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Market Brief

Japan : Food Processing Sector - Retort Pouch Food

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Tokyo[JA1], JA

RETORT POUCH FOOD

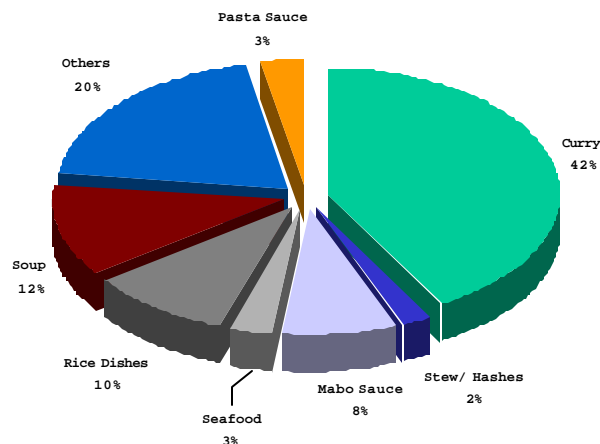
OVERALL TRENDS

The Japan Canners Association defines Retort Pouch Food as pre-cooked and ready to eat product in flexible non-transparent packaging which is heat-sealed and sterilized and can be re-heated in a microwave, boiled in a bag or can be poured into a pan and heated on the stove.

Retort Pouch Food was a revolutionary concept in processed foods, originally developed for the U.S. space program. The concept was introduced into Japan in 1969 by Yamamori Corporation. By 1997 Japan's total production of Retort Pouch Food reached one billion packages (216,886 metric tons) valued at around 148 billion yen (USD 1.2 billion). The number of tons has doubled in the last ten years. Total sales of Retort Pouch Food reached an estimated 231 billion yen in 1997 (USD 1.9 billion), an increase of 3.8 percent from 1996. Sales of Retort Pouch Food in Japan are expected to continue growing at a 3-4 percent rate and are estimated to reach 275,000 metric tons by 2002.

Despite a growing shift towards commercial use, the majority of Retort Pouch Food was still for household use (68.6 percent) in 1996 compared to commercial use (31.4 percent). Retort Pouch Food continues to gain acceptance from Japanese consumers due to the wide variety of products, convenience of use, reduced amount of kitchen waste and long shelf-life. Another benefit of Retort Pouch Food in food service is that hygienic quality can be assured. The 1996 outbreak of the e-Coli (O-157) bacillus helped bolster this sector both for home and food service use because of its packaging and

Chart 1. Production of Retort Pouch Food by Value (1997)



sterilization method.

In food service, Retort Pouch Foods are being used widely by chain restaurants to help reduce costs in the kitchen by using sauces containing processed meats and vegetables which are already prepared and ready to be heated. Restaurants often use retort products as the base ingredient and add fresh meat and vegetables along with some spices to enhance the taste.

Five Major Retort Pouch Food Companies:

1. HOUSE FOODS
2. MARUMIYA
3. AJINOMOTO
4. OTSUKA FOODS
5. S. B. FOODS

There are 118 companies and 145 factories producing Retort Pouch Foods in Japan. The number of new products in the market is

Table 1. The Production Quantity and Value of Retort Pouch Food in 1993-1997

		1993	1994	1995	1996	1997
Curry	Qty	79,519	82,943	87,181	88,543	92,061
	Value	51,157	50,319	47,862	48,610	50,541
Stew, Hashes	Qty	8,502	5,991	5,243	4,270	4,490
	Value	5,664	3,594	2,917	2,432	2,541
Mabo Sauce	Qty	10,024	14,077	14,125	13,815	15,581
	Value	6,683	9,384	12,556	9,210	10,387
Soup	Qty	9,372	10,179	12,443	12,206	13,058
	Value	5,936	6,447	7,880	7,731	8,270
Rice Dishes	Qty	15,301	14,365	18,336	23,510	23,010
	Value	12,697	11,860	13,616	16,945	17,477
Seafood	Qty	7,109	7,451	6,937	9,612	8,005
	Value	5,972	6,259	5,827	8,074	6,724
Meat and Other Sauce	Qty	21,966	27,579	29,600	29,511	34,772
	Value	16,702	20,969	29,673	29,550	35,068
Others	Qty	31,066	31,073	31,034	31,533	25,909
	Value	22,583	22,483	20,961	20,773	17,105
Total	Qty	182,859	193,658	204,899	213,000	216,886
	Value	127,394	131,315	141,292	143,325	148,113

