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Market Brief - Product

Japan : Food Processing Sector - Health and Functional Foods

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HEALTH and FUNCTIONAL FOODS

OVERALL TRENDS

There is no legal definition of health food in Japan. Popular definitions range from prescription drugs to organically grown foods. Because the market for health and functional food has been growing rapidly in recent years, the Japanese Ministry of Health and Welfare (MHW) is now considering creating a new market category falling in between medicine and foods. Since definitions of health and functional foods vary, it is difficult to gather accurate statistics on market size, growth and other trends.

This report will cover foods recognized by the Japanese Health Food and Nutrition Food Association (JHNFA), foods recognized by the Ministry of Health and Welfare as "Special Nutritive Food" and the recently deregulated vitamin and herb sectors. These categories are not all inclusive and exclude some products widely considered to be health food.

Japan's market for health food has grown steadily during the post-bubble years and is expected to enjoy continued growth. According to the Management and Coordination Agency's Family Income and Expenditure Survey, spending on JHNFA approved health food was 7,229 yen per household in 1996 making total sales around 300 billion yen. The market for special nutritive food is thought to average around 130 billion yen a year with sales growth averaging 7 to 9 percent until 1996 when growth slowed to 2.5 percent due to the recession. According to a 1996 survey one in four people in Japan use some kind of dietary supplement.

This growth is driven by the current health boom in Japan. There are several reasons for the recent interest in health maintenance among Japanese people. First is the high aging rate of the Japanese population. With life expectancy increasing and birth rates stagnant, the number of elderly in Japan (over 65 years of age) is expected to reach one-third of the population by the year 2050. Older people are the biggest consumers of health food and dietary supplements. Further, young people are worried that the burden of an ageing society will mean reduced quality of health care when they reach retirement age. As a result, younger people are taking more responsibility for their own health.

Major Health Food Makers in Japan:

1. MIKI CORPORATION
2. OTSUKA PHARMACEUTICALS CO.
3. AMWAY JAPAN
4. TAKEDA FOOD INDUSTRY
5. SUN CHORELA
6. POLA FOODS
7. SHAKLEE JAPAN

Dietary changes are another reason for the increasing sales of health foods. Japanese people are eating more western food (rice consumption is down 20 percent in the last ten years while beef consumption has increased 14 percent) and are also eating more processed foods due to the proliferation of fast food chains and convenience stores. As a result, calorie and cholesterol intake has increased. Consumers have responded to expanding waistlines with increased interest in dietetics.

While the market for health foods has grown during the post bubble years in Japan, the current recession has caused a shift in consumption. Consumers have turned towards lower priced health foods and nutritional supplements. Sales of health products priced under 1,000 yen are growing rapidly. Otsuka Pharmaceuticals created this market with its line of “Nature Made” products introduced in 1993.

The rise of low priced health food products is causing a change in distribution channels. The health food market in Japan is unique due to the large percentage of products sold via mail-order and door-to-door. However, with the growing popularity of lower-priced items, more health foods are being sold through convenience stores and in supermarkets. Currently, the market is split about fifty-fifty between direct sales and mail-order/door-to-door sales. Another unique feature of the health food industry in Japan is the large number of foreign firms active in this market. Shaklee, Amway and Nu Skin all have Japanese subsidiaries while U.S. based Leiner Health Products and Pharmavite Co. both sell through Japanese partners.

HEALTH FOOD

The JHNFA was created in 1988 to respond to problems of false advertising and price gouging in the health food market. Products which meet their labeling, advertising and sanitary control standards receive the associations seal of approval. This is a voluntary standard, not covered by any law or regulation. Working with the Ministry of Health and Welfare, the JHNFA has authorized 47 categories of food for inclusion in the health food sector. The JHNFA does not consider this list inclusive and is working to expand the number of recognized categories. Besides these 47 officially approved health foods, the JHFNA also recognizes 12 types of ingredients that benefit health. The JHNFA defines Health Food as food eaten for health purposes and not in the shape of normal food. This definition includes pills, drinks and granules.

Chlorella, a green fresh water plant containing vitamins and minerals, is the largest selling product covered by the JHNFA’s definition. Annual sales of chlorella average 50-60 billion yen. Other big sellers among the 47 JHNFA products include ginseng, vitamin C, prune extract, and chitosan food (fiber from shells of crabs and shrimp which reduces the intake of cholesterol).

Gymnema silvestre is the most recent product to be certified by the JHNFA. This popular product restricts the intake of sugar and fat and fights tooth decay. Gymnema silvestre sales have been growing rapidly and are estimated by one producer to be around 200 metric tons a year. Garcina cambogia is expected to be the next product certified by the JHFNA. This diet food, made from an Indian plant, is sold in the form of tea, gum, cookies and candy. The product was introduced in 1995 and has sold well in Japan. Certification is expected in 1999, which should further boost sales.

Among the 12 recognized but not officially approved ingredients, royal jelly is the biggest seller. Royal jelly is used as a tonic to boost energy and combat fatigue caused by stress. It is popular both among the elderly and young Japanese consumers who lead hectic lives. Royal jelly is consumed in drinks, powders and capsules. Domestic production of royal jelly in Japan is very small. China is the largest exporter of royal jelly to Japan.

