables, snack foods, fruit and vegetable juices, and wine and beer products. For grapefruit, as shown in chart 4 below, Japan is not only the largest market for U.S. exports, but is a larger market for our producers than the United States itself!

**Chart 4 - U.S. Exports of Grapefruit
in 2010***



*Source: Global Trade Analysis

Part of the continued success of U.S. consumer-oriented products may be due to dramatic changes in the demographics for Japanese food shopping. The number of women working outside of the home as well as the number of single family households are increasing in Japan, with consumer-ready food products becoming more and more popular. Convenience stores are taking advantage of these trends to become the most rapidly growing sector in the Japanese food retail market. A recent study reported that 25 percent of single women who live alone don't even own a kitchen knife.

U.S. companies are taking advantage of opportunities in the Japanese market in various ways. The Foreign Agricultural Service's Trade Lead System is a recent tool which has assisted U.S. producers in locating Japanese importers for consumer-oriented items such as lollipops, caviar, asparagus, and grape juices, with initial 2010 sales for this new system totaling \$418,000.

Japan and U.S. Intermediate Products

For intermediate products, processed items that are not yet ready for consumption, Japan is U.S. agriculture's fifth largest foreign market, with over \$3.1 billion imported in 2010. Looking closer at these intermediate products data reveals that unlike developing countries, such as China, that mainly import U.S. intermediate commodities, such as hides and skins, for re-export, Japan offers a diverse markets for U.S. immediate goods that are utilized in Japan (see chart 3).

In addition, Japan is a leading market for key products. For example, in 2010, Japan was the world's third largest importer of U.S. sugar, sweetener, and beverage based products, importing more than \$55 million worth of products. This also made Japan the largest importer of such products in Asia, more than China, Korea, Indonesia, India, and Taiwan combined. Japan is also the largest importer of U.S. soybean meal products in Asia, importing \$185 million in 2010, more than the combined total of China, South Korea, India, and Taiwan. Japan's largest intermediate product import in 2010 was Feeds and Fodders, where it imported \$ 636 million worth of product, placing it ahead of other major markets, such as Canada, Mexico, and the European Union.

One recent example of a U.S. company success in intermediate products was a U.S. soft drink maker that was able to utilize the 2010 Foodex show to find a Japanese importer, with retail sales estimated to be at \$246,000.

For more information on the importance of Japan, please see, "10 Reasons Japan is Essential for U.S. Agriculture" at:

http://www.usdajapan.org/en/reports/10%20Reasons%20Why%20Japan%20is%20Important%20for%20US%20AG_201107.pdf

*Unless noted, all data in report sourced from Global Agricultural Trade System