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## **Report Name:** Poultry and Products Annual

**Country:** Japan

**Post:** Tokyo

**Report Category:** Poultry and Products

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### **Report Highlights:**

Japan's chicken production in 2021 is projected to continue steady growth in order to meet increasing household demand during the COVID-19 pandemic. Total chicken consumption in 2021 will increase slightly compared to 2020 as sustained strong household consumption is boosted by gradual recovery in foodservice demand. Despite a slight increase in domestic prices, chicken is expected to remain one of the top protein choices for home cooking due to its affordability and versatility. Rising production will have a dampening effect on imports, which FAS/Tokyo projects to decline in both 2020 and 2021.

## Production, Supply, and Distribution Estimates:

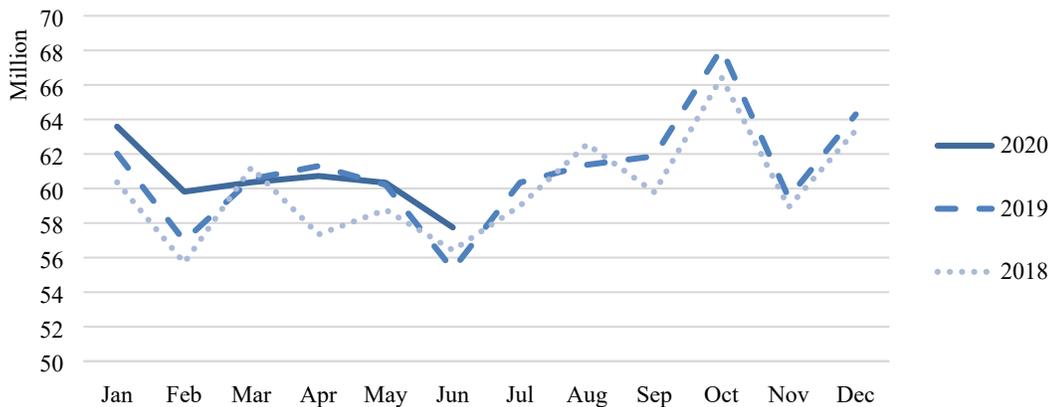
Meat, Chicken Market Year Begins Japan	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	159	159	162	162	0	170
Production (1000 MT)	1735	1723	1775	1770	0	1780
Total Imports (1000 MT)	1076	1076	1085	1060	0	1055
Total Supply (1000 MT)	2970	2958	3022	2992	0	3005
Total Exports (1000 MT)	7	7	7	7	0	7
Human Consumption (1000 MT)	2801	2789	2860	2815	0	2833
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	2801	2789	2860	2815	0	2833
Total Use (1000 MT)	2808	2796	2867	2822	0	2840
Ending Stocks (1000 MT)	162	162	155	170	0	165
Total Distribution (1000 MT)	2970	2958	3022	2992	0	3005
(1000 MT)						

## Production

FAS/Tokyo projects that Japan's chicken production in 2021 will reach 1,780,000 metric tons (MT), up 0.6 percent from 2020. Increasing household demand for domestic chicken is expected to more than offset the decline in foodservice demand during the COVID-19 pandemic. Continued consolidation in the industry will incentivize large scale operators to ramp up production to realize the benefits of recent capital investments. Industry sources report that the three major production areas of Kagoshima, Miyazaki, and Iwate/Aomori (together accounting for 60 percent of total broiler production) were planning to increase the number of chicks by around one percent in the fiscal year starting April 2020. Growth in production could put downward pressure on prices in 2021.

Since 2020 is an agricultural census year, data on the number of poultry operations and bird totals is not yet available. However, FAS/Tokyo estimates that the recent trend of consolidation in the industry has continued with growth in the bird population despite a decline in the number of operators (see [JA9107](#)). The Japan Poultry Breeders and Hatcheries Association (JPBHA) reported that the marketing number of broiler chicks increased by 1.7 percent in the first half of 2020 compared to 2019 (Figure 1). FAS/Tokyo expects the pace to slow slightly in the second half as birds are kept on feed slightly longer to yield heavier slaughter weights. Industry sources reported that producers slaughtered chickens at a slightly younger age in the first half of the year in order to meet the sudden retail demand surge caused by the pandemic. The JPBHA forecasts the 2020 marketing total to finish around 1.4 percent higher than 2019, followed by an additional 1.5 percent increase in the first quarter of 2021.