Quantity (metric tons); Value (million yen)

Source: Japan Cannery Association, 1998

increasing and manufacturers are competing more heavily on price and quality considerations.

CURRY

Retort curry was one of the first Retort Pouch products in Japan. “Bon Curry” was introduced by Otsuka Foods in 1969 and has grown in popularity tremendously since then along with other retort curry products. Retort curry is by far the most popular Retort Pouch Food in Japan, accounting for 92,061 metric tons or 42.4 percent of Japan’s total retort production in 1997. Sales of retort curry totaled almost 77 billion yen (USD 620.5 million) in 1997. This was an increase of about 4 percent from the previous year. More than 80 percent of the total retort curry production is consumed by households with Indian and vegetable curry as the most popular items. Retort curry contains various ingredients, including beef, pork, chicken, potatoes, carrots, onions, apple and

tomato paste, yoghurt, starch, flour and honey.

House Foods, a major producer of Retort Pouch Food, launched a new product called “Tomato and Eggplant Curry” in the summer of 1998. This “meat-free” curry has become a hit product because House Foods specifically targeted women as the main consumers of this light and healthy fare. The product is designed to change the image that Retort Pouch Food is only for men by introducing a lighter and healthier dish appealing to women consumers.

Curry is also one of the most popular dishes among children. To gain a larger market share in this age group, Nagatanien introduced “Pocket Monster” sausage and beef curries. (Pocket Monster is a famous cartoon character among Japanese children).

Meiji Seika, a large player in the confectionery market, entered the Retort Pouch Food market in 1994 by launching “Ginza Curry.” The

product has been gaining market share ever since, in large part because of the appealing name, which is taken from the most famous restaurant area in Japan.

Retort curry is also used regularly in the food service sector. Sales in the food service sector reached 15.7 billion yen in 1997, an increase of 15 percent since 1995. S&B Foods has introduced four new products targeting restaurants and cafes. To meet the increasing need for restaurants to offer a wide variety of products, S&B's new products are packaged in 200 gram individual serving sizes rather than the usual 3 kg pack. The new products are beef and sliced vegetable curry, veal and red wine curry, pork and mushroom curry and chicken and tomato curry.

SOUPS and RICE DISHES

Included in this category are Chinese and western soups, pre-mix seasoned rice (*kamameshi*), sweet red-beansoup with pieces of rice cake (*ozenzai*), porridge and other rice related products.

Production of retort soups has grown by 39 percent since 1993 to 13,058 metric tons in 1997. Sales reached nearly 7 billion yen in 1997 of which food service accounted for 2.5 billion. Chinese soups are the most popular followed by western soups. Approximately three-fourths of the retail market is dominated by two players, Nichirei and Ajinomoto. Nichirei's "Soup Town" series includes shark's fin, clam and mushroom, egg and corn and crab soups. Ajinomoto introduced its "Soup Do" series in 1996 which includes shark's fin, clam chowder, minestrone and tofu soups.

Riken Vitamin produces corn and minestrone soups for the food service sector, but sales have been sluggish. In general, sales of Chinese soups

are doing much better than of western soups. Heinz Japan and Nichiro are targeting the food service sector, but their sales have also been sluggish.

Production of retort rice dishes has grown from 15,301 metric tons in 1993 to 23,010 metric tons in 1997, a growth rate of 50 percent in four years. Within this category, retort porridge production has grown sharply in recent years. Its low calorie and healthy image attracts young women for dieting purposes. It is also widely used by the elderly because it is easy to prepare and easy to digest. Retort porridge, as well as retort soups and stews, containing various vegetables and meats, have also been recognized as good emergency foods to keep in storage for earthquake preparedness.

