



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 9/28/2006

GAIN Report Number: JA6519

Japan

Market Development Reports

Food Business Line

- Periodic Press Translations

2006

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Report Highlights: Lawson Inc. will open new-style convenience stores targeting older consumers. Three major convenience stores (Lawson Inc., Family Mart Co., Ltd. and Circle K Sunkus Co., Ltd.) recently announced that they would work together in planning and sales of products to take countermeasures against the largest convenience store in Japan, Seven-Eleven Japan Co., Ltd. The first Seiyu under Walmart's ownership opened in June in Sendai. Imported beer, especially European beer influenced by the recent interest in the World Cup, is becoming popular in Japan because of its unique flavor.

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



Food Business Line

Periodic Press Translations from ATO Tokyo Vol. VI, Issue 6, June 1-July 31, 2006

Retail/Wholesale

- Under *Daiei Inc.*'s revitalization plan, the company will finish closing 54 outlets by the end of June. The company is also planning additional closings through the end of February 2007 because of slow sales. (a. 6/28)
- The group sales for *Seven & I Holdings Co., Ltd.* from March-May 2006 increased by 16% compared to the same period last year. Their new subsidiary, *Millennium Retailing Co., Ltd.*, contributed to this growth in sales, while their convenience stores and supermarkets also gained in profitability. (a. 6/22)
- *FamilyMart* established the system to support obtaining "ISO9001" for their contract manufacturers of HMR and box lunches. All facilities are targeted to obtain this designation by the end of February 2008. (b. 6/16)
- *Lawson Inc.* will open new-style convenience stores targeting older shoppers. They will sell Japanese tea, traditional cakes and bento box lunches, and set up tables and massage chairs so that the customers can eat, drink and enjoy visiting the store. (a. 6/24)
- *Lawson Inc.* announced its new strategy to "promote the health of the Japanese people." They will sell low-pesticide vegetables produced by contract farmers while partnering with the Japan Sports Association. (g. 6/22)
- *Lawson Inc.* will sell 16 popular confectionary items on the *Rakuten Ichiba* internet website from June 27-July 10. *Lawson Inc.* also sells these confectionary items at 60 "Natural Lawson" outlets. *Lawson* and *Rakuten* are planning more collaboration in the future. (f. 6/29, b. 6/21)
- *Aeon Co., Ltd.* will be the first retail company to adopt European GAP standards, which is a system to certify the safety of agricultural products in Europe. The Japanese company will strengthen and supplement their own standards for private brand products to make them compatible to European GAP standards. The purpose of this change is to set more rigid food safety standards and to establish a path for sharing information with Europe. (b. 7/5)
- According to the results of retail survey in 2005, the top 10 groups for sales volume are *Aeon*, *Seven & I Holdings*, *Daiei*, *Yamada Denki*, *Uny*, *Seiyu*, *Takashimaya*, *Mitsukoshi*, *Daimaru*, and *Isetan*. There have been no changes in the list except for the inclusion of *Seven & I Holdings*, which holds stocks of *Ito-Yokado* and *Seven-Eleven Japan*. (b. 6/28)
- *Circle K Sunkus Co., Ltd.*, a major convenience store, announced that they have started the "Think Body" project to supply nutritionally balanced Bento box lunches and desserts in collaboration with *Avex Group Holdings*, a major music publishing and entertainment company. (g. 7/4)
- *The Aeon Group* started an experimental new small-sized food supermarket "My Basket." Located in these new supermarkets will be the take-out box lunch company *Origin Toshu Co., Ltd.*, which was recently purchased by the Aeon Group. (f. 7/20)
- *Lawson Inc.* will open new-style convenience stores under the "Happy Raising Children Project," targeting parents of small children. They will sell products and services to match targeted customers' preferences. The idea for the project was a housewife who won the grand prize at *Lawson's* "Think of Future Convenience Store" to commemorate their 30th anniversary in 2005. (g. 7/11)