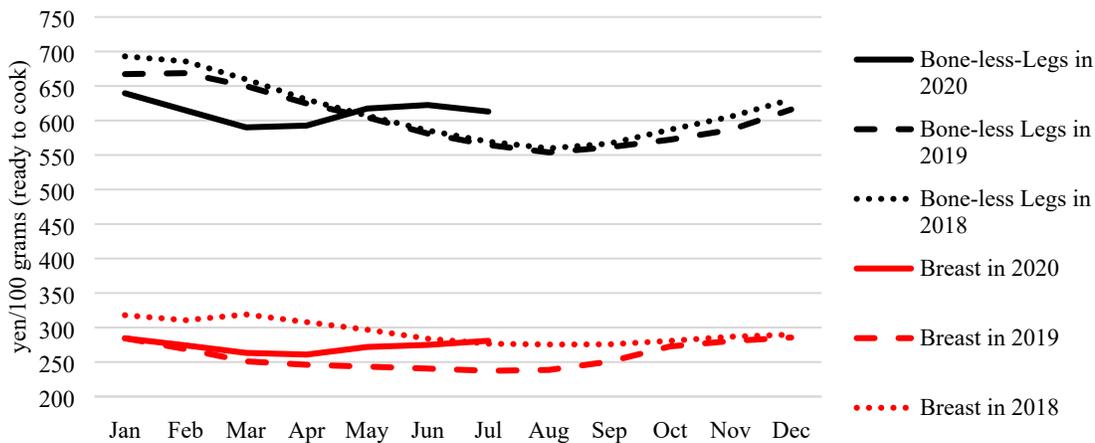
Figure 1: Marketing Number of Broiler Chicks



Source: Japan Poultry Breeders and Hatcheries Association

According to the Agriculture and Livestock Industries Corporation (ALIC), chicken production in the first half of 2020 increased three percent from the same period in 2019. Nevertheless, producers struggled to keep up with surging retail demand during the pandemic, pushing wholesale prices upward. In particular, a state of emergency in effect from April 7 to May 25 led many consumers to increase home cooking instead of eating out. As a result, leg meat and breast meat prices jumped 24 yen (four percent) and 11 yen (four percent), respectively, between April and May (Figure 2). By July, prices for both had reached two-year highs. Industry sources anticipate that high prices for both leg and breast meat will incentivize producers to keep production high in the second half of 2020.

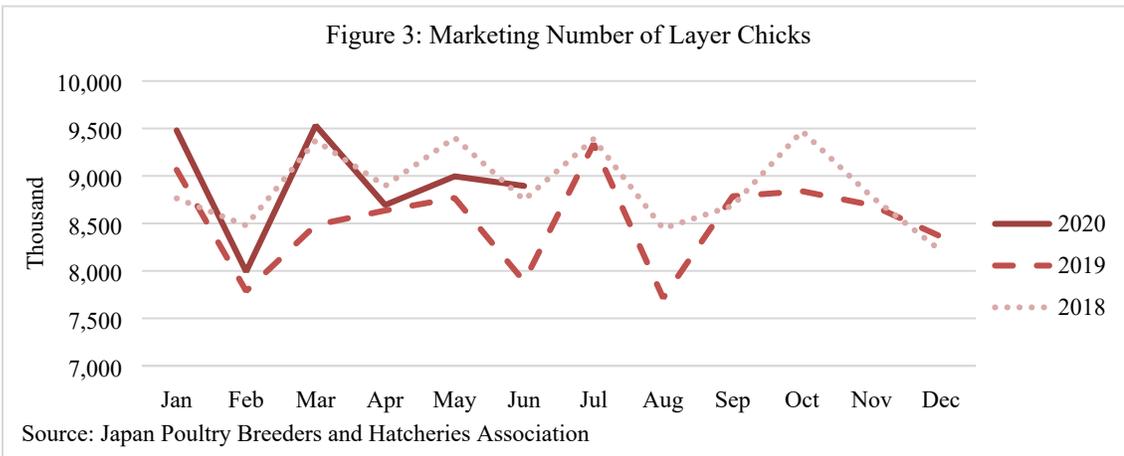
Figure 2: Domestic Broiler Meat Wholesale Price (Tokyo Market)



