



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 8/29/2005

GAIN Report Number: JA5523

Japan

Market Development Reports

Food Business Line - Periodic Press Translations from ATO Tokyo

2005

Approved by:

Kevin Sage-EL, Deputy Director, ATO Tokyo
Agricultural Trade Office

Prepared by:

Juri Noguchi, PR Specialist, ATO Tokyo

Report Highlights: Smaller portions of fresh produce sold at retail blamed for lower total sales; *Am/pm Japan Co.*, *Lawson's* and others join the 'one-coin' fresh produce store trend; The continued deregulation of the Farmland Law encourages food companies like *Watami Co., Ltd.*, which plans to lease additional farmland to grow organic rice; *Zensho Group* reconsiders the continued use of beef imported from China in its new subsidiary; Declining sales for both regular beer and Happoshu more than offset the increases for Third Beer; The *Southern United States Trade Association* held its first pecan recipe contest at the demonstration facility of the U.S. Agricultural Trade Office.

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



Food Business Line

Periodic Press Translations from ATO Tokyo Vol. V, Issue 11 July 1-15, 2005

Retail/Wholesale

- Vegetables, pre-cut in small portions or sold loose to allow purchase of small quantities is increasingly offered in retail stores since last autumn when vegetable prices soared due to prolonged rain and typhoons in Japan. Some in the industry say this is the reason for a decrease in the total sales of fresh vegetables. (b. 7/10)
- By the end of 2006, *Am/pm Japan Co.* plans to open 300 “Fresh Conveni” convenience stores that sell fresh produce at a flat price of 98 yen before sales tax. The concept for selling perishables at a flat price was pioneered by *Ninety-nine Plus Inc.*, which operates “Shop 99”, and was followed by *Lawson’s* “Store 100” and *Three F’s* “q’s mart”. (a. 7/8)

ATO Note: Despite the Government of Japan’s imposition of the 5-percent inclusive sales tax last April 2004 (Food Business Line, JA4521) and the corresponding apparent demise of some 100-yen merchandise shops, there still seems to be interest in the grocery and produce market to attract consumers with the low one-coin price strategy. These shops are also competitive on food items other than fresh produce, such as popular green tea beverages sold at prices lower than ordinary convenience stores. Supermarkets are also beginning to engage in this type of low-price competition. Nevertheless, low price does not mean low quality. ATO contacts say that the Japanese consumer still expects quality with the lower prices, which means reductions in operation costs and increased efficiency is necessary.

Food Service

- *Watami Co., Ltd.*, one of the major “Izakaya” chains (traditional Japanese bar restaurant), begins leasing a local farm in Chiba Prefecture to produce organic rice. The 500,000 sq m. farm will not use agrochemicals to produce the organic rice. The rice will be used in their restaurants first, and eventually rice will be available for retail when they succeed in producing stable quantities. (a. 6/30)

ATO Note: The Ministry of Agriculture’s attempts to encourage private sector companies to engage in arrangements with farming areas has attracted about 100 non-farm entities since the initial deregulation in 2003. Less than one-third is in the food industry. The practice had been restricted to approved deregulation zones, like the one above with Watami Co., which already leases land for fresh produce used in its restaurants. As of September 2005, MAFF will go further to allow private sector firms to lease farm land anywhere as long as rental agreements are made with local governments. Some food companies hope to reduce reliance on imports and provide their customers with quality produce while controlling prices.

- The *Reins International Group*, known for its *Gyukaku* restaurant chain, announced that they will develop a new low price curry restaurant franchise chain called “Curry Kichi”. (b 7/10)
- *Mr. Kentaro Ogawa*, President of the *Zensho Group*, which will acquire *Nakau Co., Ltd.* as its subsidiary company, spoke at an interview with *Nihon Keizai Shimbun* that they will revise the Nakau’s menu. The beef bowl menu using Chinese beef may be discontinued due to an imperfect traceability system in the production of the beef. (b. 7/10)

Food Processing/New Products/Market Trends

- According to each major brewery's 2005 January-June shipment report, total sales of beer, Happoshu and the Third Beer decreased by 2.7% compared to the same period last year. It was the fourth consecutive decrease since 2001. The Third Beer's sales category tripled compared to the same period last year, but the decrease in sales for both regular beer and Happoshu more than offset the increase of Third Beer(see Food Business Line: JA5501, JA5506). (f. 7/13)

Food Safety/Consumer Awareness

- No significant articles.

ATO/Cooperator/Competitor Activities/Trade Shows

- The *California Raisin Advisory Board* held “The 14th California Raisin Bakery Contest” award ceremony in Tokyo. The Board also plans for a “California Raisin Technical Cooking Seminar” in late July in Tokyo and Osaka. (f. 7/7)
- The *Southern United States Trade Association (SUSTA)* held “The 1st Southern U.S. Pecan Recipe Contest” award ceremony in the kitchen demonstration facility of the U.S. Agricultural Trade Office, Tokyo. (f. 7/11)

☞ 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 |
| (g) Fuji Sankei Business I | (h) Pan News |

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