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## **Japan**

## **Frozen French Fries**

## **Annual**

## **2001**

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### **Report Highlights:**

**The United States continues to dominate the market, with an 85 percent market share. Japanese market of frozen french fries remains stable. Total imports are expected to be 265,000 metric tons in 2001 or about \$250 million (CIF), unchanged from the previous year. Despite Japan's sluggish economy and consumer concerns over domestic beef, sales of frozen french fries are expected to be strong due to expected strong sales in Japan's fast-food sector.**

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Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Tokyo [JA1], JA

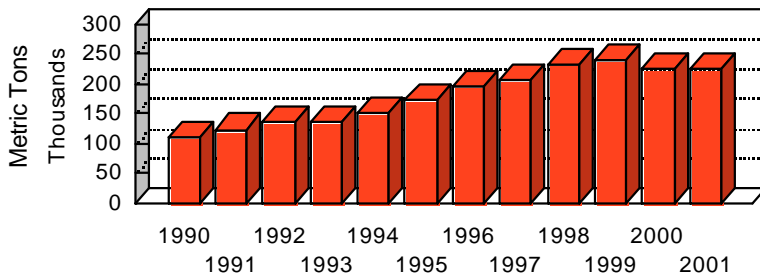
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## Executive Summary

### Japanese Import of Frozen French Fries

From the United States



The United States dominates Japan's frozen french fry market, with an 85 percent market share, followed by Canada with a 14 percent market share. Japanese imports of U.S. frozen french fries remain fairly stable, and are expected to be approximately 225,000 metric tons, or approximately \$210 million (CIF) in 2001, unchanged from the previous year. Despite Japan's sluggish economy, sales of U.S. frozen french fries are almost unchanged from the previous year, due to the strong sales at Japan's fast food outlets. However, the

recent finding of BSE (Mad Cow Disease) in Japan may affect sales at fast food outlets.

## Fast Food Restaurant Chains Drive Japanese Consumption

Japanese hamburger chains, with currently over 7,000 shops, are the main users of U.S. frozen french fries, consuming nearly 70 percent of the nation's total distribution. McDonald's alone accounts for nearly 50 percent of the nation's total consumption, or approximately 140,000 metric tons annually through its 3,700 outlets nationwide. Despite Japan's sluggish economy, McDonald's continue to expand its sales, through its low-price strategy, with 65 yen (\$0.53) hamburgers. Japan's fast growing sector, "izakaya" Japanese style pubs serve a significant volume of french fries as their side dishes. Japan's "Bento" (take-out lunches) sector also uses a large volume of frozen french fries as a garnish. Japan's 6,000 family restaurant establishments, such as Skylark, Royal Host, and Denny's continue to use frozen french fries in their menus.

## The Recent Finding of BSE Impacts Sales at Food Service Outlets

In mid-September, 2001 the first incidence of BSE (Mad Cow Disease) was found in a Japanese raised cow. Japan's beef sales were immediately affected, declining 30 - 50 percent in some sectors, according to industry sources. The Japanese food service sector has been hit as well, including hamburger restaurants, that are the main users of U.S. frozen french fries. Sales at McDonald's restaurants fell approximately 10 percent in the first week after the finding, according to industry sources.

## Supermarkets Continue to Market Private and National Brand

The volume of frozen french fries marketed through the retail sector is relatively small, compared with the food service sector. Japanese supermarkets continue to market frozen french fries including shoestrings, crinkle-cut, straight-cut, and country-style potatoes. Retail packs are usually in 300 gram polyethylene consumer bags. Currently, shoestrings, crinkle-cut, and country-style potatoes are sold at 200 yen (\$1.65) at Tokyo's supermarkets. During sales promotions, retailers will discount frozen potatoes 20 - 25 percent off regular prices.

## Domestic Frozen Potato Production Stable at About 30,000 MT Annually

Japanese production of frozen potatoes is relatively small, accounting for approximately 10 percent of the nation's consumption. Japan produces approximately 30,000 metric tons of frozen potatoes annually, with approximately 10,000 metric tons of french fries and the rest being diced-cut, half-cut, and whole potatoes for food service use.

### High Japanese Import Duties are Still Imposed on Frozen Potatoes

These duties are not subject to further reductions outside the next round of WTO negotiations. The applicable import duties are as follows:

| TARIFF CODE<br>(HS) | DESCRIPTION                          | DUTY RATE (%)        |                      |
|---------------------|--------------------------------------|----------------------|----------------------|
|                     |                                      | 4/1/2000 - 3/31/2001 | 4/1/2001 - 3/31/2002 |
| 2004.10-100         | Frozen Potatoes<br>Cooked Unprepared | 8.5 %                | 8.5 %                |
| 2004.10-220         | Frozen Potatoes<br>Cooked Prepared   | 9.0 %                | 9.0 %                |

All duties are charged on a CIF basis.

## 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             | 2000    | Preliminary | 2001    | Forecast             | 2002    |
|                      | Old                 | New     | Old         | New     | Old                  | New     |
| Market Year Begin    |                     | 01/2000 |             | 01/2001 |                      | 01/2002 |
| Deliv. To Processors | 0                   | 70000   | 0           | 70000   | 0                    | 70000   |
| Beginning Stocks     | 0                   | 0       | 0           | 0       | 0                    | 0       |
| Production           | 0                   | 31000   | 0           | 30500   | 0                    | 30000   |
| Imports              | 0                   | 264447  | 0           | 265000  | 0                    | 270000  |
| TOTAL SUPPLY         | 0                   | 295447  | 0           | 295500  | 0                    | 300000  |
| Exports              | 0                   | 0       | 0           | 0       | 0                    | 0       |
| Domestic Consumption | 0                   | 295447  | 0           | 295500  | 0                    | 300000  |
| Ending Stocks        | 0                   | 0       | 0           | 0       | 0                    | 0       |
| TOTAL DISTRIBUTION   | 0                   | 295447  | 0           | 295500  | 0                    | 300000  |

**Frozen French Fries Import Trade Matrix**

|                     |                     |             |            |
|---------------------|---------------------|-------------|------------|
| Import Trade Matrix |                     |             |            |
| Country             | Japan               |             |            |
| Commodity           | Frozen French Fries |             |            |
| Time period         | Jan. - Dec.         | Units:      | Metric Ton |
| Imports for:        | 2000                |             | 2001       |
| U.S.                | 225253              | U.S.        | 224600     |
| Others              |                     | Others      |            |
| Canada              | 35523               | Canada      | 35700      |
| Netherlands         | 1092                | New Zealand | 1600       |
| New Zealand         | 934                 | Netherlands | 1000       |
| Belgium             | 612                 | Belgium     | 850        |
| China               | 513                 | China       | 730        |
| Italy               | 327                 | Italy       | 330        |
| Egypt               | 124                 | Egypt       | 160        |
|                     |                     |             |            |
|                     |                     |             |            |
|                     |                     |             |            |
| Total for Others    | 39125               |             | 40370      |
| Others not Listed   | 69                  |             | 30         |
| Grand Total         | 264447              |             | 265000     |