Source: Agriculture and Livestock Industries Corporation

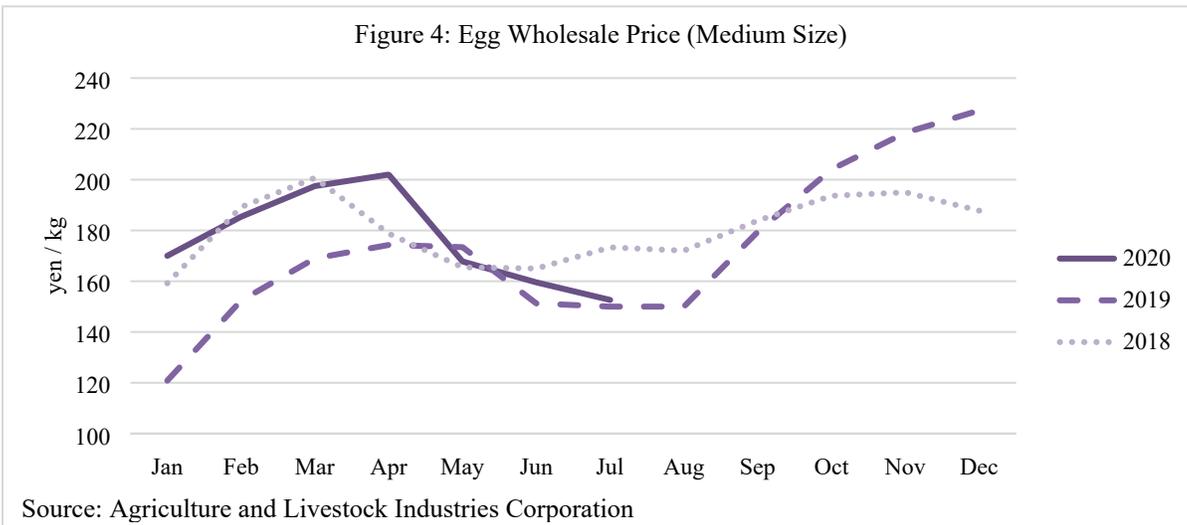
Egg demand, by contrast, has been hit hard by COVID-19. Prior to the pandemic, there were already concerns in the industry that the egg market was approaching oversupply due to increased production outpacing demand (see [JA9107](#)). Producers did not initially heed these warnings, however, pushing the marketing number of layer chicks up six percent in the first half of 2020 compared to 2019 according to the JBPHA (Figure 3).

Figure 3: Marketing Number of Layer Chicks



Oversupply concerns were realized once the pandemic hit and foodservice demand dried up. Despite a rise in household consumption during the pandemic, declining restaurant demand pushed egg prices sharply downward. By July, prices for medium eggs had fallen to 153 yen per kilogram, down 24 percent from April (Figure 4). This has led to calls in the industry to cut back production in the second half of 2020. In May and June, the Japan Egg Producer Association appealed to producers to delay the introduction of layer chicks to prevent prices from falling further. As a result, the JPBHA anticipates the 2020 year-end number for marketing layer chickens to fall to around 1.7 percent above 2019.

