



Voluntary Report - public distribution

Date: 2/18/2003

GAIN Report #JA3503

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: Neighboring Japanese prefectural cooperatives form coalitions to combat increasing competition from supermarkets; An alliance of *Tobu Store* supermarkets, *Marubeni* and *Maruetsu* will combine to surpass *Life Corporation* as Japan's largest supermarket chain; *Aeon Group* and several other major supermarket operators report plans for expansion in 2003; *Kanemi Shokuhin* and *Five Fox* team up to open a new sozai food shop in Tokyo and; although *Sapporo Breweries* reported a loss of market share in 2002 for both its beer and *happoshu* business, *happoshu* is still the beer drinker's cheapest value.

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



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Vol III, Issue 25 January 15-31, 2003

Retail/Wholesale

- Major consumer cooperatives are starting to form coalitions across prefectural boundaries in order to survive severe competition with supermarkets and other retailers. For example, Kyoto and six other surrounding prefectural cooperatives plan to launch a business coalition, and cooperatives in the Kanto region are also forming a similar coalition. (a 1/25)
- According to the *Japan Department Store Association*, overall sales of its member department stores in 2002 declined by 2.3% compared to 2001, on a same store basis. It was the sixth consecutive year of a decline in sales. Food sales also declined by 1.4%. (a 1/23)
- According to the *Japan Chain Store Association*, overall sales of its member supermarkets in 2002 declined by 2.1% compared to 2001, on a same store basis. It was also the sixth consecutive year of a decline in sales. However, food sales increased by 0.7%. (a 1/23)
- *Tobu Store*, a medium-sized supermarket retailer, plans to form a comprehensive alliance with the trading company, *Marubeni* and the chain store operator, *Maruetsu*. The parent company, *Tobu Department Store* will sell its 17.5% stake in *Tobu Store* to *Marubeni* and *Maruetsu* by the end of February. *Tobu Store* will close seven outlets by fiscal 2003, and aims to improve earnings through close ties with the two partners. The combination of *Maruetsu* and *Tobu Store* would create Japan's largest food supermarket chain, ahead of the current leader, *Life Corporation*. (a 1/29)
- Several supermarket operators in Japan plan to expand outlets in fiscal year 2003. *Aeon* and *Maruetsu* plan to expand store openings in fiscal year 2003, reflecting the relatively stable sales of food as compared with apparel and housing-related goods. *Aeon Group* plans to open over 70 food supermarkets in major cities in 2003, nearly double the amount of new stores compared to last fiscal year. *Maruetsu Group* plans to open 25 new stores, mostly small 24-hour outlets in urban areas which is also more than double its current number of outlets. The largest food supermarket operator, *Life Corporation* plans to open six stores in both the Tokyo Metropolitan and Kinki regions. *Inageya*, which opened only one outlet in fiscal 2002, will open a record 10 stores in 2003. *Uny*, which has focused on general supermarkets and large shopping centers, will also open small food supermarket outlets in February 2003. (a 1/30)

Food Service

- According to the *Japan Food Service Association*, overall sales of member food service companies in 2002 declined by 5.6% compared to 2001 on a same store basis. It was the largest decline in history and the ninth consecutive year of a decline in sales since 1994. (a 1/23)
- A popular Californian-Chinese cuisine restaurant in the Beverly Hills, "Mako", opened its first restaurant in central Tokyo last December. (b 1/28)
- *Kanemi Shokuhin*, a supplier of *bento* lunch-boxes and *sozai* (take-out) side-dishes in supermarkets and convenience stores, collaborated with *Five Fox*, a major apparel company, to open a new *sozai* shop in Tokyo following the concept of *Five Fox's* apparel outlet, "Comme Ca". The new shop, "Comme Ca Deli", opened last November with about 70 varieties of *sozai*

side-dishes to allow customers to make their own unique *bento* lunch-boxes. Food packaging and store atmosphere follows "Comme Ca's" fashionable black & white design and concept. *Kanemi Shokuhin* plans to expand stores in the so-called *depachika* (department store basement *sozai* food arcades) market. (b 1/28)

Food Processing/New Products/Market Trends

- *Sapporo Breweries* announced on January 24 that its estimated consolidated working profit declined by 77% for fiscal year 2002 ending December 31, compared to 2001. It is mainly due to the reduced price of *happoshu* low-malt beer and weak sales in both its real estate and beverage businesses. *Sapporo Breweries* was the only company among the four major beer companies to lose market share in both its beer and *happoshu* business. Consolidated sales and operating profit is also estimated to have declined by 8% and 44%. (a 1/25)

ATO Insight: *Happoshu is very roughly translated from Japanese to mean "fizzy liquor". Happoshu was created in Japan to provide the Japanese consumer a reduced-malt product that could avoid the government's high tax on beer. The tax is based on a beer product that consists of more than two-thirds malt. The average Japanese beer drinker prefers the relatively inexpensive lower-malt happoshu over beer. Today, the tax on beer is still roughly half its cost to the consumer. The tax on beer is approximately ¥73 for a ¥150 can (US\$1.25) and for happoshu, it is approximately ¥44 for a ¥110 can (US\$.91). Both price estimates are based on US\$1.00=¥120 and the best deal possible, buying 330ml cans in a six-pack from a local supermarket!*

- *Shokuhin Sangyo Shimbun (The Food Industry News)* announced its ranking of the "Most Favored Food Products in 2002." Under the difficult circumstances of a deflated economy and a series of food safety scandals last year, value-added products, especially health food and inexpensive products like *happoshu* low-malt beer, contributed to market expansion. Some of the products in the ranking were: *Kirin Breweries's "Tanrei Green Label"*, *happoshu* low-malt beer, boneless fish, *Meiji Dairy's "Oishii Gyunyu" (Delicious Milk)*, *Kirin Beverage's "Amino Suppli"*, *Lawson's "Onigiri-ya" or rice balls*, and *Fancl's "Pre-washed Rice"*. (f 1/20)
- Five major beer companies announced that their combined total shipments in 2002 declined by 2.6% compared to 2001. Beer shipments declined by 11% while *happoshu* low-malt beer increased by 15%. (f 1/23)

Food Safety/Consumer Awareness

- Japan's Ministry of Health, Labor, and Welfare announced on January 29 that an excessive amount of the agricultural pesticide, chlorpyrifos was detected in an imported Korean herb known in Japan as 'seri'. (a 1/30)

ATO/Cooperator/Competitor Activities/Trade Shows

- No Significant Articles

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Sources

- | | |
|----------------------------------|---|
| (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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