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Frozen French Fries

Frozen French Fries Annual Report 1998

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Report Highlights:

Japanese frozen potato imports are expected to jump nearly 10 percent in 1998, fueled by continued rapid growth in Japan's fast food sector. Sales of frozen french fries are forecast to approach 270,000 tons, up from 250,000 tons in 1997, with the United States expected to account for roughly 90 percent of total volume.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Production

Japanese production of frozen potatoes is relatively small, accounting for nearly 11 percent of total consumption. In the 1997 marketing year, Japan produced approximately 32,000 metric tons of frozen potatoes, with french fries the largest item (12,510 metric tons). Other products include dice-cut potatoes, whole potatoes, half-cut potatoes with shell, etc. according to the Japan Frozen Food Association. Japan's average production cost of frozen french fries in 1997 was 182 yen (\$1.48) per kilogram. Post projects continued declines in domestic production of frozen potatoes as farmers continue to focus on the fresh market, which offers significantly higher grower returns than the processing sector.

Japanese fresh potato production reached 3.40 million metric tons in the 1997 marketing year, according to the Ministry of Agriculture, Forestry and Fisheries (MAFF). Hokkaido, northern islands of Japan, produced over 77 percent of the nation's potatoes, or 2.62 million metric tons in the 1997 season. Post estimates approximately 70,000 - 80,000 metric tons of fresh potatoes (less than 3 percent of total production) were sent to the processing sector.

**Japanese Production of Frozen Potatoes
(Metric Tons)**

	1995	1996	1997
Frozen French Fries	15,701	13,529	12,510
Other Frozen Potatoes 1/	19,624	19,334	19,551
Total Frozen Potatoes	35,325	32,863	32,061

1/ Frozen dice-cut potatoes, frozen whole potatoes, frozen half-cut potatoes with shell, etc.

Source: The Japan Frozen Food Association

Trade

Despite Japan's sluggish economy, imports of frozen french fries continue to grow, with an annual growth rate of 7 - 10 percent. The Japanese growth in imports of frozen potatoes is almost proportionate to the increase in fast food hamburger restaurants and western style family restaurants, which consume the majority of frozen potatoes. The United States is, by far, the largest supplier to the market, accounting for 87.3 percent of total imports in the 1997 marketing year. Canada accounts for nearly all of the remaining imports, with sales of 23,900 tons last year. Average import price of frozen potatoes from the United States in 1997 was \$0.99 (CIF) per kilogram. Import prices from Canada, China and Australia were \$1.07, \$0.80 and \$1.01 per kilogram, respectively, on a CIF basis.

Japanese traders of frozen potatoes forecast that, given current demand trends, Japan's imports of frozen potatoes for the 1998 season will likely reach a record 270,000 metric tons, rising nearly 8 percent from 1997.

The import figures in the PS&D table include all frozen potatoes (HS codes: 2004.10-100, 2004.10-220, 0710.10-000), since the HS classification system does not separate frozen french fries from other frozen potato products such as dices, hashbrowns, baked potatoes, etc. According to industry sources, nearly 90 percent of total imports of frozen potatoes are french fries with the balance being dices, hashbrowns, baked potatoes, etc.

Consumption & Marketing

According to industry sources, nearly 90 percent of frozen potatoes are consumed at fast food hamburger chains, family restaurants, snack bars and other food service outlets. Japan's home consumption of frozen potatoes through retail outlets is fairly small (6-7 percent of the total distribution). Distribution of frozen potatoes through Japan's HMR (Home Meal Replacement) sector is still comparatively small, but is growing steadily with "bento" take-out lunches, company lunch programs, etc. The consumption of frozen potatoes at Japan's food processing sector is small, but is slowly growing among retort food processors and soup manufacturers.

Food service

Japan's \$5.5 billion hamburger restaurant market has led the way for the U.S. exports of frozen potatoes to the fast growing product. Despite Japan's economic turmoil, fast food hamburger chain sales have steadily grown, boosting sales of frozen potatoes. According to industry sources there are currently over 6,000 hamburger shops in Japan and McDonald's alone consumes over 40 percent of the nation's frozen french fries or approximately 100,000 metric tons annually with over 2,600 outlets nation wide. McDonald's annual sales in 1997 was 334 billion yen (\$2.72 billion). According to Fuji Keizai (Japan's private market research company), McDonald's plans to add an additional 250 outlets in 1998, with total annual sales for the chain expected to approach 390 billion yen (over \$3 billion) this year.