Figure 4: Egg Wholesale Price (Medium Size)

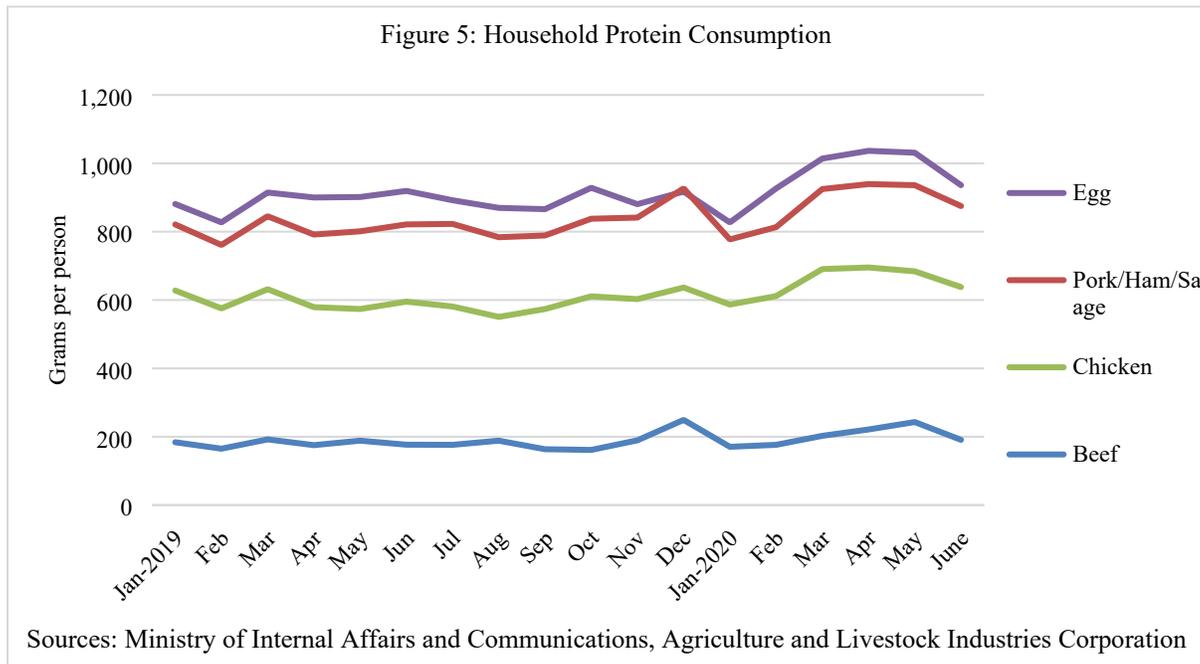


Low egg prices have triggered government support payments incentivizing operators to keep yards empty for two to six months. Participating operators receive 310 yen (for operations with less than 100,000 head) or 210 yen (for the operators with 100,000 head or more) for each layer removed from the population for 60 to 89 days. This payment increases to 620 and 420 yen, respectively, for a period lasting 90 to 199 days. FAS/Tokyo anticipates that these incentives could lead to a short-term increase in spent hen slaughter which would push overall chicken production even higher in 2020. Recently, spent hens have accounted for around six percent of domestic chicken production. As a result, FAS/Tokyo projects 2020 year-end chicken production at 1,770,000 MT, up 2.7 percent from 2019.

