

USDA Foreign Agricultural Service

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Japan

Poultry and Products Annual

2019 Market Situation Summary and 2020 Outlook

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Report Highlights:

Japan's poultry meat production is projected to continue steady growth in 2019 and 2020 on improved productivity as a result of industry consolidation. Efficiency gains, particularly for feed use, will help push down wholesale prices and fuel consumption of new product offerings. Imports of chilled and frozen chicken meat are projected to slow on higher domestic supply as well as trader difficulty procuring volumes from traditional suppliers. However, this decline will be partially offset by increased imports of prepared and processed products as Japanese processors continue shifting operations overseas.

Commodities:

Poultry, Meat, Broiler

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

Meat, Chicken Market Begin Year Japan	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	168	168	159	159	0	152
Production	1685	1685	1720	1720	0	1735
Total Imports	1074	1074	1100	1100	0	1110
Total Supply	2927	2927	2979	2979	0	2997
Total Exports	7	7	7	7	0	7
Human Consumption	2761	2761	2807	2820	0	2835
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2761	2761	2807	2820	0	2835
Total Use	2768	2768	2814	2827	0	2842
Ending Stocks	159	159	165	152	0	155
Total Distribution	2927	2927	2979	2979	0	2997
(1000 MT)						

Production: Industry Consolidation to Improve Productivity and Lower Costs

FAS/Tokyo projects Japan’s chicken meat production to continue moderate growth in 2019 and 2020 as ongoing industry consolidation yields efficiency gains. Contraction in the total number of operations was offset by growth in the number of large operators, keeping Japan’s broiler population stable at 138.228 million head. According to Japan’s Ministry of Agriculture, Forestry, and Fisheries (MAFF), the total number of broiler operations in 2019 dipped 0.4 percent from the previous year to 2,250 operations (see Table 1). The decline was steeper among small and medium-sized operations with less than 300,000 head which dropped three percent. The number of larger operations (300,000 head or more) increased six percent and expanded their industry share from 27 to 29 percent. As a result, the average farm size increased 0.5 percent to 61,435 head.

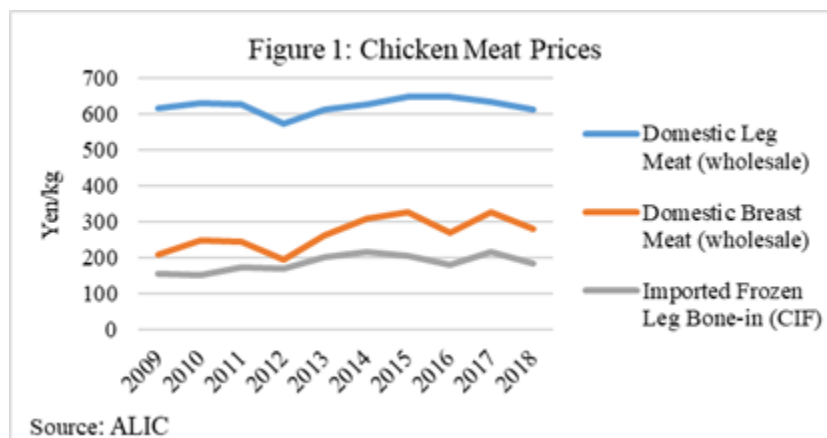
Table 1: Japan's Broiler Operation

Unit: Farm

Year (as of Feb. 1)	Number of Broiler Operations						
	Total	Operational Size (head)					
		3,000~49,999	50,000 ~99,999	100,000 ~199,999	200,000 ~299,999	300,000 ~499,999	500,000 or more
2018	2,260	240	313	673	431	338	272
Share	100%	11%	14%	30%	19%	15%	12%
2019	2,250	236	319	692	363	362	282
Share	100%	10%	14%	31%	16%	16%	13%

