Japan

Poultry and Products Annual

2018 Market Situation Summary and 2019 Outlook

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Report Highlights:
Japanese chicken meat production is forecast to grow steadily in 2018 and 2019 as the industry continues to consolidate and larger producers increase productivity. Chicken consumption is projected to continue trending upward as consumers switch from fish to more affordable proteins. Imports are expected to rise to meet demand as Thailand and Brazil compete intensively for market share.

Executive Summary
FAS/Tokyo projects Japanese chicken meat production to grow two percent to 1.695 million metric tons (MT) in 2018. The industry continues to consolidate as smaller operations exit the industry and flocks are subsumed by larger operations. Average yield weights have increased over the past ten years as remaining producers demonstrate improved productivity. Strong foodservice demand, particularly for recently introduced prepared chicken products, is expected to drive consumption upward to 2.765 million MT. Imports are projected to grow to 1.080 million MT as Thailand continues to strengthen its position in the market after overtaking Brazil as the largest poultry supplier to Japan in 2017. Prevailing market trends are expected to generally hold in 2019. Consumption is forecast to slow somewhat as the trendiness of new products begins to wear off, but demand will remain strong as consumers continue to switch from fish to more affordable proteins.

Commodities:
Meat, Chicken

Production, Supply and Demand Data Statistics:
Chicken Meat PS&D Table

<table>
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<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
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<td>Jan 2017</td>
<td>Jan 2018</td>
<td>Jan 2019</td>
</tr>
<tr>
<td>Japan</td>
<td>New Post</td>
<td>New Post</td>
<td>New Post</td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>146</td>
<td>221</td>
<td>224</td>
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<tr>
<td>Production</td>
<td>1,661</td>
<td>1,695</td>
<td>1,730</td>
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<tr>
<td>Total Imports</td>
<td>1,056</td>
<td>1,080</td>
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<tr>
<td>Total Supply</td>
<td>2,863</td>
<td>2,996</td>
<td>3,064</td>
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<tr>
<td>Total Exports</td>
<td>7</td>
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<tr>
<td>Human Consumption</td>
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<td>2,765</td>
<td>2,835</td>
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<td>Other Use, Losses</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Total Dom. Consumption</td>
<td>2,635</td>
<td>2,765</td>
<td>2,835</td>
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<tr>
<td>Total Use</td>
<td>2,642</td>
<td>2,772</td>
<td>2,842</td>
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<td>Ending Stocks</td>
<td>221</td>
<td>224</td>
<td>222</td>
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<tr>
<td>Total Distribution</td>
<td>2,863</td>
<td>2,996</td>
<td>3,064</td>
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</table>

(1000 MT)

Note Regarding Reporting Change:
This report provides chicken meat estimates and forecasts for 2017-2019. The prior broiler meat series has been discontinued and will not be revised or updated in the future.
Official USDA data will be available via the PSD database (http://www.fas.usda.gov/psdonline) on October 11, 2018. The October data release will include a historical chicken meat series back to 1999. The broiler meat series will terminate with 2016 data.

Chicken meat is defined as meat of domestic fowl (Gallus gallus/Gallus domesticus) including all chickens: broiler, layer, hybrid, domestic breeds, spent hens, ex-breeding stock, etc.

2018 Market Situation Summary and Update

Production

Japanese chicken meat production is projected to continue to grow in 2018 as the industry consolidates and larger operations expand their share of the market. According to official estimates from the Animal and Livestock Industries Corporation (ALIC), broiler meat production in the first five months of 2018 was 648,300 MT, up three percent from the same period in 2017. Total chicken slaughter for 2017 was 772,480 birds yielding 1.661 million MT of meat, up two percent from 2016. 93 percent of chicken meat production came from broilers, six percent from spent hens, and one percent from others such as local breeds.

Growth in production comes despite an overall decline in the number of operations. According to the Ministry of Agriculture, Forestry, and Fisheries (MAFF), the total number of broiler operations as of February 1, 2018 dropped 1.7 percent from the previous year to 2,270. The decline was driven entirely by smaller producers exiting the industry with some leftover flocks subsumed by mid to large sized operations. This, along with greater expansion of already large operations, led the number of operations with 200,000 birds or more to increase two percent while the number of operations with less than 200,000 birds dropped five percent.