## Consumption

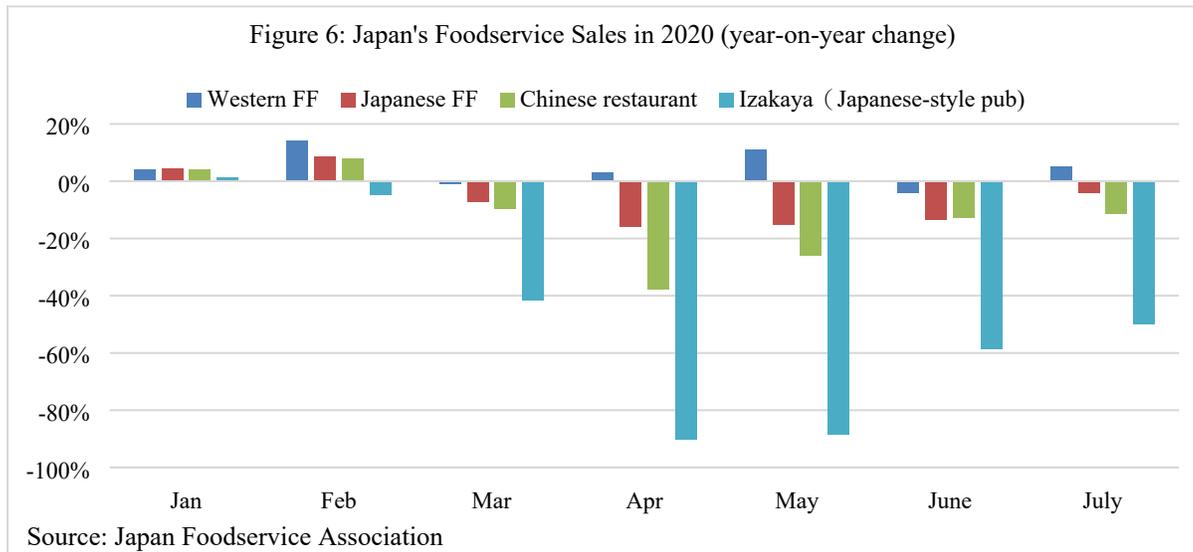
FAS/Tokyo projects total chicken consumption in 2021 will increase just over half a percent compared to 2020 as sustained strong household consumption is boosted by gradual recovery in foodservice demand. Despite a slight increase in domestic prices, chicken is expected to remain one of the top protein choices for home cooking due to its affordability and versatility.

Industry sources report that around 40 percent of chicken consumption in Japan takes place at home. Most of that volume is estimated to be domestic chicken. According to survey data from the Ministry of Internal Affairs and Communications, average household consumption of chicken increased nine percent in the first half of 2020 compared to 2019 due to a heightened frequency of home cooking during the state of emergency period (Figure 5). Consumption dipped slightly in June as the COVID-19 restrictions were relaxed nationwide, but still remain higher than the previous year's level. FAS/Tokyo anticipates that household consumption will remain strong in the second half of 2020 as lingering concerns over the pandemic lead consumers to continue cooking more at home.



Restaurant closures during the state of emergency in April and May followed by implementation of stringent social-distancing measures upon reopening are estimated to lead to a modest decline in foodservice consumption. Industry sources estimate that foodservice typically accounts for around half of total chicken consumption and the majority of imported chicken. Data from the Japan Foodservice Association shows that Japanese-style pubs (*izakaya*) were among the hardest hit sectors due to COVID-19 (Figure 6). Sales virtually disappeared during the state of emergency period, falling around 90 percent year-on-year in the months of April and May. Sales remained sluggish after the state of emergency was lifted due to a significant reduction in the number of office parties and requests from local governments to limit late-night service hours in an effort to curb further spread of the virus. *Izakaya* are major users of chicken for grilled skewers (*yakitori*) as well as Japanese-style fried chicken

(*karaage*). *Izakaya* are generally not well-suited for takeout, though some have started to offer takeout options as a way to boost sales during the pandemic.



Prior to the pandemic, Japanese-style fried chicken (*karaage*) was experiencing a surge in demand with 41 percent year-on-year growth in 2019 to 85.3 billion yen (\$812.4 million) according to Fuji Keizai Group, a Japanese think tank. Although *karaage* is a relatively traditional menu item, the recent boom in popularity was attributed to increasing diversity of regional flavors as well as significant quality improvements in frozen retail offerings. While the pandemic dampened demand for *karaage* in pubs, demand for frozen retail products remained strong. As a result, Fuji Keizai Group projects the *karaage* market to grow an additional 23 percent in 2020 to 105 billion yen (\$1.0 billion).