Source: MAFF

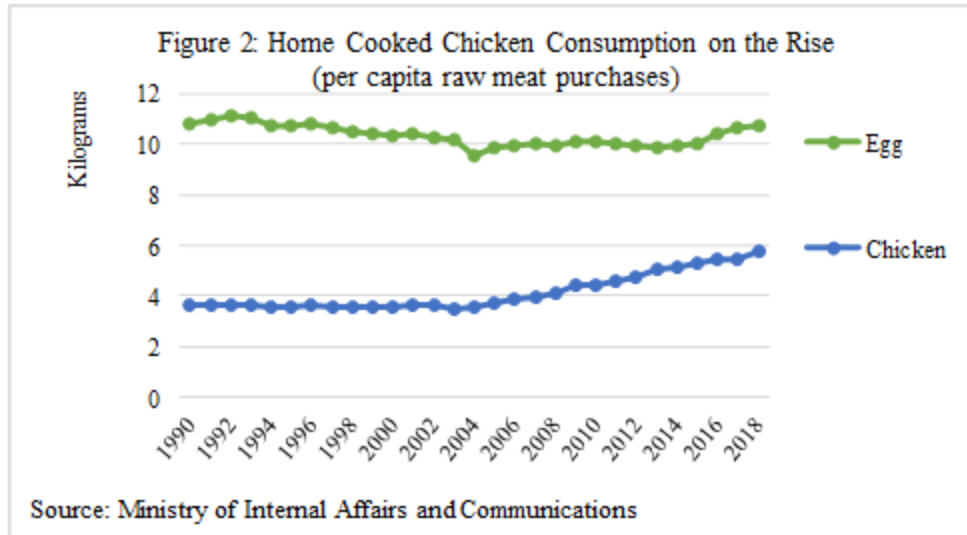
Industry consolidation is expected to yield economy of scale benefits for larger broiler producers. This is particularly true for feed use, which typically accounts for around two thirds of production costs. According to MAFF data from 2017, large operators with more than 200,000 head spent 62 percent of total expenditures on feed while small operators with less than 100,000 head spent 67 percent. With large operators spending five percent less on feed, increased industry consolidation should lower overall production costs and put downward pressure on prices. In 2018, wholesale prices fell four percent for boneless leg meat and eight percent for breast meat (see Figure 1 and Supplemental Table 1). Prices have continued to drop through the first half of 2019.



Spent hens are expected to continue accounting for around seven percent of Japan’s chicken meat production. Over the past five years, egg producers had raised production to meet growing demand, expanding the layer population by six percent between 2014 and 2019. Production rose so quickly that Japan’s agricultural cooperatives are beginning to caution that the egg market is approaching oversupply. If operators decide to cut back egg production this could lead to a short term increase in spent hen slaughter followed by a medium to long term shortfall in spent hen supply. However, egg producers have not yet responded to market signals and appear to be keeping layer populations stable for now. As a result, FAS/Tokyo estimates that spent hen slaughter will remain constant in 2019 and 2020, though numbers could fall in future years.

Consumption: Retail Consumption Grows as New Products Show Staying Power

FAS/Tokyo projects consumption to increase slightly in 2019 and 2020 as retail consumption continues to climb upward. According to the Ministry of Internal Affairs and Communications, per capita retail consumption of chicken has trended steadily up over the past 15 years, increasing 64 percent from 3.49 kilograms per year in 2003 to 5.73 kilograms in 2018 (see Figure 2). This trend is largely a result of declining fish and shellfish supplies, which had been the staple proteins of the Japanese diet, pushing consumers to switch to more affordable proteins such as pork and chicken. Chicken consumption has continued to tick up through the first half of 2019, up an average of 3.2 percent per month.



Demand varies significantly by chicken cut. Dark meat remains the preferred choice for Japanese consumers at both retail and foodservice. According to price data from Japan's Agriculture and Livestock Industries Corporation (ALIC), leg meat continues to trade at more than twice the price of breast meat. As of June 2019, chicken legs traded at 567 yen per kilogram while chicken breast traded at 237 yen per kilogram. Dark meat is integral to many typical Japanese dishes including *karaage* (fried chicken), *oyakodon* (chicken and egg rice bowls), and *yakitori* (grilled chicken skewers).

Faced with growing supplies of surplus breast meat, Japanese meat processors recently developed a ready-to-eat product called "salad chicken" (marinated chicken breast) which proved a hit with consumers (see [JA7113](#) and [JA8049](#)). The market for salad chicken has continued to grow since then. ALIC estimates that salad chicken sales increased 28 percent in 2018 as different flavor and size varieties were introduced to the market. Salad chicken is also becoming more readily available in supermarkets and drug stores whereas previously it was mainly sold only in convenience stores. Between 2017 and 2019, the supermarket share of salad chicken sales increased from 37 percent to 44 percent. FAS/Tokyo estimates that continued popularity of salad chicken will help pull consumption upward. In fact, demand has grown so quickly that Japanese processors have started to invest in salad chicken production overseas, importing the final product rather than utilizing domestic chicken breast meat as was the original intent.

