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AGRI-FOOD ECONOMIES IN THE CONTEXT OF THE COVID-19 PANDEMIC IN JAPAN

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The COVID-19 pandemic has significantly affected the lives of people all over the world. Japan is no exception. International travels were not restricted until early April for fear of negative impacts on the economy. Lenient lockdown continued from April 7, 2020 until the end of May. The second wave of the pandemic came in August, while the third one started at the turn of November and December.

Some changes in working environments were observed. People started avoiding organizing and attending unnecessary public and private meetings and social gatherings. Many people stayed at home since the COVID-19 pandemic started spreading in Japan. Remote work became popular among office workers. The national and local governments encouraged employers from small and medium-sized enterprises to introduce flexible work styles. Restaurants and bars were requested to withhold their operations. Partial compensations were paid by local municipalities from the available emergency funds. Long commuting by trains was avoided to reduce health risks.

Changes in consumption of food items

The lifestyle transformation changed the consumption patterns of households as seen in Table 1. As for foods, the consumption of convenient foods such as instant noodles and frozen foods increased. Alcohol consumption at home also increased significantly reflecting increased stress levels caused by staying at home, as alcohol consumption away from home significantly decreased. Cigarette consumption also soared. The expenditure on eating out diminished during the lockdown and recov-

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ered in October. Delivery and takeout possibilities increased significantly. Delivery services by UberEATS and other similar delivery vendors have become popular among small families in large cities. Many households preferred having their food delivered to ordering a takeout or cooking at home.

Table 1

Changes in household consumption due to the COVID-19 pandemic

Item	October 2020		September 2020	
	Real changes compared with the previous year (%)	Changes in contributions (%)	Real changes compared with the previous year (%)	Changes in contributions (%)
Foods				
Instant noodles	11.0	0.01	16.9	0.01
Fresh meat	8.6	0.18	8.1	0.15
Frozen food	7.2	0.02	16.3	0.04
Canned alcohol drinks	28.2	0.03	20.2	0.02
Eating out	0.7	0.02	▲ 21.3	▲ 0.80
Alcohol consumption away from home	▲ 36.3	▲ 0.18	▲ 54.6	▲ 0.25
Health and Medicare				
Health care products including masks	106.7	0.25	42.3	0.13
Transportation				
Trains	▲ 37.1	▲ 0.22	▲ 65.3	▲ 0.44
Buses	▲ 45.5	▲ 0.05	▲ 53.7	▲ 0.06
Taxies	▲ 19.4	▲ 0.03	▲ 40.9	▲ 0.05
Airfares	▲ 89.8	▲ 0.28	▲ 68.2	▲ 0.12
Toll road charges	▲ 36.3	▲ 0.11	▲ 45.2	▲ 0.13
Gasoline	▲ 4.7	▲ 0.09	▲ 18.9	▲ 0.36
Postal fees	19.0	0.01	17.4	0.01
Culture and Entertainment				
Lodging	31.8	0.18	▲ 25.7	▲ 0.20
Packaged tours	▲ 27.0	▲ 0.29	▲ 61.4	▲ 0.72
Movies and theaters	▲ 30.3	▲ 0.06	▲ 65.8	▲ 0.12
Cultural excursion	▲ 28.9	▲ 0.02	▲ 43.8	▲ 0.03
Amusement parks	▲ 46.1	▲ 0.03	▲ 52.8	▲ 0.05
Cosmetics				
Foundation	▲ 17.3	▲ 0.01	▲ 58.0	▲ 0.07
Lipsticks	▲ 37.6	▲ 0.01	▲ 56.6	▲ 0.02

Note: Contributions explain the share in the total expenditure.

Source: Ministry of General Affairs (2020), Changes in Household Consumption due to the COVID-19 Pandemic – Selected Mostly Affected Items.

The expenditure on health care products including masks soared reflecting greater need for keeping home more hygienic. The citizens were required to wearing masks outside their homes. Shoppers were encouraged to using their own bags at grocery stores, however, with the spread of the pandemic, many of them decided to buy plastic bags for sanitary reasons.

The expenditure on transportation declined significantly, as public transportation was used less frequently. Although the air traffic remained low, a slight improvement was observed in October compared with the previous month in terms of using trains, buses, and taxies. The gasoline consumption was almost at the same level as before the spread of the COVID-19 pandemic.

The expenditure on cultural and entertainment activities in October was much lower than that in the previous year, but took an upturn in September. The consumption on foundations and lipsticks remained low in October, but the slump was less dramatic than the on which occurred in September. Decline in real income and fewer occasions to go out might have lowered the consumption of cosmetics by households.