Figure 1

<table>
<thead>
<tr>
<th>Year (as of Feb. 1)</th>
<th>Total</th>
<th>3,000～49,999</th>
<th>50,000～99,999</th>
<th>100,000～199,999</th>
<th>200,000～299,999</th>
<th>300,000～499,999</th>
<th>500,000 or more</th>
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<tbody>
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<td>2017</td>
<td>2,310</td>
<td>270</td>
<td>323</td>
<td>698</td>
<td>422</td>
<td>333</td>
<td>268</td>
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<tr>
<td>2018</td>
<td>2,270</td>
<td>240</td>
<td>313</td>
<td>673</td>
<td>431</td>
<td>338</td>
<td>272</td>
</tr>
<tr>
<td>year on year (%)</td>
<td>-1.7</td>
<td>-11.1</td>
<td>-3.1</td>
<td>-3.6</td>
<td>2.1</td>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source: MAFF

Industry consolidation has yielded scale efficiencies that allowed overall chicken meat production to increase. In particular, the ability to introduce higher yield breeds has pushed average broiler weights up 5.5 percent over the past ten years, reaching 3.0 kilograms in 2017. FAS/Tokyo projects these trends to hold in 2018, estimating overall chicken meat production at 1.695 million MT, up two percent from 2017.
Consumption
Foodservice continues to be the main driver of Japanese chicken consumption. According to the latest MAFF data, 53 percent of Japanese chicken was consumed by the foodservice industry, ready-to-eat meals, and institutional end users (including catering, central kitchens, etc.). Traditional ready-to-eat products such as yakitori (grilled chicken skewers) and karaage (fried chicken nuggets) remain popular among consumers while newer products such as “salad chicken” (half pieces of cooked chicken breast marinated lightly in flavored sauces) which saw tremendous growth in 2017 (see JA7113) continue to feature prominently at supermarkets and convenience stores. Fuji Keizai Group, a private think tank, valued the market for “salad chicken” at 26.9 billion yen ($24 million) in 2017 with projected growth to 31.1 billion yen ($28 million) by 2022. Total chicken meat consumption in 2017 was estimated at 2.635 million MT.

Japan’s aging population and increasing urbanization are expected to bolster demand for prepared meals and ready-to-eat products featuring affordable, versatile proteins. Renewed consumer focus on healthy eating should promote greater consumption of chicken breasts (as used in “salad chicken”) compared to chicken thighs which have been more commonly used in Japanese cuisine.

Household consumption, which accounts for around 40 percent of Japanese chicken consumption, is also ticking up. In 2017, per capita consumption of chicken (household only) reached 5.5 kilograms, up ten percent from five years prior. This largely reflects a gradual shift in consumer preferences away from fish toward more affordable proteins such as chicken and pork. With fish stocks limited and young Japanese consumers adopting more Western-style diets, FAS/Tokyo projects overall chicken consumption to continue trending upward, reaching 2.765 million MT in 2018.
Trade

Strong consumer demand for chicken is expected to drive retailers and foodservice providers to increase purchases of imported products in 2018. Through the first five months of the year, Japan imported 433,967 MT of chicken meat, up 11 percent compared to the same period in 2017. Japan’s total chicken meat imports in 2017 were 1.056 million MT of which 54 percent was raw meat and 46 percent was processed chicken products.