Per capita table egg consumption has also trended upward in recent years, growing seven percent from 10.0 kilograms in 2015 to 10.7 kilograms in 2018. However, consumption dipped in the first half of 2019, down 1.1 percent on a monthly average basis, suggesting that egg consumption may have reached a plateau. As mentioned in the production section, this has led to a temporary oversupply in the egg market which could have knock-on effects for spent hen slaughter in future years.

Trade: Prepared Product Imports Increase as Processors Expand Overseas Investments

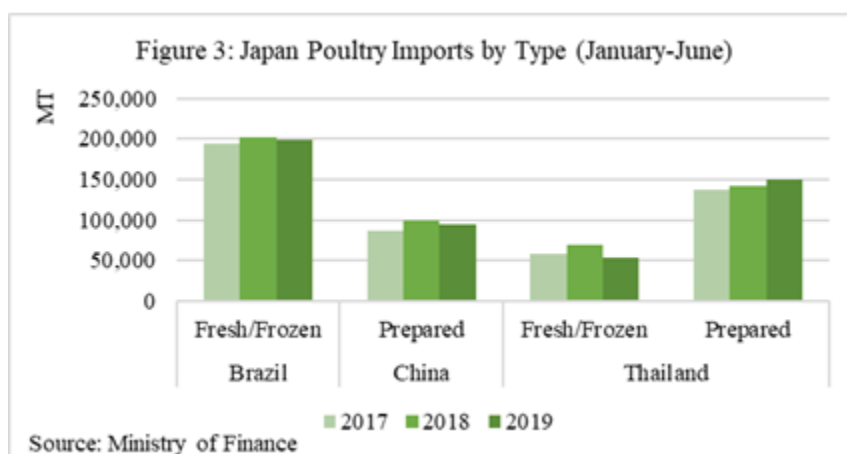
While importers struggle to procure desired volumes of chilled and frozen chicken meat from traditional suppliers, FAS/Tokyo projects total imports to increase slightly in 2019 and 2020 on higher prepared chicken imports. Through the first half of 2019, total chicken imports trended three percent lower than

the previous year as imports fell from all three of Japan’s main suppliers: Brazil, Thailand, and China. Japan remains heavily dependent on these three countries which together accounted for 98 percent of Japan’s chicken imports (see Table 2). Imports from Brazil, which supplies the bulk of Japan’s chilled and frozen chicken meat, dropped one percent due to reduced domestic processing demand as well as import competition from other countries, including China.

Unit: Metric Ton			
	January - June		
	2018	2019	Y-o-Y
World	518,988	505,439	-3%
Brazil	203,044	200,283	-1%
Thailand	209,348	202,582	-3%
China	96,312	91,894	-5%
United States	8,085	7,266	-10%
Others	2,199	3,414	55%

Source: Ministry of Finance

Imports from Thailand dropped three percent, but the decline was especially drastic for chilled and frozen chicken meat, which dropped 23 percent compared to 2018 (see Figure 3). Industry sources report that Japanese importers have struggled to procure shipments from Thailand due to growing poultry demand from China as a result of its African Swine Fever outbreak. As Japan relies on Thailand for around 20-25 percent of its raw chicken imports, continued uncertainty in the market may compel Japanese buyers to look for alternative sources of supply. Imports from other sources, though small, increased 55 percent led primarily by Turkey, Vietnam, and Poland. Though raw chicken imports fell slightly during the first half of 2019, FAS/Tokyo expects the imports to level out to the previous year’s level by year end. Ending stocks are forecasted to remain tight in 2019 and 2020 as traders draw down existing stocks to meet current demand until sufficient supplies can be secured on the global market. Stocks at the end of June 2019 were already down seven percent from previous year, according to ALIC estimates (see Supplemental Table 2).



Meanwhile, growth in prepared chicken imports increased two percent in the first half of 2019. Japan currently imports approximately 99 percent of its prepared chicken products from Thailand and China. While imports from China fell slightly, imports from Thailand grew six percent, continuing a trend of multi-year growth as Japanese meat companies increasingly shifted value-added processing functions overseas. Industry sources reported that earlier this year Mitsubishi Corporation and Itoham-Yonekyu Holdings, Japan’s second largest meat processor, jointly invested in a processing facility in Thailand to produce frozen *karaage* (fried chicken) and other prepared chicken products for export to Japan. With Japanese domestic labor remaining in short supply, FAS/Tokyo projects this outsourcing trend to continue, boosting imports of prepared products as imports of frozen raw product for further processing begin to slow down.