Agricultural product prices declined in the autumn harvest season. The supply was greater than the demand for many agricultural products. Yields per hectare were higher than usually because of favorable climatic conditions during the summer growing season. Demand for agricultural products from restaurants was reduced. Lack of demand in the restaurant sector could not be offset by household consumption.

Price changes in major agri-food products

The prices of fresh food, vegetables, seaweeds, and fruits were increasing until August and then started to decrease since September 2020 (see Table 2). Higher than usual yields in domestic production contributed to the fall of prices of the domestic agricultural products. The prices of cereals, fishery products, meats, and dairy products remained almost unchanged compared to the prices from the same month of 2019. The prices of meals eaten out in 2020 were higher than the prices form the same month of the previous year.

Table 2

Changes in prices of major food items over the year (%)

Month 2020	All items	Food	Fresh food	Cereals	Fish & seafood	Meats	Dairy products & eggs	Vegetables & seaweeds
January	0.7	1.2	-2	1	-0.7	1.1	2.3	-2.1
February	0.4	1.2	-1.9	1.1	0	0.9	2.7	-2.1
March	0.4	1.4	0.3	1	-0.4	0.4	2.4	1.6
April	0.1	2.1	6.7	0.7	-0.1	0.6	0.5	7.6
May	0.1	2.1	5.8	0.5	-0.1	1.5	0	7
June	0.1	1.5	3.2	0.2	-1.5	1.2	-0.1	5
July	0.3	1.9	6.9	0.1	-1	1.2	-0.4	8.8
August	0.2	2.9	13.6	-0.1	-0.3	0.4	-0.2	16
September	0	1.9	7.8	-0.7	2	1	-0.6	3.3
October	-0.4	1.1	5.4	-0.8	1.2	1.3	-0.7	3.6
November	-0.9	-0.2	-1.1	-1.1	-1.4	0.7	-1	-1.2

Month 2020z	Fruits	Oils, fats & seasonings	Cakes & andies	Ready-to-eat food	Beverages	Alcoholic beverages	Dinning out	Housing
January	1.9	0.1	3.2	1.5	0.5	1.4	3.2	0.8
February	0.4	-0.5	3.4	1.3	0.5	1.4	3.1	0.8
March	0.2	-0.7	2.8	1.3	0.3	1.2	3	0.8
April	7.7	-0.4	2.9	0.5	0.2	1.2	2.7	0.7
May	6.3	0	3	1	-0.1	1	2.6	0.8
June	4	-0.4	2.6	0.9	-0.5	1	2.6	0.7
July	6.4	-0.7	1.4	0.8	-0.8	1	2.5	0.7
August	12.3	-0.7	1.2	0.7	-0.9	1.1	2.5	0.7
September	19.3	-0.4	1	0.1	-0.7	1.5	2.5	0.6
October	10.2	-0.9	1.7	0.1	-1.1	-0.8	0.4	0.1
November	3	-0.9	1.2	-0.1	-1.2	-0.6	0.1	0.1

Note: These numbers represent the changes in percentage throughout the year.

Source: Ministry of General Affairs (2020), Annual Report on the Consumer Price Index 2020.

Beef consumption and cattle production in Japan under the COVID-19 pandemic[1]

Beef is a superior good. When real income declines due to the COVID-19 pandemic, the consumption of beef per capita also decreases. The fall in beef prices resulted in the increased beef consumption per capita.

The annual consumption of beef in Japan amounts to about 1.5 million tons. 65% of consumed beef is imported. Domestic beef production has a share of 35% in the total beef demand in Japan, whereas Wagyu beef, marbled meat at a premium price which has a special texture, has a share of 16% in the total beef demand. The market for Wagyu beef in Japan is differentiated. Most Wagyu beef is protected in the domestic market by the geographical indication (GI) rules set by the Japanese government. With the decline in beef prices, the decreased demand due to lower real income has been partly compensated. People have refrained from eating out for fear of contracting the COVID-19 disease at the restaurant. Lack of international tourists in the domestic markets also lowered the demand for Wagyu beef in Japan.

The production of Wagyu beef was lower in March and April 2020 due to the fall in wholesale prices. The production of Wagyu beef fell by 10% in April. However, in May and June it recovered, with an increase by 17% in June. The pandemic started spreading in March. A quasi-lockdown was introduced by the government on April 7 and continued until late May. The first wave of the pandemic was settled by June. At the same time, restaurants reopened. Some retailers started to sell their products online and deliver them to households using reliable courier services. The prices of Wagyu sirloin went down between March and June, since it had mainly been consumed at restaurants. Consumption by households did not increase even though the retail prices of the sirloin declined in the domestic market.

