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Frozen French Fries

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Report Highlights: Competition in the french fry market has increased both from growth in the number of fast food restaurants not traditionally using french fries, and from the promotion of other side dishes. Cost cutting has helped some Southeast Asian countries gain a foothold in the Japanese french fry market and motivated large users to consolidate purchases. Future developments include continued declines in domestic production, the implementation of biotech labeling for potatoes next year, and industry concerns over the initiation of the Health Ministry's investigation of the health affects of acrylamide.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

The United States dominates Japan's frozen french fry market, with an 83 percent market share, followed by Canada with a 16 percent market share. The U.S. lost 2 percent of the market share in 2002 while Canada gained by the same amount. In 2002, total Japanese imports of frozen french fries are forecast down by 2.2 percent to about 260,000 metric tons (MT). Imports from the U.S. are estimated to fall by 4.4 percent to an estimated 217,000 MT. The decline results from the ongoing price war in the Japanese food service industry where lower cost side dishes are being substituted for french fries. In a continuing trend, as Japan's economic stagnation has continued, the food service industry is offering the consumer low priced meals.

Increased Competition in the French Fry Market

Competition in the Fast Food Market

Hamburger and fried chicken establishments are no longer the only competitive players in Japan's fast food market. Recently, beef-bowl and Udon noodle restaurant chains are offering 'one coin' meals, priced at less than one 500-yen coin (approximately \$4.00), to compete with conventional American-style fast food chains which have been the leading users frozen french fries.

Competitive from Other Foods

Competitively priced box-lunches in convenience store chains provide lower cost alternatives to french fries. For example, Family Mart convenience stores have lowered the price of its bento (box) lunch to less than \$4.00 by replacing 30 percent of the food items in its bento box lunch lineup, including french fries, with lower priced products.

Southeast Asia - Alternative Sources for French Fries?

The market has attracted increased attention from competitors. The demand by Japanese family style restaurant chains for reduced food procurement costs has increased imports of competitively priced products from Canada and New Zealand. Both countries have shown substantial increases in their exports to Japan for the current calendar year, although they will have only minimal impact on total imports. After unapproved biotech potatoes were identified in U.S. french fries, Japanese food manufacturers started to source french fry products from other Asian countries such as China, Vietnam and Thailand, although this total is less than 1 percent of total imports.

Large Buyers are Increasingly Buying in Bulk

Price is increasingly a factor in the purchasing of french fries for the Japan food service industry. The companies are considering just one variety of french fry products for all of its restaurant holdings in Japan. Family-style restaurant chains such as Skylark and Denny's have decided to eliminate the custom of buying several varieties of french fry products from the U.S. in order to take advantage of volume pricing, in 2003.

Technology May Affect Marketing Opportunities

Next Year New Potato Biotech Labeling Requirements Begin

Retail packaging requirements effective January 1, 2003, resulting from GMO labeling regulations, will advantage suppliers capable of providing certified non-biotech potatoes. New Japanese labeling regulations on potatoes, which take effect January 1, 2003, will require that retail packages of products made from potatoes identify whether the

potato in the product are 1) "Non-GM" (voluntarily labeling), 2) "GM Ingredients Used" (mandatory labeling) or 3) "GM Ingredient Not Segregated" (mandatory labeling). See JA1080. If the food is made from potatoes not derived from biotechnology, putting a "Non-GM" label on the retail package will be voluntary. All retail packs of french fries will be required to abide by these labeling requirements.

Food Service Industry Concerns as MHLW's Investigates the Health Affects of Acrylamide

The food service industry has reacted to the Ministry of Health, Labor and Welfare's (MHLW) announcement that initial research reports that acrylamide has been found in certain fried and baked foods, including french fries. The response to MHLW's decision to begin an investigations on the health effects of acrylamide and to advise consumers to maintain a diverse diet has been subdued, however. For example, one of the major fast food chain operators in Japan reported that where previous marketing focused on french fries as a side dish, they are now marketing alternative side dishes. Still, french fries remain the side dish of choice among customers.

Production and Tariffs

Heavy Declines in Domestic Production Continue

Japanese domestic production of french fries has been decreasing yearly. Most recently, in 2001, production decreased another 11 percent to 7,888 MT. This has resulted in the domestic product share of the Japanese market dropping to 2.8 percent.

Tariff Rates

Tariff Code (HS)	Description	Duty Rate
2004.10-100	Frozen Potatoes - cooked not otherwise prepared	8.5 %
2004-.10-220	Frozen Potatoes - other	9.0 %

PS&D Tables and Trade Matrices

Per the Commodity reporting instructions, Post reports PS&D tables on a calendar year.

Frozen French Fries PS&D Table

PSD Table						
Country	Japan					
Commodity	Frozen French Fries				(MT)(MT, Net Weight)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Deliv. To Processors	0	20000	0	20000	0	20000
Beginning Stocks	0	0	0	0	0	0
Production	29500	7888	0	7500	0	7000
Imports	270000	266556	0	260660	0	250000
TOTAL SUPPLY	299500	274444	0	268160	0	257000
Exports	0	0	0	0	0	0
Domestic Consumption	299500	274444	0	268160	0	257000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	299500	274444	0	268160	0	257000

Frozen French Fries Import Trade Matrix

Import Trade Matrix			
Country	Japan		
Commodity	Frozen French Fries		
Time period	Jan. - Dec.	Units:	Metric Tons
Imports for:	2001		2002
U.S.	226139	U.S.	216085
Others		Others	
Canada	35224	Canada	39447
New Zealand	1662	New Zealand	1965
Belgium	927	Belgium	591
China	782	China	1066
Italy	434	Italy	330
Egypt	123	Egypt	57
Thailand	38	Thailand	24
France	11	France	39
Vietnam	16	Vietnam	14
Total for Others	39217		43533
Others not Listed	1200		1042
Grand Total	266556		260660