Another bright spot in the foodservice industry is the growing popularity of takeout and delivery options due to the pandemic. According to the Japan Foodservice Association, western-style fast food (FF) was the only sector posting positive growth in the first seven months of 2020. Hamburger and fried chicken chains fall into this category. Kentucky Fried Chicken (KFC), the largest fried chicken chain in Japan, reported a 13-percent increase in quarterly sales between April and June compared to the previous year. KFC uses only domestic chicken in Japan and accounts for around seven percent of total domestic chicken consumption, according to industry estimates. Growing demand for western-style fried chicken takeout in the first seven months of 2020 may have contributed to the upward trend in domestic wholesale chicken prices.

Overall, the decline in foodservice demand will lead to lower than expected chicken consumption in 2020. However, as a result of strong household demand and some bright spots within the foodservice sector, FAS/Tokyo projects that overall consumption in 2020 will still finish around one percent higher compared to 2019.

## Trade

Rising domestic production combined with declining foodservice demand will have a dampening effect on chicken imports in 2020 and 2021. FAS/Tokyo projects that imports will contract around half a

percent in 2021 following a decline of around 1.5 percent in 2020. Imports of prepared chicken, mainly from China, are expected to decline at a faster rate as most of these products are destined for foodservice.

Table 1: Japan's Chicken Imports (by Product)

	Full Year			January - June		
	2018	2019	% Change	2019	2020	% Change
Frozen Cuts	546,556	546,943	0%	253,456	258,965	2%
Frozen Whole	513,789	512,642	0%	6,774	6,753	0%
Prepared/Preserved	13,812	15,979	16%	245,195	236,732	-3%
Other	5	4	-20%	2	1	-50%
Total	1,074,164	1,075,568	0%	505,427	502,451	-1%

Unit: MT (product weight equivalent)

Source: Japan Customs

Total chicken imports through the first half of 2020 trended one percent lower than 2019. Modest growth in imports of frozen raw chicken (up two percent) was offset by a decline in prepared product imports (down three percent) (Table 1). Each accounted for approximately half of Japan's total chicken imports. The sharp decline in prepared product imports is largely attributable to the fall in foodservice demand during the pandemic. Industry sources report that consumption of products such as precooked *karaage* and *yakitori* which are utilized by many chain *izakaya* pubs fell considerably. Many of these products come from China which saw imports fall by 13 percent in the first half of 2020. China is only eligible to export heat-treated products to Japan. Although most restaurants reopened after the state of emergency was lifted in May, the implementation of social-distancing measures as well as a lingering public reluctance to eat out is expected to continue to depress demand for prepared products in the second half of 2020 and possibly stretching into 2021.

Table 2: Japan's Chicken Imports (by Country)

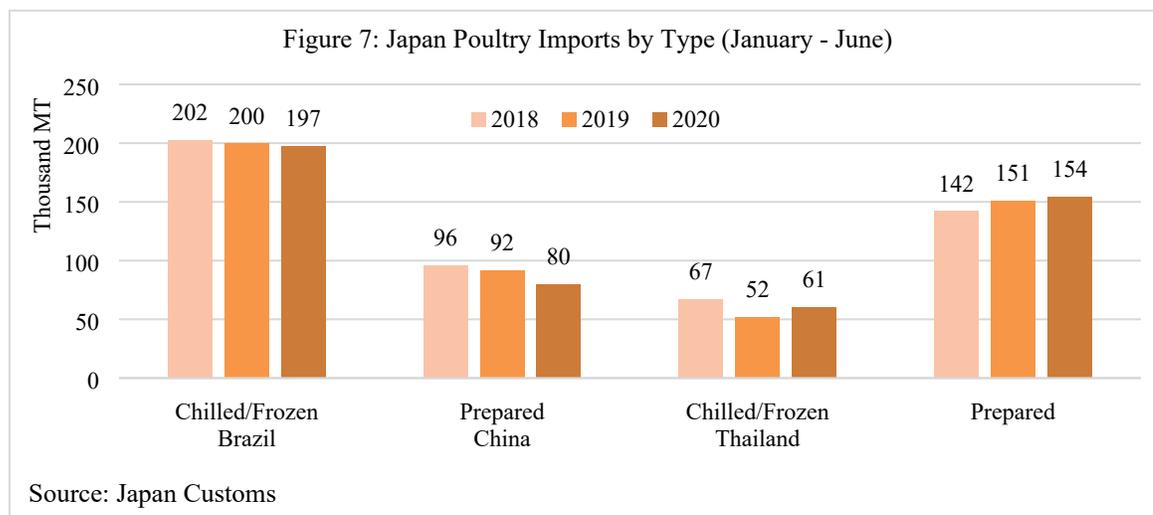
	Full Year			January - June		
	2018	2019	% Change	2019	2020	% Change
Thailand	442,053	435,910	-1%	202,578	215,055	6%
Brazil	403,159	424,351	5%	200,296	197,924	-1%
China	206,862	191,502	-7%	91,881	79,806	-13%
United States	17,085	16,337	-4%	7,267	6,521	-10%
Other	5,005	7,468	49%	3,405	3,145	-8%
Total	1,074,164	1,075,568	0%	505,427	502,451	-1%

