

Aftermath in Japan: What It Means For The U.S. Beef Industry

In the aftermath of the devastating magnitude-9 earthquake and resulting tsunami that ravaged much of northern Japan, checkoff contractors there are working around the clock to assess the repercussions of this natural disaster on the country and, in particular, meat trade in Japan.

Infrastructure: Much of the U.S. beef that goes to Japan is delivered to ports from Tokyo southward. Early reports are that most of those ports were not heavily damaged and were expected to be open again this week.

Refrigeration is a critical consideration in maintaining the necessary cold chain, but reports indicate that the power grid is operational in many areas, especially ports, and power will be diverted and rerouted to areas in need. Rolling blackouts throughout the Tokyo area may affect the distribution of goods after arriving at the port, but the extent of this impact is still being evaluated. Of course, areas in northeastern Japan – the hardest hit areas – do not currently have a working power delivery system, so there will be problems in serving those areas.

Transportation is another issue for the regions affected. In the short term, many key highways are reserved for emergency vehicle use, so product distribution in northeast coastal areas is challenged, but there already are signs that companies are regaining limited access to roads for their distribution.

Japanese meat processors

The Tohoku region occupies the northeast part of Honshu, Japan's largest island, and the region hardest hit by the disaster. Several meat processors in Tohoku have reported that their plants are out of service due to a combination of facility damage and lack of electricity. Rolling blackouts will pose a continuing challenge for processors in the region for the near-term. Those facilities that haven't sustained physical damage have experienced delays due to damaged roads.

Japanese retail

The same issues that are affecting homeowners and manufacturers are affecting retailers in the Tohoku region: Power blackouts are forcing retailers to manage their order systems manually, and a lack of gasoline at area service stations is affecting both product distribution and movement of consumers.

One leading retailer in the region reports that about 20 percent of its stores were open two days after the disaster.



Japanese producers

The primary impact on livestock production on the Tohoku area is access to feed grains and the need for electricity to obtain fresh ground water supplies. Tohoku region cattle likely will remain on the farm longer than anticipated due to transportation issues and the inability of processing plants to resume full operating schedules without guaranteed power supplies. Less than half of the 17 wholesale cattle markets in the region have resumed regular operation, but only those producers in the immediate region should experience significant issues. Japan's beef supply is 43 percent self-sufficient.

Cold Storage

Cold storage facilities have been affected in several ways. The violent quake shook countless pallets of product off of shelves, creating clean-up challenges. The consistent availability of electricity is another, along with the ability to transport product to regions like Tohoku, where product availability is limited. Beef trade representatives in Tokyo are working hard to secure adequate supplies from the western part of Japan and Kyushu, the southern part of Japan.

Long-term Demand

While this disaster is a tragedy for the people of Japan – particularly those in the coastal region of the northeast – the major population centers of Japan have been affected to a lesser degree. Tohoku represents about 1.6 percent of Japan's population and less than 2 percent of its Gross Domestic Product. Based on information available, there is no reason to expect that this tragic disaster will have a significant effect on demand for beef products in Japan.

It is far too early to speculate about the long-term impact of this disaster on the nationwide economy of Japan, but even in recent economic times that were considered sluggish, Japan has remained a very robust market for U.S. beef.

