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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2004

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Report Highlights:

From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: Unseasonably cold weather and unstable prices for agricultural produce triggers further declines in sales for Japan's supermarkets; Japan's *100-Yen* shops expand sales of alcoholic beverages; 2003 champagne imports bubble to record highs; A significant increase in consumer expenditures for prepared deli-type food products saw a significant increase in 2003; The Japan Agriculture Ministry offers a new 'Food Safety and Relief Topics' email newsletter for consumers and; the *U.S. Potato Board* serves up tasty menu ideas for the Japanese trade.

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Retail/Wholesale

- According to the *Japan Chain Store Association*, total sales of member supermarkets in 2003 declined by 3.2% compared to 2002 on a same store basis, continuing the trend for an increasing rate of decline. Food sales declined 0.7%. It is mainly due to the unseasonably cold summer, the unstable price of agricultural produce, and the tax increase on *happoshu* low-malt liquors. On the other hand, total sales on an all-store basis increased 0.4% owing to the increase of new stores. In order to increase competitiveness, many supermarkets opened larger stores such as the “super-center”, which offers an expanded array of non-food items. (b 2/3)
- According to the *Japan Chain Store Association*, total sales of department stores in 2003 declined 2.8% compared to 2002 on a same store basis. (b 2/3)
- In the 10-month fiscal term ending in December 2003, *Seiyu*, the major supermarket operator now under the majority control of U.S. *Wal-Mart*, was unable to show good tangible results from *Wal-Mart's* sales reforms and reported a group net loss of seven billion yen. It was the second consecutive year of red ink mainly due to weak sales resulting from unseasonably cold summer weather. (a 2/18)
- Following the liquor sales deregulation last September, 100-yen shops are starting to expand sales of alcoholic beverages. The price will all be set at around 100-yen which is lower than the producer's suggested retail price. (a 2/22)
- From among seven operators of convenience store chains, the number of stores selling alcoholic beverages jumped to 2,105 as of January 31 in the five months since liquor sales were deregulated in September 2003. (a 2/27)

Food Service

- Customers lined up for the last *gyudon* beef bowl at *Yoshinoya D&C* on February 10, the day before it stopped serving the popular menu item because it ran out of the meat following Japan's import ban on U.S. beef. At one *Yoshinoya* outlet in the Yurakucho section of Tokyo, more than 50 people (mostly salaried workers) were in a line shortly after midday, with all 60 seats inside the shop occupied since shortly after 11 a.m. (a 2/10)
- The first ever-Japanese contestant won the worldwide bartenders contest sponsored by *T.G.I Friday's* held in Florida in February. About 6,000 bartenders from 710 outlets around the world participated in the event. (b 2/24)
- *Matsuya Foods*, a *gyudon* beef bowl chain restaurant, announced that it expects a 3% increase in working profit for the fiscal year ending in March 2004 compared to last year. Its pork bowl is selling well, which was introduced as a substitute for beef. (a 2/13)

Food Processing/New Products/Market Trends

- The import quantity of champagne hit a record high in 2003. According to the statistics from “Food Industry News”, 30 out of 43 brands of champagne exceeded their respective import levels of 2003 compared to previous year. The imports for nine out of 10 brands of sparkling wine also increased while other wines generally suffered from stagnant sales. The change of the Japanese woman’s lifestyle and a new marketing strategy to display champagne in boutiques and hair salons are the main factors for the success of champagne in the Japanese market. (f 2/5)
- *Nisshin Pet Food*, one of the members of the *Nisshin Seifun Group*, plans to strengthen its dog food business. The company plans to introduce high quality dog food utilizing the marketing formula that influenced the success of its hit cat food product in addition to improving the label and the packaging. (b 2/10)
- According to the Household Consumption Expenditure survey for 2003 conducted by Japan’s Ministry of Public Management, Home Affairs, Post and Telecommunications, total food consumption declined by 1.8% in 2003 compared to the previous year. The number of family members also declined by 8% compared to 10 years ago. On the other hand, consumer expenditures for prepared deli-type food products saw a significant increase of approximately 50%. (f 2/16)
- Ostrich meat consumption is growing in Japan, reaching an estimated 460 tons in 2003, up 130% from five years before. The meat is mainly used in restaurants, and Japanese consumers are increasingly favoring ostrich because it contains fewer calories than other meats. Growing domestic production is also accelerating the trend as well as the fact that consumers are increasingly choosing the ostrich as a substitute for beef, chicken, and others following the recent bans on meat and poultry imported from the U.S. and other countries. (a 2/19)

Food Safety/Consumer Awareness

- A silkie bantam chicken in Oita prefecture (Kyushu region in the southern part of Japan) was found infected with avian influenza on February 17. The type was found to be H5, the same as that detected in the previous incident of avian influenza in Yamaguchi prefecture. The relevancy of the two cases is not yet clear. (a 2/18)
- Beginning February 20, Japan’s Agriculture Ministry announced that they plan to start inspecting nationwide retailers for their labeling of “Wagyu” (domestic beef). (a 2/14)
- Japan’s Agriculture Ministry plans to start offering consumers an e-mail magazine on “Shoku no Anzen/Anshin” (Food Safety & Relief) Topics beginning February 20. It will be distributed every day with links to food safety and seminar information. (b 2/19)

ATO/Cooperator/Competitor Activities/Trade Shows

- Rice produced in California in 2003 started sales through the member stores of the “U.S. Rice Shop Network” in the Tokyo Metropolitan area established last year by the U.S. Rice Federation. The brand is “Akita Komachi” sold at a price 10-20% lower than domestic one. (a 2/3)
- Ehime prefecture, the No. 1 producer of kiwi in Japan, received its first shipment of New Zealand gold kiwi last winter. *Zespri*, a New Zealand kiwi producer and export organization,

approached Ehime's JA (Japan Agricultural Cooperatives) in 2001, and reached an agreement to sell gold kiwis in Japan. Gold kiwi entered the Ota produce market for the first time in December with high expectations. Its price was nearly four times that for domestic kiwi! (b 2/5)

- The *U.S. Potato Board* held a seminar in February in Tokyo. About 200 people from both the trade and manufacturing sectors attended the seminar and tasted various menu items using a variety of U.S. dehydrated potato products. (b 2/26)
- *Mercian* plans to turn a truck into a bar-on-wheels as part of its promotional campaign for Chilean wine on March 6. The vehicle is to run through seven major cities in Japan offering free tasting and selling a glass of wine for 100-yen. (b 2/26)

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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