SPECIAL NUTRITIVE FOOD

Food authorized by the Ministry of Health and Welfare as special nutritive food is defined as “food consumed for the purpose of specified health use that is labeled to the effect that said specified health use can be attained through its ingestion." As of November 1997, 100 products were approved as special nutritive foods by the MHW with total sales estimated by the JHNFA to be 131.5 billion yen (USD 1.06 billion) that year. Food authorized by the Ministry of Health and Welfare (MHW) bears an MHW authorization mark. Special nutritive food includes two categories, "food for special dietary use" and "food for specified health use." Food for special dietary use includes foods made specially for infants, toddlers, expecting and nursing mothers and sick people. Examples include low sodium food, low calorie food, low protein food, high protein food, lactose free food, non-allergic food and various multi-purpose foods for the elderly. Authorization as a "food for specified health use" allows food producers to advertise the concrete benefits and effectiveness of their products. Included in this category are products for high blood pressure, high cholesterol, intestinal disorders and foods that help the intake of minerals. This category was created in 1991. Leading products in this category include the following: lactic acid bacteria products for intestinal disorders with approximately 98.9 billion yen in sales, dietary fiber products with approximately 12.6 billion yen in sales and minerals with approximately 7.6 billion yen in sales. Other popular products include oligosaccharides for intestinal disorders, soybean protein to reduce the intake of cholesterol and improve nutrition and peptides to control blood pressure.

In a 1996 survey by the Ministry of Health and Welfare, one out of four respondents supplement their diet with some sort of special nutritive food in their daily life. The number one reason for using nutritional food was that people feel they do not get enough nutrition from their daily meals and therefore need supplements. Use of special nutritive food is highest among the elderly (60's and 70's). It is also popular among those in their 20's, who make up more than 25 percent of the market based on volume. Spending by younger consumers on health care products is much lower than consumers over fifty as they tend to purchase lower priced products.

Popular brands of special nutritive food include the following:

Health Drinks: "Fibe-Mini" by Otsuka (a dietary fiber drink), "Tekkotsu Inryo" by Suntory (iron and calcium drink), "Calcium Parlor" by Takara Shuzo, "One a Night" by Otsuka (oligosaccharides drink) and "Meiji Bulgaria Nomu Yoghurt Ca" by Meiji (calcium drink).

Dairy Products: "Yoghurina" by Suntory (oligosaccharides), "Bihidas" plain yoghurt (lactic bacteria), and "Meiji Bulgaria Yoghurt LB81" (lactic bacteria).

Processed Foods: "Sukkiri Kaicho" by Lotte (chocolate with oligosaccharides), "Pick Oligo" by Ezaki Glico (biscuit with oligosaccharides), "Fiber Jelly" by Pokka, "All Bran" by Japan Kellogg (cereal with dietary fiber), "Nisshin Oishisa Purasu Sairium Ramen" by Nisshin Shokuhin (instant noodles with added fiber), "Kenko Balance Life Pork Wiener" by Ito Ham (sausage with added fiber) and "Oligo no Okage" by Ensuikoseito (table sugar with oligosaccharides).

VITAMINS and HERBS

The market for vitamins and herbs has changed in recent years due to deregulation which has reclassified these products as food rather than pharmaceuticals. As a result, these products are now covered by the Food Sanitation Law rather than the Pharmaceuticals Affairs Law and can be sold without a prescription. These changes should spur market growth and create opportunities for foreign producers.

Vitamins were deregulated on April 1, 1997.

As a result, much of the 430 billion yen prescription vitamin market will now shift to the retail foods market. The United States is a major importer of vitamins to Japan. The vitamins covered by the regulatory change are vitamins A, B1, B2, C, D, E and Niacin. Under the new regulations the labels of these vitamins must clearly read "food" and state that the product is not intended to serve as a medicine. Under these relaxed rules, vitamins can be sold without an RDA limit, can be sold in any retail outlet (e.g. convenience stores and supermarkets) and can be sold in any shape or form, including tablets and capsules. Six other vitamins are also covered by the new rules as long as they are under specific dosages. These vitamins include:

- -B6, under 3 milligrams,
- -B12, under 3 micrograms,
- -K, under 120 micrograms,
- -Pantothenic Acid, under 6 milligrams,
- -Biotin, under 45 micrograms, and
- -Folic Acid, under 300 micrograms.

Above these dosages the vitamins are regulated as medicines under the Pharmaceuticals Affairs Law.

Deregulation in the Japanese herb market has not been as far reaching as in the vitamin market. The biggest barrier to selling herbs in Japan is restriction on the shape of products. Products in the shape of medicines, (pills, capsules) may not be sold as food. In effect this keeps foreign products from entering the market. In April of 1998 the MHW announced a deregulation of 171 herbs, but changed the shape regulations on only seven types. The Ministry of Health and Welfare continues to review herb products and may deregulate further in the future. The market for herbs in Japan is very small with no accurate estimate of its size. Popular herbs include garcina cambogia, a diet food, curumin, saw palmetto, used to treat anenlarged prostrate, pycnogenol, an antioxidant, and echinaceia purpurea.