Thailand continued its strong push into the market, edging out Brazil as the top chicken supplier to Japan in 2017. Since Japan lifted its avian influenza ban on Thai raw chicken in 2014 (see JA4026), Thailand has captured virtually all of the growth in Japan’s market for imported chicken as imports from Brazil remain relatively flat. Together, the two countries accounted for 80 percent of Japan’s chicken imports in 2017 with most of the remaining volume coming in processed products from China. With domestic production unable to keep up with demand, Japanese processors are increasingly turning to imported chicken for further processing. According to the Japan Ham and Sausage Processors Cooperative Association, the share of domestically processed chicken products using imported meat doubled between 2013 and 2017, growing from 7.6 percent to 14.5 percent. This trend is likely to continue in the near term as domestic production is primarily diverted to retail and foodservice. As such, FAS/Tokyo projects overall Japanese chicken imports to grow to 1.080 million MT in 2018, up two percent from the previous year. Ending stocks are projected to hold steady at 224,000 MT.
2019 Outlook
Prevailing market dynamics are expected to hold in 2019, with production tracking steadily upward on continued industry consolidation. FAS/Tokyo projects overall production to grow two percent to 1.730 million MT. Consumption growth may slow somewhat as newly popular products like “salad chicken” settle into market niches. However, trends in consumer demand and a preference for affordable proteins will continue to push overall chicken consumption upward. FAS/Tokyo forecasts consumption to reach 2.835 million MT in 2019, up 2.5 percent from 2018. Imports are expected to rise in tandem with consumption, growing nearly three percent to 1.110 million MT with ending stocks remaining stable at 222,000 MT.

Source: Global Trade Atlas
### Table 1: Monthly Average Wholesale Prices of Domestic Broiler Cuts

**Bone-less Leg**

<table>
<thead>
<tr>
<th></th>
<th>2014 % chg.</th>
<th>2015 % chg.</th>
<th>2016 % chg.</th>
<th>2017 % chg.</th>
<th>2018 % chg.</th>
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<tr>
<td>Jan.</td>
<td>710 11%</td>
<td>681 -4%</td>
<td>690 1%</td>
<td>703 2%</td>
<td>693 -1%</td>
</tr>
<tr>
<td>Feb.</td>
<td>682 10%</td>
<td>661 -3%</td>
<td>652 -1%</td>
<td>703 8%</td>
<td>686 -2%</td>
</tr>
<tr>
<td>Mar.</td>
<td>662 11%</td>
<td>653 -1%</td>
<td>637 -2%</td>
<td>688 8%</td>
<td>660 -4%</td>
</tr>
<tr>
<td>Apr.</td>
<td>637 11%</td>
<td>650 2%</td>
<td>633 -3%</td>
<td>669 6%</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>620 9%</td>
<td>633 2%</td>
<td>632 0%</td>
<td>656 4%</td>
<td></td>
</tr>
<tr>
<td>Jun.</td>
<td>600 10%</td>
<td>620 3%</td>
<td>620 0%</td>
<td>638 3%</td>
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<tr>
<td>Jul.</td>
<td>581 9%</td>
<td>628 8%</td>
<td>614 -2%</td>
<td>600 -2%</td>
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<tr>
<td>Aug.</td>
<td>569 5%</td>
<td>625 10%</td>
<td>608 -3%</td>
<td>574 -6%</td>
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<tr>
<td>Sep.</td>
<td>590 2%</td>
<td>633 7%</td>
<td>610 -4%</td>
<td>572 -6%</td>
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<tr>
<td>Oct.</td>
<td>617 0%</td>
<td>660 7%</td>
<td>640 -3%</td>
<td>599 -6%</td>
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<tr>
<td>Nov.</td>
<td>634 -2%</td>
<td>672 6%</td>
<td>659 -2%</td>
<td>622 -6%</td>
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<tr>
<td>Dec.</td>
<td>671 -3%</td>
<td>689 3%</td>
<td>684 -1%</td>
<td>656 -4%</td>
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<tr>
<td>1st Qtr Ave.</td>
<td>685 10%</td>
<td>665 -3%</td>
<td>660 -1%</td>
<td>698 6%</td>
<td>679 -3%</td>
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<tr>
<td>2nd Qtr Ave.</td>
<td>619 10%</td>
<td>634 2%</td>
<td>629 -1%</td>
<td>654 4%</td>
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<tr>
<td>3rd Qtr Ave.</td>
<td>580 5%</td>
<td>629 8%</td>
<td>610 -3%</td>
<td>582 -5%</td>
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<tr>
<td>4th Qtr Ave.</td>
<td>641 -1%</td>
<td>674 5%</td>
<td>661 -2%</td>
<td>626 -5%</td>
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<tr>
<td>Year Ave.</td>
<td>631 6%</td>
<td>650 3%</td>
<td>640 -2%</td>
<td>640 0%</td>
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**Breast**

