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Food Business Line - Periodic Press Translations

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Report Highlights: *McDonald's* started selling the "Mega Mac" for 360 yen (approx. US\$3) and sold double their expectations resulting in a short supply of beef patty. "Premium roast" chicken sold by *Kentucky Fried Chicken Japan Ltd* (KFC) priced at 5,250 yen (approx. US\$44) for Christmas, the most expensive menu item at KFC, sold out by reservation by early December. According to the *Japan Food Service Association*, total sales for its member restaurants in 2006 increased by 0.1% over 2005. It was the first increase since 1994. Supermarkets are trying to increase sales of California citrus by selling smaller sized fruit and/or packing in smaller sized bags rather than increasing prices to avoid losing customer interest.

Includes PSD Changes: No
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[JA]



Food Business Line

Periodic Press Translations from ATO Tokyo Vol. VII, Issue 2, February 1-28, 2007

Retail/Wholesale

- Japan's largest supermarket, Aeon Co., Ltd., reported their sales on a same-store basis in February 2007 increased by 0.2% compared to the same month last year. It will be the first profit in the past 11 months. (a. 2/28)
- Daiei Inc. announced that Daiei and Aeon Co. Ltd. are to agree to form a capital and operational alliance in February. (a. 2/1)
- 100-yen level small sized confectioneries are getting popular at department stores and shopping centers. This will put a brake on the expensive confectionery boom. (b. 2/7)
- Ryoshoku Service Co., Ltd will start selling private brand dietetic food for kidney disease such as a Starch made dumpling wrap with a pork fat stuffing limit of 1.1 gm protein and 0.2 gm salt. (b. 2/5)
- According to the Japan Department Stores Association, total department store sales in January increased 0.02% from the same month the previous year. (b. 2/21)

Food Service

- *McDonald's* started selling the "Mega Mac" for 360 yen (approx. US\$3) and sold double their expectations resulting in a short supply of beef pate. "Premium roast" chicken sold by *Kentucky Fried Chicken Japan Ltd* (KFC) priced at 5,250 yen (approx. US\$44) for Christmas, the most expensive menu item at KFC, sold out by reservation by early December. According to the *Japan Food Service Association*, total sales for its member restaurants in 2006 increased by 0.1% over 2005. It was the first increase since 1994. The increase was due to 0.7% increased sales per customer for fast food restaurants, which was the second sharpest increase since 1994, even though the number of customers decreased by 0.7%. (g. 2/3)
- Yoshinoya D&C Ltd. will start serving lunchtime-limited beef bowls at day and night beginning in March. (b. 2/23)
- According to the Japan Food Service Association, total sales of the food service industry in January increased 1.9% from the same month previous year. (b. 2/28)

Food Processing/New Products/Market Trends

- Popular bottle/pack drink sizes have shifted to smaller sizes. For example, the 500 ml. tea bottle was redesigned to 460 ml. and the 1 l. milk pack to 700 ml. to meet consumers' needs for easy-to-carry and quick-to-finish drinks. (a. 2/1)
- More variations of vegetable juice are produced. According to the survey conducted by *Ministry of Health, Labor and Welfare (MHLW)*, the daily intake of vegetables including vegetable juice of Japanese people in 2004 decreased by 8% for the past 5 years. On the contrary, the demand for vegetable juice is increasing because of the consumers' needs for supplementing the lack of vegetables. The market size in 2006 is said to be 185 billion yen, which is 1.5 times the level of 2003. There is no definition of "vegetable juice", and it is categorized as any drink containing vegetable juice. Vegetable juice with fruit juice and added with lactic acid sold well because of the sweet taste. (a. 2/10)

- Domestic citrus prices are rising sharply due to high demand and the lack of imported citrus. The retail prices are 10-20% higher than last year. (a. 2/14)
- Supermarkets are trying to increase sales of California citrus by selling smaller sized fruit and/or packing in smaller sized bags rather than increasing prices to avoid losing customer interest. (a. 2/8)
- Asahi Breweries Ltd. and Kagome Co. announced that they had agreed to form a capital and operational alliance that will make Asahi the biggest shareholder in Kagome. The agreement is aimed at strengthening the two companies' effective development, production and distribution of health-related food and drink products. (a. 2/7)
- Major frozen food manufacturers are promoting high-value added products with the keywords "health" and "nutrition" to sell for spring and summer. According to the Japan Frozen Food Association, frozen food production for 5 years since 2001 increased by 2% from 1.51 million tons to 1.54 million tons while it decreased by 9% on a yen-basis, which means that sales price for individual items decreased and deflation proceeded. (g. 2/3)
- House Foods Ltd and Kagome Ltd will fully implement joint sales. The target items are House Foods' roux and Kagome's canned tomato. (b. 2/5)
- Fujiya Co., Ltd announced that they will receive technical support on quality control from Yamazaki Baking Co., Ltd. (b. 2/7)
- Asahi Breweries Ltd. will be the largest shareholder of Kagome Co., Ltd. The two companies will cooperate closely and expect synergistic effect in the food and beverage fields. Kagome's know-how in vegetative acid bacteria and vegetables and Asahi's yeast technology will be integrated and the two companies will be strengthened in the health related field. (b. 2/9)
- Katsunuma Winery Co., Ltd will start exporting wine using Koshu, a Japanese variety of grapes. The company will sell Japanese wine to the U.S. especially N.Y. via Japanese trading houses. (b. 2/19)
- Japan Agricultural Cooperatives (JA) is promoting vegetables in collaboration with food manufacturers such as Ajinomoto Co., Ltd. JA Shizuoka has started a tasting campaign for Shizuoka growth celery in conjunction with Fujicco Co., Ltd. JA Ibaraki held tasting campaigns of Ibaraki growth lettuce with Kewpie Co., Ltd at 68 supermarkets in the Tokyo metropolitan area. (b. 2/19)
- Kirin Breweries Ltd. will raise prices of imported wines from Europe 7% because of the strong Euro. (b. 2/12)

Food Safety/Consumer Awareness

- According to the Japan Public Management Ministry's household expenditure survey, total household expenditure for food in 2006 declined by 1.9% compared to 2004. Per capita expenditure for food decrease by 0.9% taking into account a 0.03 decrease in the number of household members. An economic recovery has been discussed, but it seems that the deflation of the food industry has still continued. (f. 2/13)
- According to a survey made by Co-op (Japanese consumers' co-operative union), it was revealed that consumers focus on a company's attitude when corporate scandal happens rather than if there is a scandal or not. (b. 2/7)

ATO/Cooperator/Competitor Activities/Trade Shows

- *Buy California Marketing Agreement (BCMA)* has conducted in-store promotional campaigns at supermarkets including *Queens Isetan* to promote agricultural products from

California by using the image of Governor Schwarzenegger during the import season for California agricultural products. (f. 2/22)

- Major meat packers are trying to find the best way to expand sales of Aussie beef. They are working on expanding sales of low-priced meat and developing new brands. (b. 2/5)
- Tie-up with a movie "Aoki Ookami", Watami Co., Ltd. will provide Mongolian food using lamb and cocktails reflecting the image of Mongolia. (b. 2/12)
- A major vegetable and fruit wholesaler, Tokyo Seika Co., Ltd. will assist in producing more domestic vegetables in cooperation with 6 nursery companies and the National Federation of Agricultural Cooperative Associations. Target vegetables will be cauliflower and pumpkin this year. (b. 2/12)

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 |
| (i) Nihon Keizai Shimbun | |

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