Unit: MT (product weight equivalent)

Source: Japan Customs

Imports from Thailand, the largest supplier, increased six percent in the first half of 2020 with growth in both raw and prepared products (Table 2 and Figure 7). Prior to the pandemic, Japanese traders reported increasing difficulty in procuring chicken supplies from Thailand due to import competition from China which sought increased protein supplies amid an outbreak of African Swine Fever (see [JA9107](#)).

Although China’s chicken imports indeed soared in early 2020 (see [CH2020-0101](#)), Japanese traders were reportedly able to secure sufficient Thai supplies due to decreasing global demand for prepared chicken products. Japanese companies were also able to capitalize on recent processing investments in Thailand including a joint venture by Mitsubishi Corporation and Itoham-Yonekyu Holdings, Japan’s second largest meat processor. In contrast to China, which specializes in price-competitive prepared products for foodservice, many facilities in Thailand produce higher-end frozen prepared products for retail such as packaged, microwaveable *karaage*. Demand for these products rose during the pandemic as households increased home meal preparation. As a result, imports of prepared products from Thailand increased 2.5 percent to 154,000 MT in the first half of 2020 (Figure 7).



Imports from Brazil, the dominant supplier of raw chicken, fell one percent, but this was more than offset by rising raw imports from Thailand which rose 17 percent in the first half of 2020. Industry sources report that traders sought increased raw supplies from Thailand to compensate for China buying up Brazilian supplies on the global market. Once the pandemic hit, traders hoped to offload some of the excess buildup in frozen stocks by offering imported chicken at discount prices at retail. However, retailers reportedly continued to prefer domestic chilled chicken, resulting in increased domestic prices while imported meat stocks expanded. Total ending stocks in June 2020 were estimated at 170,786 MT, up 11 percent from the previous year and the highest total for June in the previous six years. FAS/Tokyo projects the pace of imports to slow further in the second half of 2020 as traders seek to offload excess stocks. As a result, 2020 year-end imports are projected at 1.060 million MT, down 1.5 percent from 2019, with ending stocks holding steady at 170,000 MT.

## Supplemental Tables

Supplemental Table 1: Monthly Average Wholesale Prices of Domestic Broiler Cuts

Unit: yen per kg

Bone-less Leg											
	2015	2016	% chg.	2017	% chg.	2018	% chg.	2019	% chg.	2020	% chg.
Jan.	681	690	1%	703	2%	693	-1%	667	-4%	640	-4%
Feb.	661	652	-1%	703	8%	686	-2%	669	-2%	615	-8%
Mar.	653	637	-2%	688	8%	660	-4%	650	-1%	590	-9%
Apr.	650	633	-3%	669	6%	630	-6%	625	-1%	593	-5%
May	633	632	0%	656	4%	607	-7%	605	0%	617	2%
Jun.	620	620	0%	638	3%	586	-8%	581	-1%	623	7%
Jul.	628	614	-2%	600	-2%	569	-5%	565	-1%	613	9%
Aug.	625	608	-3%	574	-6%	560	-2%	554	-1%		
Sep.	633	610	-4%	572	-6%	567	-1%	561	-1%		
Oct.	660	640	-3%	599	-6%	587	-2%	572	-2%		
Nov.	672	659	-2%	622	-6%	606	-3%	586	-3%		
Dec.	689	684	-1%	656	-4%	631	-4%	616	-2%		
1st Qtr Avg.	665	660	-1%	698	6%	679	-3%	662	-3%	615	-7%
2nd Qtr Avg.	634	629	-1%	654	4%	608	-7%	603	-1%	611	1%
3rd Qtr Avg.	629	610	-3%	582	-5%	565	-3%	560	-1%		
4th Qtr Avg.	674	661	-2%	626	-5%	608	-3%	592	-3%		
Year Avg.	650	640	-2%	640	0%	615	-4%	604	-2%		

