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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

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Report Highlights: *Seiyu* begins to implement some of *Wal-Mart's* programs and strategies in select stores; A survey by the Ministry of Economy, Trade and Industry reveals signs of contraction in the Japan wholesale market; While continuing to report consecutive declines for overall sales, the *Japan Department Store Association* and the *Japan Chain Store Association* continue to report small increases in food sales; *Nichii Gakkan* a provider of in-home nursing services teams up with *Japan AAS Catering Co.*, a subsidiary of *Japan Airlines*, to provide home delivery of frozen cooked meals for the elderly; *Toka Osaka Co.* plans to manage a production database for agricultural cooperatives containing items such as origin of production and chemicals used and; *Foodex Japan 2003* attracts 98,920 visitors, up about 11 percent from 2002.

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Retail/Wholesale

- *Seiyu* is launching a project team with a view to introduce *Wal-Mart Store's* "Retail Link" inventory information system. With "Retail Link", *Wal-Mart* can offer a low-cost decision-making tool made possible by sharing its sales and inventory information with its supplier-manufacturers and wholesalers, resulting in more accurate demand forecasts. The system will be installed in three *Seiyu* stores in August and then five stores in September. (b 3/20)
- According to the Ministry of Economy, Trade and Industry's Commercial Statistics, total sales and number of retail outlets in 2002 were down by 6.1% and 7.6% respectively, compared to the previous survey completed in 1999. This implies that about 100,000 stores disappeared in three years. On the other hand, total store space continues to expand, seeing an increase of 5.1% compared to the previous survey, reflecting the trend toward larger retail establishments. (b 3/20)
- According to the Ministry of Economy, Trade and Industry's Commercial Statistics, total number of business offices of wholesale companies in 2002 declined sharply by 10.9% compared to the previous survey completed in 1999. This decline is associated with some 370,000 stores disappearing in the past three years. Total sales also fell sharply, by 16.5%, which is the largest decline since the first survey. These figures clearly indicate a shrinking wholesale market in Japan. (b 3/20)
- According to the *Japan Franchise Chain Association*, total sales of member convenience stores in February increased by 1.6% on a same-store basis, which was the first increase since June 2001. This increase was probably attributed to an increase in consumer interest to purchase high cost high-way toll pay cards before their sales were discontinued at the end of February. (b 3/22)
- *Seiyu's* first new store after initiating its new affiliation with *Wal-Mart* opened on March 21 in Saga prefecture (Kyushu region). While the new store still looks more like a *Seiyu* store, there are some indications of *Wal-Mart* business strategy such as utilization of part-time workers and introduction of *Wal-Mart*-spec furniture and utensils. (b 3/25)

ATO Remarks: When visiting a new Seiyu store located in a Tokyo suburb, the ATO observed wider aisles and use of Wal-Mart's price 'Rollback' system and signage. Seiyu's store managers also indicated that the company is consolidating product lines being offered to reduce costs and streamline presentation of merchandise to customers.

- According to the *Japan Department Store Association*, total sales of member department stores in February declined by 0.5% compared to the same month last year, on a same-store basis. It was the 11th consecutive month of not achieving the previous year's sales level. However, food sales increased by 0.9%. (a 3/26)
- According to the *Japan Chain Store Association*, total sales of member supermarkets in February declined by 1.4% compared to the same month last year, on a same-store basis. It was the 8th consecutive month of an overall reduction in sales. However, food sales increased by 1.5%.

(a 3/26)

Food Service

- More and more organizations are starting to open *onigiri* rice ball shops. Not only food service companies but also agricultural cooperatives, shopping centers, and even a seaweed shop are offering *onigiri* rice balls the tasty rice and seaweed. In response, convenience stores are improving the quality of their *onigiri* rice balls. Increased competition is expected to continue. (b 3/20)
- Beginning in June, *Nichii Gakkan*, Japan's top vendor for visiting nurse services, has teamed up with *Japan AAS Catering Co.*, a subsidiary of *Japan Airlines* and supplier of in-flight meals, to provide home delivery of frozen cooked meals for the elderly. The sales target is 430 million yen for the first year with an aim to expand in the near future. (a 3/25)
- *Mos Food Service*, an operator of "Mos Burger" hamburger fast food chain, plans to start an on-line service to sell fresh vegetables and fruits that are produced with either reduced or no agricultural chemicals. The URL/address is: <http://www.mos.co.jp> (a 3/28)

Food Processing/New Products/Market Trends

- The Postal Services Agency announced on March 25th that it will expand the scope of tie-ups with the private sector after its transformation into a public corporation in April. New business partners are ranging from florists to convenience stores which are opening outlets inside some post offices. Since January 1, there is already a tie-up with *Lawson* convenience stores, having set up mailboxes at *Lawson* outlets across Japan. (Daily Yomiuri 3/26)
- A holding company, *J-Oil Mills Inc.*, established on April 1, is a result of management consolidation by *Honen Ajinomoto Oil Mills Inc.* and *Yoshihara Oil Mill Ltd.* As a result, the edible oil industry will virtually be dominated by the two giants, *Nisshin Oillio Group* and *J-Oil Mills*. (f 3/27)

Food Safety/Consumer Awareness

- In order to respond to increasing consumer awareness of food safety, this summer, *Q.P. Corporation* plans to expand its traceability system to mayonnaise its best selling product. (a 3/17)
- *Toka Osaka Co.*, a fresh-produce wholesaler in Osaka, plans to begin providing a centrally-managed production database service for fresh-produce supplied to supermarkets and consumers. Working through agricultural cooperatives and other similar groups, *Toka Osaka* will collect information such as names, origin of production, types of agricultural chemicals employed and the dates the chemicals were used. In the first year of the operation, *Toka Osaka* expects 30 agricultural cooperatives to take part, amounting to registrations of about 10,000 producers. (a 3/25)

ATO/Cooperator/Competitor Activities/Trade Shows

- Foodex Japan 2003 was held on March 11-14 at Makuhari Messe in Chiba prefecture. This year, 98,920 people attended the show, an increase of about 10,000 visitors compared to last year. The

size of the international exhibition increased, along with the numbers of visitors from other countries. The pavilions for Italy, the United States, and Korea were particularly large and active in attracting many attendees. (f 3/20)

ATO Remarks: While the U.S. Pavilion offered a full range of exhibitors, including numerous new-to-market companies, the Japan Pavilion lost several major food processing companies and increased its focus on organic and naturally-produced products. There were also several demonstrations by regional Japanese agricultural cooperatives presenting systems for safety assurance and trace-back.

- In accordance with the resumption of the French pork exports to Japan, on March 17, the *Pork Board of France (INAPORC)* held a seminar regarding France's pork safety system at the French Ambassador's Residence. About 100 people attended the seminar. (f 3/24)

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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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