IMPORT POTENTIAL

American firms have done very well in Japan's health food market. Amway and Nu Skin both have subsidiaries in Japan. These two companies rely on door to door sales. Pharmavite Company and Leiner Health Products are both selling products in Japan without a Japanese subsidiary, but are instead using Japanese partners to help distribute their products. Leiner Health Products has a partnership with Takeda Chemical Industries, while Nature Made partnered with Otsuka Pharmaceuticals Co., and later became a subsidiary of that company. These two companies market through traditional retail chains, rather than door-to-door. Nature Made introduced low-priced nutritional supplements to Japan in 1993 with its line of products priced under 1,000 yen.

While the market for nutritional supplements is expected to rise in the future, this is a fiercely competitive market with hundreds of companies competing for sales. Profit margins have shrunk as prices have fallen. Companies wishing to import finished products directly to Japan must be careful to comply with Japanese laws and regulations including the "Food Sanitation Law," the "Pharmaceutical Affairs Law" as well as laws concerning product labeling and door-to-door sales. Each of the companies listed above has customized its products to conform with Japanese standards. Nu Skin, for instance, changed certain products from capsules to tablets so they could be sold as a food rather than medicine.

Imports of raw materials for nutritional supplements are generally handled through large trading companies or specialty importers. Large suppliers of health products to Japan include Korea, China and Taiwan. Taiwan supplies 80 percent of Japan's chorella, China supplies 85 percent of

Japan's royal jelly and Korea supplies 80 percent of Japan's ginseng. The United States is very competitive in the market for vitamins, fiber sources (such as prunes), protein concentrates and other products such as garcina cambogia, pycnogenol and green food (a juice mixture of green and yellow vegetables).

INGREDIENTS
VITAMINS: C, D, B1, B2, B6, B12, E, K. beta carotene, niacin, pantothenic acid, biotin, folic acid.
HERBS: garcina cambogia, curumin, saw palmetto, pycnogenol, echinacea purpurea.
DIETARY FIBER: prunes, raisins, pineapple fibre, vegetable fiber.
MINERALS: calcium sources (bone powders, calcium carbonate, whey, egg shells, etc.), iron sources.
PROTEIN SOURCES: vegetable and non-vegetable protein concentrates.
OTHERS: oligosaccharide, royal jelly, propolis, gingko leaves, enzymes, collagen, bee pollen, peptides, linolic acid, green food, kapusaishin, grape seed extract.

Foods Approved by the JHNFA	
1. Wheat Germ Oil	23. Fermented Vegetable Extracts
2. Barley Germ Oil	24. Fermented Vegetable Food
3. Rice Germ Oil	25. Calcium
4. Pearl Barley Germ Oil	26. Processed Barley Leaves
5. Vegetable Oils Foritfied w/ Vitamin C	27. Processed Wild Rice (*Macomo*)
6. Food Containing Vitamin C	28. Processed Alfalfa
7. Chlorella	29. Processed Eleuterecocus
8. Spirullina	30. Gamma-Linoleic Acid
9. Yeast	31. Processed Snapping Turtle
10. Processed Refined Fish Oil Containing Eicosapentaenic Acid (EEPA) or Docosahexaenoic Acid.	32. Processed Ganoderma Mushrooms
	33. Beta Carotene
	34. Plum Extract
	35. Prune Extract
11. Processed Dietary Fiber	36. Mucopolysaccharide-Protein
12. Processed Ginseng	37. Snapping Turtle Oil
13. Soy Lecithin	38.Germ Foods
14. Processed Shitake Mushrooms	39. Processed Soya Saponins
15. Processed Carp	40. Pollen
16. Processed Oysters	41. Fermented Protein Food
17. Processed Shijimi Clams	42. Propolis Food
18. Protein	43. Chitosan Foods
19. Processed Oligosaccharides	44.Kidachi Aloe
20. Food Containing Live Lactobacillus	45. Aloe Vera
21. Evening Primrose	46. Green Tea Extract
22. Processed Green Mussels	47. Gymnema Silvestre

Foods Recognized but not Approved by the JHNFA	
1. Royal Jelly	7. Core Protein Foods
2. Avocado Oil	8. Egg Yolk Oil
3. Garlic Products	9. Haem Iron
4. Deep-Sea Shark Extract	10. Gymnemic
5. Bear Bamboo Grass Extract	11. Ginko Leaf Extract
6. DHA Foods	12. Sea Tangel Root

This report is in the series as follows:

JA9044 Food Processing Sector - Overview
JA9045 Food Processing Sector - Dairy Products
JA9046 Food Processing Sector - Frozen Food
JA9047 Food Processing Sector - Health and Functional Foods
JA9048 Food Processing Sector - New Age Beverages
JA9049 Food Processing Sector - Retort Pouch Food
JA9050 Food Processing Sector - Snack Foods
JA9051 Food Processing Sector - Western Bakery Products
JA9052 Food Processing Sector - Western Confectionery Products