- Three major convenience stores (Lawson Inc., Family Mart Co., Ltd. and Circle K Sunkus Co., Ltd.) recently announced that they would work together in planning and sales of products to take countermeasures against the largest convenience store in Japan, Seven-Eleven Japan Co., Ltd. The three companies will start with soft drinks and may gradually expand to liquor and processed food items. The purpose of this alliance is to take countermeasures against the largest convenience store, *Seven-Eleven Japan Co., Ltd.*, by decreasing the cost of procurement and improving the profit rate and quality of products. (g. 7/13)
- Major supermarkets are beginning to manufacture their own take-out foods. *York Benimar*, for example, established a new factory to manufacture sushi and take-out foods. *Ito-Yokado Co., Ltd.* established its own factory by using the know-how of *Seven-Eleven Japan*, which will enable them to develop original products to match their customers' tastes and attract more housewives and older customers while keeping a high profit ratio. (a. 7/8)
- The first Seiyu under Walmart's ownership opened in June in Sendai. Walmart renovated the store at a low cost and introduced an automatic supplement system for the first time in Seiyu. (f. 7/3)
- Ryoka Japan Ltd., a subsidiary of Ryoshoku Co, Ltd., will increase confectionery imports to 3 billion yen by December 2007 and to 4 billion yen by December 2009. U.S. brands are to be added in the fall of 2006. (b. 7/31)
- *Marubeni Corporation* announced that they purchase 33.6% of Daiei's issued shares from *The Industrial Revitalization Corporation of Japan (IRCJ)*. This makes Marubeni the largest stockholder of Daiei. (b. 7/31)

Food Service

- *Don Quijote Co., Ltd.*, a general discount store chain, will work with HMR consulting company Deli System Planning to start new-style convenience stores in August. Don Quijote has been looking for an alternative partner since they failed to buy the bento take-out lunch and HMR chain *Origin Toshu Co., Ltd.* They will open approximately 10 outlets in Tokyo and its suburbs to sell bento take-out lunch and sozai HMR. (a. 6/30)
- A hamburger chain *Freshness* will start in July a retail business featuring convenience type stores called "Freshness Natural Market," which will feature health food. The stores will sell USDA NOP organic foods and almost 150 imported food items and household items. Domestic items will be added in 2007. (b. 6/16)
- *Royal Holdings Co., Ltd.* restaurants increased the use of locally produced vegetables. They started from *Royal Host* and *Sizzler* restaurants in Kanto and Tokai Regions, and will expand to other regions in Japan. The reason for this move is to improve the freshness and reduce expenses. (b. 6/7)
- *Denny's Japan* will start selling allergen free cakes baked with rice powder and soy cream. *Denny's Japan* will not use eggs, wheat or dairy products in their cakes. (b. 6/7)
- According to the 2005 financial statement of major yakiniku beef-bowl chain restaurant, business improved due to their strategy of using an alternative beef supply from Australia and China. For example, the sales of *Zensho Group*, which owns the *Sukiya* beef bowl restaurant chain, was up almost 300 percent from last year. (b. 6/5)
- According to a recent survey conducted by Nikkei Shimbun newspaper, only 7.4% of 54 major food service and retail companies relied that they will use U.S. beef right after the ban is lifted. Four companies including Gyudon beef-bowl chain *Yoshinoya D&C* and Yakiniku Korean barbecue chain *Zenshoku Co., Ltd.* replied that they would use U.S. beef once it's

available because they believe in the high quality, the excellent taste and the safety of U.S. beef. 27.8 % of the respondents stated they would probably use U.S. beef soon after the ban was lifted. However, 50% replied that they would not use U.S. beef for a while because they have established a system of using Australian beef or because they still think there are questions about safety. Among those who replied “will use” 41.7% were food service companies while only 22.2% were retailers. Retailers tend to survey housewife customers, who tend to be more conscious about U.S. beef. (b. 6/23)