As a pioneer in developing retort pouch technology, Yamamori released "Kamameshi-no-moto" in 1969 and "Maihan" processed rice in a pouch in 1976. These rice dishes contain various vegetables such as carrots, onion, burdock, potatoes as well as pork and chicken. To strengthen its position in the Retort Pouch Food market, Yamamori has expanded its product line to include soup, gravy, curry, stew, Chinese food premix, pasta sauce and beef premix (*gyudon-no-moto*).

Other popular rice dishes include Ajinomoto's "Chanto-gohan-okayu" series consisting of Japanese and Chinese-style rice and porridge. Q.P. Foods also produces white porridge, egg porridge and plum (*ume*) porridge.

An interesting new product in the rice dish category is porridge developed by Hikari Foods which features the use of organic rice.

Nichiro Corporation promotes sales of its "Alice's Restaurant" brand of retort rice dishes to the food service sector including crab,

salmon and fish porridge along with corn soup and tuna and mayonnaise dishes.

SPECIAL SAUCE

Included in this category is pasta sauce, cooking sauce, gravy and *mabo*. Production of special sauce in 1997 was 21,000 metric tons. This sub-category has shown substantial growth with production increasing by around 10 percent since 1996 and by 50 percent since 1993.

Cooking sauce for Chinese dishes, such as *mabo tofu* (small cubes of tofu in a spicy ground meat sauce) and shrimp chili sauce, are among the top selling products. Production of *mabo* sauce as measured in metric tons has increased by 55 percent since 1993 with most of that growth occurring in 1994. In 1997, production of *mabo* sauce was the second largest in the Retort Pouch Food sector after curry. Sales of *mabo* sauce reached 15.4 billion yen in 1997.

The leading company in the *mabo* sauce sector is Marumiya with a 40 percent market share, followed by Ajinomoto with its "Cook Do" series of Chinese dishes. These dishes include cooked beef and various vegetables such as eggplant, Chinese cabbage, and konyaku in a mild, sweet or spicy sauce.

Sales of retort pasta sauce have grown very rapidly since 1995 from 13.7 billion yen to 22.8 billion in 1997. In 1996 Ajinomoto introduced its "Pasta Do" series offering consumers the convenience of eating Italian food at home. These products include both tomato and cream sauce selections which only require the user to add meat, seafood or vegetables to complete the dish. This introduction of Western-style retort foods has made a large impact on the industry creating demand for cooked beef and pork along with a wide variety of processed vegetables used for Western style cooking. In

particular, the Italian food boom of the late 1980's and early 1990's has stimulated demand for retort tomato-based meat sauces, white sauce and seafood sauce. Production of retort pasta sauce in 1997 was 6,262 metric tons, representing a growth of 39 percent since 1993. House Foods, Kagome, Heinz Japan, Nichiro, Nichirei and Aohata are the leaders in the retort pasta sauce market, producing all kinds of pasta sauces.

To enter this field, Q.P. Foods recently launched its "Pasta Studio Series" which includes carbonara, tomato and anchovy, and bolognaise sauces. Q.P. Foods also produces Japanese-style pasta sauces using mushrooms, fish eggs and sea urchins as ingredients. The company's "Japanese-style Mushroom Sauce" became a major hit dinner item in August of 1998.

Nisshin Seifun (Flour Milling), one of major producers of retort pasta sauces, is trying to gain a larger market share through its "Estibo" (sauce for cold pasta) brand for the summer months and is focusing its marketing strategy on a health food concept, particularly with its new additive-free meat sauce.

Other sauces, especially those using olive oil, have entered the market recently and are now popular. There is also a trend to use the recipes of famous television chefs and famous restaurants, such as Kabeno Ana and Aono Dokutsu, to attract consumers.

