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Japan

Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2003

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Report Highlights: From America's largest overseas market for food and agricultural exports as translated from Japan's mass media and food press. This issue includes: *Wal-Mart* officials expecting to join the board of directors at *Seiyu*; *Denny's Japan* introduces an allergy-free menu mainly targeting children; Forecasts for the Japanese frozen food industry shows continued growth at 2 percent in 2003; "Rice-in-a-pack", gaining popularity in the growing Japanese convenience foods market; More ingredients are finding their way into Japanese soup products; Kanagawa Prefecture begins testing a trace-back system for locally produced fruits and vegetables and; the Japan Ministry for Agriculture, Forestry and Fisheries allocates ¥53 billion (US\$442 million) to promote food safety.

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Retail/Wholesale

- *Seiyu* announced on January 14 that it will invite five officials from *Wal-Mart*'s international operations to join its board of directors. The appointment will be subject to approval at a *Seiyu* shareholders' meeting on March 26. *Wal-Mart* became *Seiyu*'s biggest shareholder last month. (a 1/14)

Food Service

- *Denny's Japan* introduced an allergy-free menu in all of its 567 restaurants, mainly for children that are allergic to certain food ingredients. The new "Low-Algen Plate" does not contain five items (eggs, milk, wheat, buckwheat, and peanut) that are defined by the Japan's Ministry of Health, Labor and Welfare to induce allergic reaction. (b 1/7)
- Japan's food service industry is suffering from a decline in sales for five consecutive years on a same-store basis. Mr. Yokokawa, Chairman of the *Japan Food Service Association*, pointed out that the creation of market oligopolies, company mergers and acquisitions together with a growing 'nakashoku' market (take out food, including *sozai*) is likely to be the key phenomenon in 2003. Mr. Yokokawa also expressed his opinion that deflation seems to have hit bottom. (b 1/9)
- *McDonald's Japan* launched a new order-taking system using wireless IT devices, aiming to reduce the time waiting in line. Once the order is taken from a customer and keyed into the terminal it is immediately displayed on a screen in the kitchen, where food preparation then begins. The new system is currently being tested at 30 *McDonald's* outlets, and starting mid-January it is planned to be expanded to 190 outlets with heavy customer traffic. (a 1/9)

Food Processing/New Products/Market Trends

- The Japanese frozen food industry is also likely to face further structural reform in 2003. For example, the Japanese frozen food industry is likely to continue strengthening overseas production of processed foods while maintaining its costly domestic frozen food operations. During 2002, Japanese manufacturers strengthened its food safety measures to regain consumer confidence after a series of incidents involving pesticide residue detection in Chinese frozen vegetable imports. Nevertheless, China is still viewed as a strong player in Japan's import market for frozen foods. Industry forecasts for the Japanese frozen food market show continued growth at 2% in 2003. (f 1/8)
In calendar year 2001, China maintained a 40-percent share of the Japanese import market for processed fruits and vegetables, the U.S. market share was approximately 25 percent.
- Young people appear to accept waiting on long lines at restaurants as one of the first rules of the gourmet game. A *slow food* movement that appreciates regional foods and traditional cuisine has apparently been growing in opposition to *fast food*, which has become common around the

world with its uniformity and convenience. The main pillar of the *slow food* trend is sharing the dining experience with friends and family. (Nikkei Net 1/8)

- "Pakku-iri gohan" or 'rice-in-a-pack' is continuing to gain popularity with consumers not only because of convenience but also taste, since it is neither pressure-cooked nor heated. In 2001, the market for 'rice-in-a-pack' was valued at about ¥24 million or US\$200,000 (¥120=US\$1). In November 2002, *Sato Foods Industries* began marketing a 'rice-in-a-pack' product which will include a feature that allows consumers to trace back to the origin of the rice and its grower. *S&B Shokuhin Co., Ltd.* has been marketing this product since 1999 and will now offer "gokoku-gohan" (five cereals plus rice) which will also contain five other cereals including millet. (Japan Agrinfo Newsletter 1/03)

ATO Insight: *Offering rice product in more convenient forms is one way retailers believe they can retain the Japanese consumer (particularly, younger generations) as consumers of rice. The Japanese household is increasingly choosing other more convenient substitutes for carbohydrates in order to avoid the time it takes to wash, soak and steam uncooked rice.*

- An increasing number of restaurants and retailers are offering more ingredients in soups during the winter season, mainly targeting young health conscious female clients. Some examples are: crab meat soup, tomato and egg soup, various vegetable *pot-au-feu* and, pork stroganoff. *Smiles*, an operating company of "Soup Stock Tokyo," opened a large restaurant in a Japanese ski resort, offering an extended menu of hot soups with lots of ingredients. Convenience stores and fast food shops, such as *Circle K* and *Pret a Manger*, are also introducing soups with more ingredients. (a 1/7)

Food Safety/Consumer Awareness

- In February, the Kanagawa Prefectural Government will begin testing a trace-back system for fresh fruit and vegetables. It will be managed by the "Fresh Fruit and Vegetable EDI Association," which consists of 30 producer associations, wholesalers and retailers. The new system offers an internet service one can use to trace back to the producers of fresh produce sold at supermarkets in Kanagawa prefecture. (b 1/7)
- Japanese consumer confidence toward the safety of food products have declined significantly since the series of food safety scandals last year. As a result, Japan's Agricultural Ministry secured about ¥53 billion or US\$442 million (¥120 = US\$1) in this year's budget, to give higher priority to "strengthen safety assurance of food." (f 1/13)

ATO/Cooperator/Competitor Activities/Trade Shows

- No Significant Articles

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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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