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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2003

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Report Highlights:

From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: *Saks Fifth Avenue* plans to enter the Japanese market as early as fall 2005, opening its first store in central Tokyo; Sozai deli takeout food continues to be important in the food industry, even outside Tokyo as a Nagoya-based operator of a convenience store chain opened a new type of *sozai* deli café; Aeon seeks to cut costs by reducing its use of wholesalers; Halloween is increasing in popularity in Tokyo and; *Prima Meat*, the nation's third-biggest meat processor based in Tokyo, is under investigation for selling bacon-wrapped asparagus from April 2002 to January 2003 without mentioning on the label that the product contained egg white.

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Retail/Wholesale

- According to the *Japan Department Store Association*, total sales for Tokyo area department stores declined by 3.7% in August, compared to the same month last year. It is the 21st consecutive monthly decline compared to prior year sales. Food sales alone declined by 2.4% in August. (a 9/17) According to the same source, total sales for the national department stores also declined by 1.9% in August. (Shokuryo Jyokai News)
- The announcement by *Mycal*, (filed for bankruptcy protection from creditors in 2001) to join the *Aeon* group, will turn *Aeon* into the largest supermarket operator in Japan, with a network of 1,000 stores. (a 10/1)
- *Saks Fifth Avenue* plans to enter the Japanese market as early as fall 2005, opening its first store in central Tokyo. The U.S. department store management style is different from that in Japan and could have an impact on the Japanese department store industry. (b 10/2)
- Group pretax profit of *Ito-Yokado* declined by 5% in the first half of the fiscal year, which ended in August, compared to the same period last year. The cause is attributed mainly to an unusually cool summer. Food sales were firm, but apparel goods sales were weak. *Seven-Eleven Japan*, one of its major subsidiaries, performed strongly, but it was not enough to offset the parent's sluggish performance. (a 10/9)
- *Coco Store*, a Nagoya-based operator of the "Coco" convenience store chain, opened a new type of *sozai* deli café collaborating with its existing convenience store. *Sozai* delis are prepared on the premises, and if the *sozai* sells well, it will be introduced in the convenience store. (b 10/9)
- Aiming to cut procurement and distribution costs, *Aeon* stopped using wholesalers such as *Kao* that deliver directly from factories and centers. *Aeon* plans to switch 40% of its processed food and daily goods to direct procurement by fiscal year ending February 2004. (b 10/15)

Food Service

- *Rockfield*, a major *sozai* deli company, plans to feature one salad per month made by prestigious chefs in its deli shop, *RF1*. (a 10/8)
- Coffee chains are increasing hot menus starting this fall. For example, *Starbucks Coffee* introduced ovens in all of its stores, and *Tully's Coffee* started offering bread-wrapped hot stew. (b 10/15)
- *Watami Food Service*, a major pub restaurant chain operator, reduced the number of new openings in fiscal 2004 due to depressed sales of its main brand "Watami" pub chain. (b 10/15)

Food Processing/New Products/Market Trends

- “Halloween” is becoming more popular in Japan. Home supply stores such as *Sony Plaza* and *Loft* are increasing home decorating items since people tend to enjoy house parties this year. *Tokyu Hands* department store is even distributing handbook of how to enjoy Halloween party. (a 10/9)
- The Cocoa products market is steadily expanding with its various health benefits attracting not only the middle-aged housewives but also young women. According to the recent ranking by Nikkei POS, “Black Bean Cocoa Powder” by *House Foods* turned out to be the No. 1 selling product although *Morinaga & Co.* currently holds a 57% share of the market. *Meiji Seika Kaisha* also introduced its “Theobro” brand, which contains twice the amount of polyphenol as the normal milk cocoa. (b 10/11)
- In response to the new regulation that is to be enforced next April requiring tax-inclusive price labeling, *Japan Chain Store Association* announced that member companies should label total price on the price tag and then clarify the amount of consumption tax in receipts given at the cash register. Since other retail sectors such as department stores have different views on implementation, some confusion might be inevitable. (b 10/11)

Food Safety/Consumer Awareness

- *Prima Meat*, the nation’s third-biggest meat processor based in Tokyo, sold bacon-wrapped asparagus from April 2002 to January 2003 without mentioning on the label that the product contained egg white, which can trigger allergy symptoms in some people. *Prima Meat* supplied *Aeon*, the operator of *Jusco* supermarket chain, with the product, although the contract between *Aeon* and *Prima Meat* banned the use of the egg white. Police are currently investigating the matter after *Aeon* filed a criminal complaint against *Prima Meat* in belief that their supplier was in violation of food safety laws. (a 10/1)
- On October 6, a Holstein bull from Ibaraki Prefecture was found to have BSE at the unusually young age of 23 months. The Ministry began investigations into this, Japan’s eighth case of BSE. (a 10/7)
- *McDonald’s Japan* plans to hold a food safety seminar on its quality control and nutritious facts on October 28 at its headquarters in central Tokyo, inviting a young Japanese chef. (b 10/7)

ATO/Cooperator/Competitor Activities/Trade Shows

- *U.S. Agricultural Trade Office Tokyo* held a Great American Food Showcase on September 9 at the Nagoya Kanko Hotel located in central Nagoya. Thirty-three exhibitors participated in the showcase, attracting about 270 visitors consisting of retailers, food service companies, and hotels. Holiday cooking menus and Japanese *sozai* deli using U.S. food ingredients were introduced at the showcase. (e 9/15, Yomiuri 9/10, d 9/19)
- U.S. Agricultural Trade Office (ATO) Tokyo held a Nagano American Food Expo at a hotel in Nagano City on September 26 supported by Nagano Chamber of Commerce. ATO promoted U.S. food ingredients and products to the food industry companies in the Nagano Koshin-etsu area, including introduction of simple Japanese *sozai* deli dishes using U.S. food ingredients. (a 9/20, Shinano Mainichi 9/20, Nagano Shimin 9/23)

- In response to Japan's safeguard measures taken against imported chilled beef, foreign meat producers' associations in Japan are starting campaigns directly targeting consumers and retailers. For example, *Meat and Livestock Australia (MLA)* started a consumer campaign distributing menus and holding tasting events in major supermarkets. *MLA* collaborated with Ms. Harumi Kurihara, a popular home cooking instructor, creating menus using Australian meat. *U.S. Meat Export Federation* is also holding tasting events and menu campaigns at major hotels in Japan. (b 9/25)

∞ Sources ∞

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| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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