- According to the *Japan Food Service Association's* report on total sales of restaurants in June, the total sales of the member restaurants on the same store basis increased by 0.4% compared to the same month of last year. It was the fourth consecutive increasing month. (b. 7/26)
- *Hanamasa Co., Ltd.*, a food service wholesale supermarket, will open about 30 new stores in the Tokyo metropolitan area, which will double the amount of stores they have. (b. 7/17)

Food Processing/New Products/Market Trends

- According to the 2005 *Ministry of Public Management's* report on national census, the number of people older than 65 in the population was 26,820,000, which was an increased of 21.9% from the previous 2000 report. The ratio of people older than 65 in the total population increased to the world's highest level of 21.0%, while the population of people younger than 15 decreased to the world's lowest level of 13.6%. (a. 6/30)
- *Kikkoman Co., Ltd.* will start in the chilled drink business in July aiming at the expanding chilled drink market. “DelMonte” vegetable and fruit juices/drinks will be the leading items sold at supermarkets and convenience stores. (a. 6/23)
- *Mercian Corporation* started “Casual Wine By Order” supply system targeting volume retailers and supermarkets. The price ranges from 500-700 yen and the company only imports only the amount that was ordered. (b. 6/5)
- Drink manufacturers and retailers are developing new ways to increase the demand for vegetable juice such as creating recipes using vegetable juice and supporting seminars to promote the health benefits of vegetables at primary schools. (b. 6/19)
- *Nagatanien Co., Ltd.* and *House Foods Corporation*, two major food manufacturers, will start producing chilled prepared foods to sell at major supermarkets targeting single households and older consumers. (a. 6/16)
- According to a report by *SGS Japan Inc.*, an inspection and certification organization, the SQF (Safe Quality Food) certification is becoming popular, especially among meat business companies. Twenty-four companies obtained SQF certification as of the end of June, nineteen of which are meat business companies. The SQF is the international strict food safety and quality management standards started in Australia. (b. 7/3)
- A major baking company, *Yamazaki Baking Co., Ltd.*, announced that they acquired *Tohato Inc.* They are planning to place *Tohato and Yamazaki Nabisco Co., Ltd.* as the core confectionery businesses, with a target of total sales of 1 trillion yen, but analysts believe that the company cannot expect significant growth in their core bread business. (a. 7/4)
- The price of seafood is increasing at supermarkets. The retail price for tuna has increased by 20-30% since this spring because of the projected decrease of imports due to the fishing regulations. Demand for white meat fish such as salmon and flounder has expanded in Europe due to people's anxiety over meat consumption after the BSE outbreak and in China due to its continuing economic growth. The high price will continue for a while because of the world's tight supply of marine resources. (a. 7/12)

- Imported beer, especially European beer influenced by Japan's interest in the World Cup, is becoming popular because of its unique flavor. Department stores have expanded the space for imported beer, and stores that carry imported beer have flourished. Belgium and German beer are the most popular imported beer. (a. 7/15)
- The price for ham and sausages will increase due to the increased price for package materials caused by the high crude oil price. (b. 7/17)
- Sparkling wines and sparkling Sake have become popular in Japan. They attract female consumers by their casualness and refreshing taste. (a. 7/29)
- "UDF" (Universal Design Food) food for people who has minor difficulties in biting or drinking, has started to be recognized by the Japanese market, and as such, many manufacturers have increased sales of UDF food. The market size is currently estimated at 12 billion yen, but should in the coming years it should accelerate because major manufacturers are planning to enter into the UDF market. (f. 7/20)
- According to Japanese shipping statistics, in the first half of 2006 total shipments increased by 1.1% compared to that of 2005 for the five major beer companies. This was the first increase during the first half of the year in five years. *Kirin Brewery Co., Ltd.* has a market share of 37.6% for the first time in five years. (a. 7/12)
- A major seafood wholesaler, *Kamewa Shoten*, has been certified as the first MSC (Marine Stewardship Council) handler in Japan and started supplying MSC labeled products at several supermarkets in Tokyo, including *National Azabu Supermarket*. *Kamewa* started producing "MSC salmon rice cracker" on a test basis to educate consumers, and a fisherman's union in Kyoto prefecture is planning to acquire MSC certificate for snow crabs. (a. 7/10)
- Demands for beef has declined in both retail and food service industry. According to the report, the unseasonable weather and the reaction to an abnormal high market price before the Golden Week in May lowered demand. (f. 7/3)
- *Suntory Ltd.* and *Kao Corporation* are competing with each other for the top sales item of "Food for Specific Health Uses." *Kao's* "Healthya" tea/water and *Suntory's* "Kuro Oolong Tea" both claim to control the absorption of fat. (g. 7/30)