Milk consumption and production in Japan during the COVID-19 pandemic[2]

The consumption of milk by school children and restaurants significantly diminished during the COVID-19 pandemic. Schools and restaurants were closed in April and May. Leftover milk was processed into skimmed-milk powder and butter. Milk producers associations shipped milk across prefectural borders to avoid disposal of milk in order to sustain milk prices in the market. Now, the stocks of skimmed-milk powder are piling up. The effectiveness of supply adjustment was limited because of trade liberalization. The changes in consumer behavior have been also influencing the effectiveness of supply adjustment.

The milk consumption at schools was lower by 60,000 litters between March and May compared with the previous year. The demand for milk from schools in the summer was expected to increase because of making up classes held at elementary and junior high schools.

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[1] The information on beef consumption and production during the COVID-19 pandemic was mainly collected from Hasegawa (2020).

[2] The information on dairy and milk industry during the COVID-19 pandemic was mainly collected from Oda (2020).

30,000 tons of skimmed-milk powder are considered to be an optimal level of reserves, which is equivalent to approximately two months of domestic consumption. The stocks were 60,000 tons already in March. The Japanese government started a program to subsidize the sales in case skimmed-milk powder is sold as feed for animals.

The impacts of COVID-19 on the labor market

The COVID-19 pandemic impedes work in many sectors of the economy in Japan. The decrease in employment in agriculture and forestry in recent months in a response to the decline in demand for agricultural products. The decline is not as sharp as that of the hotel and restaurant sectors, but it was the second largest decrease among the major sectors of the Japanese economy.

The general impacts of the COVID-19 virus on the workforce in Japan include a reduced total number of employees by 15%. The fall was even larger for female employees. The number of temporal workers dropped while the number of regular workers who have long-term employment contracts increased. The number of the self-employed was increasing, but for two months it has been decreasing.

The COVID-19 pandemic seems to continually affect lives of people in Japan. It has severely affected the HoReCa sector. The national and local governments have been subsidizing pleasure trips to help the tourism industry survive. It would take months to welcome international travelers again. Domestic traveling needs to be promoted in order to stimulate local economies, however, repeated pandemic waves have been slowing down their recovery.

International trade through cargo vessels and air cargos has been maintained well. With high yields of agricultural products in Japanese agriculture, a shortage of agri-food products will not become a concern. Lack of foreign workers was an issue in terms of fruit and vegetables production, but the stranded foreign workers started to replace the foreign workers who were supposed to arrive in Japan to work in agriculture in 2020. If the restriction on international travels continues, Japanese agriculture will face a labor shortage. This might necessitate the increase in the import of agri-food products.

Table 3

Changes in the labor market in Japan during the COVID-19 pandemic

Item	x1,000 or %	Year on year change in 2020 (x1,000 or %)				
		October	September	August	July	units
Employed	66,940	-930	-790	-750	-760	x1,000
Male	37,040	-460	-300	-270	-240	x1,000
Female	29,900	-470	-490	-480	-540	x1,000
Self-employed	6,710	-180	-160	150	140	x1,000
Hired employees	59,980	-480	-560	-790	-920	x1,000
Workers without managerial positions	56,450	-760	-750	-830	-780	x1,000
Regular workers	35,350	90	480	380	520	x1,000
Temporary workers	21,110	-850	-1,230	-1,200	-1.310	x1,000
Agriculture and forestry	2,060	– 12	-25	-11	-8	%
Construction	5,000	6	2	-11	-20	%
Manufacturing	10,370	5	-39	-52	-8	%
Information and telecommunication	2,320	7	19	11	6	%
Transportation	3,490	5	-2	-6	-8	%
Wholesale and retail sales	10,800	8	2	-16	-9	%
Financial and insurance services	1,740	7	19	10	1	%
Real estate and rental services	1,400	9	15	17	14	%
Academic and expert services	2,530	-6	-3	1	0	%
Hotel and restaurant services	4,100	-43	-48	-28	-22	%
Life and entertainment services	2,460	-7	0	-6	-18	%
Educational services	3,310	2	12	18	10	%
Medical and welfare services	8,660	13	18	10	-5	%
Other services	4,440	-10	-8	-2	-13	%

Source: Ministry of General Affairs (2020), Labor Force Survey: Results of October 2020.

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