Japan has lowered tariffs on certain poultry products as a result of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Japan-EU Economic Partnership Agreement (EPA), and a bilateral agreement with Thailand. As of April 1, 2019, prepared chicken products from Thailand are subject to a three percent ad valorem tariff compared to the most-favored nation (MFN) rate of six percent. Chilled and frozen chicken cuts from CPTPP and EU countries are subject to tariffs of 9.7 percent and 7.9 percent, respectively, which will be eliminated by 2028. Current tariffs are indicated in Table 3 below and tariff phase outs under CPTPP and the Japan-EU EPA are shown in Supplemental Table 3.

Table 3: Japan Poultry Tariffs (as of April 1, 2019)				
	WTO	Thailand	CPTPP	EU
Chilled/Frozen Chicken Legs	8.5%	8.5%	6.9%	7.0%
Chilled Chicken Cuts	11.9%	8.5%	9.7%	9.7%
Frozen Chicken Cuts	11.9%	8.5%	7.9%	7.9%
Prepared Chicken Products	6.0%	3.0%	3.8%	3.8%

Source: Japan Customs

Supplemental Tables:

Table 1: Monthly Average Wholesale Prices of Domestic Broiler Cuts

Unit: JP Yen per Kg.											
Bone-less Leg											
	201 4	201 5	% chg.	201 6	% chg.	201 7	% chg.	201 8	% chg.	201 9	% chg.
Jan.	710	681	-4%	690	1%	703	2%	693	-1%	667	-4%
Feb.	682	661	-3%	652	-1%	703	8%	686	-2%	669	-2%
Mar.	662	653	-1%	637	-2%	688	8%	660	-4%	650	-1%
Apr.	637	650	2%	633	-3%	669	6%	630	-6%	625	-1%
May	620	633	2%	632	0%	656	4%	607	-7%	605	0%
Jun.	600	620	3%	620	0%	638	3%	586	-8%	581	-1%
Jul.	581	628	8%	614	-2%	600	-2%	569	-5%	565	-1%
Aug.	569	625	10%	608	-3%	574	-6%	560	-2%		
Sep.	590	633	7%	610	-4%	572	-6%	567	-1%		
Oct.	617	660	7%	640	-3%	599	-6%	587	-2%		
Nov.	634	672	6%	659	-2%	622	-6%	606	-3%		
Dec.	671	689	3%	684	-1%	656	-4%	631	-4%		
1st Qtr Ave.	685	665	-3%	660	-1%	698	6%	679	-3%	662	-3%
2nd Qtr Ave.	619	634	2%	629	-1%	654	4%	608	-7%	603	-1%
3rd Qtr Ave.	580	629	8%	610	-3%	582	-5%	565	-3%		
4th Qtr Ave.	641	674	5%	661	-2%	626	-5%	608	-3%		
Year Ave.	631	650	3%	640	-2%	640	0%	615	-4%		
Breast											
	201 4	201 5	% chg.	201 6	% chg.	201 7	% chg.	201 8	% chg.	201 9	% chg.
Jan.	265	330	25%	298	-10%	270	-9%	318	18%	285	-11%
Feb.	268	331	24%	272	-18%	291	7%	311	7%	269	-13%
Mar.	271	338	25%	263	-22%	313	19%	319	2%	251	-21%
Apr.	272	336	24%	257	-24%	327	27%	308	-6%	246	-20%
May	278	337	21%	255	-24%	340	33%	297	-13%	243	-18%
Jun.	291	342	18%	248	-27%	342	38%	284	-17%	241	-15%
Jul.	291	350	20%	245	-30%	333	36%	277	-17%	237	-14%
Aug.	299	353	18%	251	-29%	327	30%	275	-16%		
Sep.	315	351	11%	259	-26%	329	27%	276	-16%		
Oct.	330	349	6%	276	-21%	327	18%	281	-14%		
Nov.	332	344	4%	284	-18%	325	14%	287	-12%		
Dec.	327	327	0%	275	-16%	322	17%	290	-10%		
1st Qtr Ave.	268	333	24%	278	-17%	292	5%	316	8%	268	-15%
2nd Qtr Ave.	280	338	21%	253	-25%	336	33%	296	-12%	243	-18%
3rd Qtr Ave.	302	351	16%	252	-28%	330	31%	276	-16%		