Food Safety/Consumer Awareness

- A month has passed since the new MRL positive list system started. Violations were found only in the limited items of some fresh vegetables from China, Thailand and Belgium, and in eels (5) from China. While a considerable confusion was expected, the Japanese food industry took it as a quiet start. (f. 6/29)
- "Shokuiku" (food education) has been popular among retail stores with sales promotion for fresh vegetables. Recipes and visual materials to promote vegetables to mothers and children are now at several supermarkets. (b. 7/31)

ATO/Cooperator/Competitor Activities/Trade Shows

- *Almond Board of California* reported the results of research that showed eating almonds regularly can control the increase of level of blood sugar and cholesterol. (f. 6/22)
- *Raisin Administrative Committee* announced that they established May 1 as the "California Raisin Day" to commemorate the 45th anniversary of their Japan office. (f. 6/8)
- *USMEF* will hold the "2006 American Pork Seminar" in Tokyo, June 15, to update importers on the production of U.S. pork and the trends on retail merchandising, etc. (f. 6/12)

- *USMEF* held the final competition of “American Pork Original Recipe Contest” in Tokyo, June 11. Twelve consumer finalists participated in the competition to be judged by two famous cooking school representatives. (f. 6/19)
- *SOPEXA* held the “Day of Aperitif” event in Tokyo with over 3,500 people. They set the first Thursday in June as “Day of Aperitif” to introduce the French culture of “aperitif”. Similar events were held in the various cities in Japan. “Aperitif” is a simple, informal way to enjoy conversation, food, champagne, and spirits. “Day of Aperitif” gives people around the world an opportunity to re-discover and share French food culture. (f. 6/8)
- Obtaining a license for liquor sales will be fully liberalized in September. Supermarkets and convenience stores that were restricted in selling liquor will be able to obtain a license, and the number of stores that will sell liquor for the first time will increase. (b. 6/16)
- *The California Walnut Commission* held “Walnut convention” and “The 17th California Walnut New Products Development Contest Award Ceremony” in Tokyo. (f. 7/20)
- *The Raisin Administrative Committee* held “2006 California Raisin Menu Idea Contest Award Ceremony” with the theme of “California Raisin Menu You Want to Eat Everyday”. (f. 7/27)
- Specialty cheese from the United States will start appearing in the Japanese market. *U.S. Dairy Export Council* held a seminar and tasting to introduce U.S.’s specialty cheese to the Japanese market. (f. 7/3)
- *USMEF* held “American Pork Cooking Class - Italian Menu Using US Pork and Vegetables from Kyoto by Chef Yasuhiro Sasajima” in Tokyo. 50 consumers participated in the event. (f. 7/3)
- Mr. Gregory Hanes, the new Japan Director of *USMEF*, who was interviewed by a reporter from The Food Industry News reporter, said that the most important key for the future of U.S. beef would be the recovery of trust, and that they would conduct campaigns targeting consumers and the meat industry in Japan to let them know how U.S. beef is produced safely and with care. (f. 7/24)
- *Meat and Livestock Australia (MLA)* and *Osaka Cookers’ Association* held “Tasty Meat Cooking Using Aussie Beef & Lamb Seminar” at the Tsuji Cooking School Technical Research Center. 136 chefs and cooks participated in the event. (f. 7/3)

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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