<table>
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<tr>
<th></th>
<th>2014 % chg.</th>
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<th>2016 % chg.</th>
<th>2017 % chg.</th>
<th>2018 % chg.</th>
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<td>Jan.</td>
<td>265 19%</td>
<td>330 25%</td>
<td>298 -10%</td>
<td>270 -9%</td>
<td>318 18%</td>
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<tr>
<td>Feb.</td>
<td>268 28%</td>
<td>331 24%</td>
<td>272 -18%</td>
<td>291 7%</td>
<td>311 7%</td>
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<tr>
<td>Mar.</td>
<td>271 26%</td>
<td>338 25%</td>
<td>263 -22%</td>
<td>313 19%</td>
<td>319 2%</td>
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<tr>
<td>Apr.</td>
<td>272 23%</td>
<td>336 24%</td>
<td>257 -24%</td>
<td>327 27%</td>
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</tr>
<tr>
<td>May</td>
<td>278 20%</td>
<td>337 21%</td>
<td>255 -24%</td>
<td>340 33%</td>
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</tr>
<tr>
<td>Jun.</td>
<td>291 10%</td>
<td>342 18%</td>
<td>248 -27%</td>
<td>342 38%</td>
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<tr>
<td>Jul.</td>
<td>291 5%</td>
<td>350 20%</td>
<td>245 -30%</td>
<td>333 36%</td>
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<tr>
<td>Aug.</td>
<td>299 5%</td>
<td>353 18%</td>
<td>251 -29%</td>
<td>327 30%</td>
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<tr>
<td>Sep.</td>
<td>315 12%</td>
<td>351 11%</td>
<td>259 -26%</td>
<td>329 27%</td>
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</tr>
<tr>
<td>Oct.</td>
<td>330 19%</td>
<td>349 6%</td>
<td>276 -21%</td>
<td>327 18%</td>
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<tr>
<td>Nov.</td>
<td>332 23%</td>
<td>344 4%</td>
<td>284 -18%</td>
<td>325 14%</td>
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<tr>
<td>Dec.</td>
<td>327 22%</td>
<td>327 0%</td>
<td>275 -16%</td>
<td>322 17%</td>
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<tr>
<td>1st Qtr Ave.</td>
<td>268 24%</td>
<td>333 24%</td>
<td>278 -17%</td>
<td>292 5%</td>
<td>316 8%</td>
</tr>
<tr>
<td>2nd Qtr Ave.</td>
<td>280 17%</td>
<td>338 21%</td>
<td>253 -25%</td>
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<tr>
<td>3rd Qtr Ave.</td>
<td>302 7%</td>
<td>351 16%</td>
<td>252 -28%</td>
<td>330 31%</td>
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<td>4th Qtr Ave.</td>
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<td>340 3%</td>
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<tr>
<td>Year Ave.</td>
<td>295 17%</td>
<td>341 16%</td>
<td>265 -22%</td>
<td>320 21%</td>
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Source: ALIC Monthly Statistics (Quarterly average price is compiled by FAS/Tokyo based on original ALIC monthly data.)
Table 2. Japanese Monthly Ending Poultry Stock Estimates

<table>
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<th></th>
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<tbody>
<tr>
<td>Jan.</td>
<td>137,059</td>
<td>109,646</td>
<td>-20</td>
<td>124,518</td>
<td>14</td>
<td>147,314</td>
<td>18</td>
<td>137,206</td>
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<td>156,979</td>
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<td>139,307</td>
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<td>100,045</td>
<td>-27</td>
<td>117,368</td>
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<td>135,777</td>
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<td>May</td>
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<td>109,614</td>
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<td>162,872</td>
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<td>142,376</td>
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<td>167,880</td>
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<td>151,028</td>
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<td>147,703</td>
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<td>157,855</td>
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<td>164,984</td>
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<td>137,396</td>
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<td>6</td>
<td>167,568</td>
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</tr>
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</table>

Unit: Metric Ton

Source: ALIC Monthly Statistics

Note: Figures represents the poultry meat estimates. Imported poultry cuts roughly accounts roughly 80% of ending stocks on the average with the majority being broiler meat.