4th Qtr Ave.	330	340	3%	278	-18%	325	17%	286	-12%		
Year Ave.	295	341	16%	265	-22%	320	21%	293	-8%		
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											
-	2014	2015	% chg.	2016	% chg.	2017	% chg.	2018	% chg.	2019	% chg.
Jan	109,6	124,5	14	147,3	18	137,2	-7	178,8	30	162,1	-9
.	46	18		14		06		92		33	
Feb	109,7	124,0	13	156,9	27	139,3	-11	186,9	34	158,8	-15
.	02	17		79		07		93		83	
Mar	100,0	117,3	17	156,4	33	135,7	-13	176,5	30	152,3	-14
.	45	68		44		59		52		29	
Apr	102,8	115,2	12	156,2	36	135,7	-13	170,7	26	153,1	-10
.	87	04		98		77		14		63	
May	109,6	116,9	7	162,8	39	142,3	-13	173,0	22	152,7	-12
.	14	36		72		76		42		78	
Jun	113,1	123,6	9	167,8	36	151,0	-10	166,0	10	153,5	-7
.	26	87		80		28		35		95	
Jul	117,7	123,9	5	167,8	35	147,7	-12	167,9	14		
.	82	55		03		03		50			
Aug	117,6	129,0	10	169,4	31	157,8	-7	168,9	7		
.	31	96		53		55		61			
Sep	123,0	131,5	7	165,1	26	161,4	-2	162,8	1		
.	76	48		14		61		03			
Oct	122,6	141,1	15	164,9	17	171,3	4	166,7	-3		
.	86	28		84		30		66			
Nov	124,4	141,4	14	161,7	14	178,2	10	166,1	-7		
.	52	13		71		12		74			
Dec	118,0	137,3	16	146,0	6	167,5	15	159,3	-5		
.	17	96		58		68		83			
Source: ALIC Monthly Statistics											
Note: Figures represents poultry meat estimates. Imported poultry cuts typically account for around 80 percent of ending stocks with the majority being broiler meat.											

Table 3. CPTPP and Japan-EU EPA Tariff Schedule on Selected Poultry and Poultry Products

	WTO /MFN	EIF*	2019*	2020	2021	2022
Chilled Whole Chicken HS 020711	11.9 %	9.9	7.9	5.9 (6.0)	3.9 (4.0)	1.9 (2.0)
Frozen Whole Chicken HS 020712	11.9 %	10.8	9.7	8.6 (8.7)	7.5 (7.6)	6.4 (6.5)
Chilled / Frozen Chicken Legs (bone-in) HS 020713.100, 020714.210	8.5 %	7.7	6.9 (7.0)	6.1 (6.2)	5.4	4.6
Chilled Chicken Cuts (excluding legs bone-in) HS 020713.200	11.9 %	10.8	9.7	8.6 (8.7)	7.5 (7.6)	6.4 (6.5)
Frozen Chicken Cuts (excluding legs bone-in) HS 020714.220	11.9 %	9.9	7.9	5.9 (6.0)	3.9 (4.0)	1.9 (2.0)
Chilled and Frozen Turkey HS 02072724, 02075, 020726, 020727	3.0 %	0.0				
Processed Chicken (excluding boiled guts, bladders and stomachs) HS 160232.290	6.0 %	4.8	3.8	2.8 (2.9)	1.9	0.9 (1.0)

	2023	2024	2025	2026	2027	2028
Chilled Whole Chicken HS 020711	0.0					
Frozen Whole Chicken HS 020712	5.4	4.3	3.2	2.1 (2.2)	1.0 (1.1)	0.0
Chilled / Frozen Chicken Legs (bone-in) HS 020713.100, 020714.210	3.8 (3.9)	3.0 (3.1)	2.3	1.5	0.7 (0.8)	0.0
Chilled Chicken Cuts (excluding legs bone-in) HS 020713.200	5.4	4.3	3.2	2.1 (2.2)	1.0 (1.1)	0.0
Frozen Chicken Cuts (excluding legs bone-in) HS 020714.220	0.0					
Chilled and Frozen Turkey HS 02072724, 02075, 020726, 020727	0.0					
Processed Chicken (excluding boiled guts, bladders and stomachs) HS 160232.290	0.0					

Note:

- *EIF (Year 1) was from December 30, 2018 to March 31, 2019 and Year 2 started April 1, 2019 due to Japanese fiscal year (from April 1 to March 31).
- Japanese tariffs for EU countries are indicated in parentheses when different from CPTPP tariffs.

Source: [Cabinet Secretariat, Government of Japan](#)