OTHERS

Retort Baby Food. Due to the growing number of working mothers, retort baby food has appeared with companies like Q.P. introducing a line of products for babies one year old and over including vegetable curry, stew, hash, Chinese and noodle dishes. Wako

department store has begun selling its upscale “Retort Club” series for babies starting to eat solid food, including flatfish risotto and stewed hamburger.

Retort Meat. Retort meat production decreased by 5.7 percent in 1997 to 2,486 metric tons. Of this amount, much of the market is composed of hamburger (43 percent). There is also a steady demand for chicken, especially from the food service industry.

Retort Seafood. Total production of retort seafood in 1997 was 8,000 metric tons. Although there has been a shift from can tuna in commercial use to retort pouch, retort seafood production dropped in 1997 by about 16.2 percent due to competition from cheap imported tuna in cans.

IMPORT POTENTIAL

The sheer size of the Retort Pouch Food market and the consistent growth of the sector indicate that there should be many opportunities to import ingredients, particularly cut and frozen meats and vegetables.

The continuing popularity of retort curry dishes provide many opportunities to import cut and frozen onions, potatoes, eggplant, carrots, pumpkin, beef, pork and chicken. Other ingredients such as starches, beef and pork extracts, tomato and apple paste, tomato puree, honey, coconut and red wine also offer potential. Retort stews and hash, which contain the same ingredients as in the U.S., provide opportunities to import cut beef, chicken, gravy, potatoes, carrots and mushrooms.

The solid growth in sales of retort soup and rice dishes provides opportunities for importing seafood and processed meats and dehydrated vegetables and powders. In particular beef,

chicken, pork, onions, corn, potatoes, clams and meat-based stocks or bouillions provide strong potential.

The growth in popularity of retort sauces, in particular pasta sauce, provide import opportunities for tomato sauce, puree and pastes, pre-cooked and raw beef and bacon along with Italian spices and herbs.

As the food service sector continues to look for ways to cut costs, opportunities to sell bulk processed meats and vegetables to

List of Ingredients:

MEATS: pre-cooked and raw beef, pork roast, chicken, bacon, corn-beef.

SEAFOOD: shrimp, tuna, salmon, clam, shark fin, crab, fish egg.

VEGETABLES: frozen potato, onion, tomato, spinach, carrot, pumpkin, green pea, corn, red bean, mushroom, burdock, chili, cabbage, eggplant, *konyaku*.

OTHERS: rice, egg, plum, tofu.

retort food manufacturers supplying family restaurants, cafes and other low-priced restaurants should continue to grow. The key to succeeding in this sector is to maintain competitive pricing and to be able to effectively meet specifications for pre-cooked meats, gravy and soup bases as well as for other functional additives such as vitamins, proteins and calcium.

Table 2. Import of Snacks and Ingredients used in Snacks (1995 - 1997)

	Value (yen million)			Volume (metric tons)			Tariff Rate
	1995	1996	1997	1995	1996	1997	
Uncooked potatoes	4,645	6,179	6,488	389	652	775	9.0%
Wheat	102,546	137,409	133,736	4,862,411	4,775,407	5,144,679	0 - 58.3% /kg
Rice	1,953	15,183	40,018	28,971	444,992	567	Free
Dried Fruits (<i>total</i>)	9,746	11,412	13,475	52,902	52,638	55,265	2.7 - 34.7%
- Dried Grapes	4,245	5,327	5,581	29,243	30,819	27,970	1.50%
- Prunes	3,301	3,437	4,658	14,255	13,427	18,329	2.9%
Edible Nuts (<i>total</i>)	32,073	40,224	39,984	84,078	79,153	75,904	0 - 14.8%
- Walnut	3,483	5,432	5,784	8,805	9,451	8,763	13.3%
- Cashew Nuts	3,216	3,977	4,098	6,413	6,563	6,526	Free
- Pistachios	3,384	3,377	2,982	8,565	6,984	5,658	3%
Seaweed	12,896	13,669	16,381	41,644	42,392	48,743	0 - 10.5%

Note: Tariff Rate is WTO rate

Source: Japan Exports and Imports 1998

This report is in the series as follows:

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