Lotteria and Mos Burgers are also major players in the Japanese fast food hamburger sector and each consumes 15,000 to 20,000 metric tons of frozen potatoes annually. Lotteria's annual sales in 1997 through its 609 outlets nation wide totaled more than 61.9 billion yen (\$504.5 million), while Mos Burger reported annual sales of 130.7 billion yen (\$1.07 billion) from its 1,480 outlets. Kentucky Fried Chicken is also an important buyer of frozen potatoes, with purchases totaling approximately 30,000 metric tons annually. KFC's 1997 sales reached

121.5 billion yen (\$990 million) in 1,045 outlets nation wide. While fast food chains are the most important buyers of frozen potatoes in Japan, Japan's 5,500 family restaurant establishments, such as Skylark, Denny's and Royal Host, also consume a significant volume of frozen potatoes annually through their western style menus.

Shoestring-cut, straight-cut, crinkle-cut and natural-cut potatoes are the most popular frozen potatoes among Japan's food service operators. Thin-cut shoestring potatoes that require a relatively short cooking time are popular among fast food hamburger restaurant operators, while crinkle-cut and straight-cut potatoes that can keep temperature warm for a relatively longer time are often preferred by restaurants with a significant number of take-out customers. Natural-cut potatoes with potato skin attached are quite popularity among family restaurant owners.

The current slowdown in Japan's economy has hit Japan's food service sector hard as rising consumer demand for value has resulted in food service operators altering food menus with lower priced items. Fast food hamburger chains, led by McDonald's, are leading the way in providing low-priced items. This year, McDonalds introduced a rock-bottom priced 65 yen (53 cents) hamburger. The strategy has been very successful, with McDonalds sales growing 15 to 20 percent annually during the past several years. Industry sources expect fast food sales will continue to grow rapidly into the 21st century, boosting imports of frozen potatoes.

Retail

No significant changes in marketing frozen potatoes at the Japanese retail sector. Supermarkets continue to market PB (private brand) frozen potatoes with shoestrings, crinkle-cut and natural-cut (with potato skin attached) potatoes. Private brand frozen french fries are commonly sold in 400 gram and 500 gram polyethylene consumer bags. Currently, private brand shoestrings are priced at 258 yen (\$2.11) for a 400-gram bag in Tokyo's major supermarkets, while natural-cut potatoes are priced at 248 yen (\$2.03) per 400 gram bag and crinkle-cuts are selling for 248 yen (\$2.03) for a 500 gram bag. Idaho potatoes are largely used and manufactured in the United States.

National brand frozen potatoes are less popular than private brand products at Japan's retail sector, but Ore-Ida's national brand frozen potatoes have become a regular marketing item at retail stores. Ore-Ida promotes its frozen potatoes as snack foods that can be ready to eat in a few minutes by a microwave oven or an oven toaster. Ore-Ida's snack potatoes (french fries) are sold at 180 yen (\$1.48) for a 140 gram paper box and "ABC Oimo-chan" (alphabet potatoes) at 250 yen (\$2.05) for a 300 gram bag. Frozen potatoes are widely used at Japan's HMR sector, particularly for use at "bento" take-out lunches.

Policy

Currently, the import duty on unprepared frozen potatoes (HS codes: 0710.10-000, 2004.10-100) is 9.0 percent. The duty is 9.6 percent for prepared frozen potatoes (HS code: 2004.10-220), not including frozen mashed potatoes. All duties are charged on a CIF basis.

PS&D Tables and Trade Matrices

Frozen French Fries PS&D Table

PSD Table						
Country:	Japan					
Commodity:	Frozen French Fries					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		07/1996		07/1997		07/1998
Deliv. To Processors	0	80000	0	70000	0	70000
Beginning Stocks	0	0	0	0	0	0
Production	32000	32863	31000	32061	0	32000
Imports	240000	234242	250000	250786	0	270000
TOTAL SUPPLY	272000	267105	281000	282847	0	302000
Exports	0	0	0	1	0	0
Domestic Consumption	272000	267105	281000	282846	0	302000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	272000	267105	281000	282847	0	302000

Frozen French Fries Export Trade Matrix

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	July-June		
Exports for	1996		1997
U.S.	0	U.S.	0
Others		Others	
		Mozambique	1
Total for Others	0		1
Others not listed			
Grand Total	0		1

Frozen French Fries Import Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	July-June		
Imports for	1996		1997
U.S.	201834	U.S.	219044
Others		Others	
R. of Korea	4	China	4533
China	3336	Netherlands	1246
Viet Nam	4	Belgium	400
Netherlands	1395	France	18
Belgium	424	Canada	23894
France	21	Peru	16
Canada	24605	Chile	125
Peru	10	Egypt	73
Australia	2035	Australia	1100
New Zealand	575	New Zealand	329
Total for Others	32409		31734
Others not listed	0		8
Grand Total	234243		250786