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Japan

Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2003

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Report Highlights:

Competition among Japan's supermarket operators is expected to intensify; Internet catalog sales continue to grow; McDonald's announces departures from management strategies developed under its former chairman; Japan's Ministry of Agriculture plans to expand its current list of processed food items that require a label indicating the origin of the ingredients; Perhaps *happoshu* reached a saturation point in the Japanese market and; Individual establishments in the Japanese food industry continue to show interest in traceability systems.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Tokyo ATO [JA2]
[JA]



Food Business Line

Periodic Press Translations from ATO Tokyo Vol III, Issue 40 Nov. 1-15, 2003

Retail/Wholesale

- *Kasumi, Inageya, Yaoko, and Life Corporation*, all of which account for four out the eight major food-oriented supermarket operators in Japan, reported lower pretax profits for the first half of fiscal year 2003, compared to the same period in 2002. Some reasons cited for the decline include opening new stores, expansion of the retail space and the unseasonably cool summer. The industry predicts competition to become even more intense around the second half of the fiscal year, since more general-merchandise stores, such as *Daiei* are shifting its core business toward food and convenience store operators are expected to continue to open hundreds of outlets within the fiscal year. (a 10/31)
- According to the “E-Shop/Catalog Sales Survey” conducted by the Nikkei Marketing Journal, total sales of internet/catalog sales in 2002 increased by 4.7% compared to the previous year. *Tokyo My Coop* and *Traveler*, the internet/catalog sales companies that specialize in food, ranked 14th and 26th respectively in the sales ranking. (b 10/30)
- Private brand products at convenience stores are increasingly popular, especially with the introduction of new original products. According to the survey done by the Food Industry News, the amount of original products in *Seven-Eleven Japan* reached 52%, *Lawson* 35%, *Family Mart* 30.6%, and *Circle K* 35%. (f 11/13)

Food Service

- *McDonald's Holdings (Japan)* announced on November 8 that it expects a consolidated net loss of 3.7 billion yen for the fiscal year ending Dec. 31, resulting in a second consecutive year of red ink. While highlighting a departure from the management strategies of the former chairman and founder Den Fujita, *McDonald's Japan* also announced that it would withdraw from its sandwich business operated by the subsidiary *Pret A Manger Japan*. (b 11/11)

Food Processing/New Products/Market Trends

- Imported fruit company, *Nikko Boeki* plans to sell U.S. frozen mixed berries starting from November 6. Blueberries, blackberries, raspberries, and sweet cherries will be contained in the package. Some packages will also include red currants. (f 11/6)
- In an aim to respond to consumer groups that have urged firms to label their products correctly, Japan's Agriculture Ministry plans to expand the number of processed food items required to attach labels indicating the origin of their ingredients. Currently, only eight products require this labeling, such as eels and frozen vegetables, but the Ministry will add nine more items, including *tofu*, *natto* fermented soybeans, green tea, vegetable/fruit juice, and rice cakes. The Ministry will formally decide which products will be subject to the new requirements after hearing opinions from the relevant industries and holding discussions with the Health Ministry. The resulting list of additional food items are to be unveiled by the end of fiscal 2004, and the Ministry hopes to start requiring the food industry to provide distributors and consumers with such information through labels and other means by the end of fiscal 2005. (a 11/12)

- Shipments of *happoshu* low-malt beer, which was radically expanding its market share, fell 1.9% in January-October term compared to the same term last year, mainly due to the tax hike that took effect in May and an unseasonably cool summer this year. According to a survey conducted by Japan's top five brewers, almost 20% of *happoshu* drinkers have reduced their consumption since the tax hike in May, and 40% replied that they increased their consumption of *shochu* instead of *happoshu*. (a 11/14)
ATO Comments: Happoshu is a lower alcohol beverage brewed with less malt than beer while shochu is distilled from a variety of ingredients like rice, soba, sweet potato, buckwheat, molasses, barley or brown sugar. Shochu is usually served mixed with water.
- More and more supermarkets are introducing e-panel price labels on the shelf due to convenience and efficiency. Each price on the e-panel labels are controlled by the parent computer, and are automatically changed from that central computer. Some supermarkets are even considering switching to e-panel POP ads, due to increased convenience and reduced time spent. (b 11/15)

Food Safety/Consumer Awareness

- *Kasumi*, an Ibaraki-based supermarket, introduced a vegetable traceability system in which a customer can check the production information of each vegetable in a computer at the store. The items include 10 vegetables produced in JA Namegata. (b 11/6)
- *Mos Food Service* started a traceability system in which a customer can go on-line and trace back the information on the ingredients used in their fast food outlets. Its URL is: <http://www.mos.co.jp> (b 11/6)
- *Docomo Sentsu*, a subsidiary of the *NTT Docomo Group* (major tele-communication company), developed a traceability system for seafood products. Starting next year, *Docomo* plans to sell the system to supermarkets. (b 11/13)
ATO Comments: While the aim is to regain consumer confidence in the safety of the food in a given establishment, in actuality the value of a traceability system may be more as a competitive marketing tool against competitors. There are other signs in the food industry where traceability is being used by establishments on an individual basis.

ATO/Cooperator/Competitor Activities/Trade Shows

- The creation of the *Canadian Pacific Herring Roe Association* was recently announced. It will be supported by the Canadian government, in an aim to promote its good brand image and to expand market share in Japan. (f 11/10)

⌘ 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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