Breast											
	2015	2016	% chg.	2017	% chg.	2018	% chg.	2019	% chg.	2020	% chg.
Jan.	330	298	-10%	270	-9%	318	18%	285	-11%	284	0%
Feb.	331	272	-18%	291	7%	311	7%	269	-13%	274	2%
Mar.	338	263	-22%	313	19%	319	2%	251	-21%	263	5%
Apr.	336	257	-24%	327	27%	308	-6%	246	-20%	261	6%
May	337	255	-24%	340	33%	297	-13%	243	-18%	272	12%
Jun.	342	248	-27%	342	38%	284	-17%	241	-15%	275	14%
Jul.	350	245	-30%	333	36%	277	-17%	237	-14%	281	18%
Aug.	353	251	-29%	327	30%	275	-16%	239	-13%		
Sep.	351	259	-26%	329	27%	276	-16%	251	-9%		
Oct.	349	276	-21%	327	18%	281	-14%	273	-3%		
Nov.	344	284	-18%	325	14%	287	-12%	280	-2%		
Dec.	327	275	-16%	322	17%	290	-10%	286	-1%		
1st Qtr Avg.	333	278	-17%	292	5%	316	8%	268	-15%	274	2%
2nd Qtr Avg.	338	253	-25%	336	33%	296	-12%	243	-18%	269	11%
3rd Qtr Avg.	351	252	-28%	330	31%	276	-16%	242	-12%		
4th Qtr Avg.	340	278	-18%	325	17%	286	-12%	280	-2%		
Year Avg.	341	265	-22%	320	21%	293	-8%	258	-12%		

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

Unit: Metric Ton

-	2015	% chg.	2016	% chg.	2017	% chg.	2018	% chg.	2019	% chg.	2020	% chg.
Jan.	124,518	14	147,314	18	137,206	-7	178,892	30	162,133	-9	166,107	2
Feb.	124,017	13	156,979	27	139,307	-11	186,993	34	158,883	-15	167,710	6
Mar.	117,368	17	156,444	33	135,759	-13	176,552	30	152,329	-14	170,447	12
Apr.	115,204	12	156,298	36	135,777	-13	170,714	26	153,163	-10	171,702	12
May	116,936	7	162,872	39	142,376	-13	173,042	22	152,778	-12	169,368	11
Jun.	123,687	9	167,880	36	151,028	-10	166,035	10	153,595	-7	170,786	11
Jul.	123,955	5	167,803	35	147,703	-12	167,950	14	156,610	-7		
Aug.	129,096	10	169,453	31	157,855	-7	168,961	7	156,959	-7		
Sep.	131,548	7	165,114	26	161,461	-2	162,803	1	164,346	1		
Oct.	141,128	15	164,984	17	171,330	4	166,766	-3	167,174	0		
Nov.	141,413	14	161,771	14	178,212	10	166,174	-7	166,192	0		
Dec.	137,396	16	146,058	6	167,568	15	159,383	-5	161,807	2		

Source: ALIC Monthly Statistics

Note: Figures represent poultry meat estimates. Imported poultry cuts account for roughly 80 percent of ending stocks on the average with the majority being broiler meat.

**Attachments:**

No Attachments