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Report Name: Japanese Processed Fruit Market 2020

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Post: Osaka ATO

Report Category: Market Development Reports

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Report Highlights:

Demand for processed fruit in Japan has held steady amidst an overall decline in fresh fruit consumption due to an aging and declining population. This report will present opportunities for U.S. growers and exporters to increase or secure a steady market supply in the processed fruit categories of frozen, dried, canned, etc. The United States remains the top supplier to Japan of dried fruits with 60 percent of import market share. Under increasing competition in frozen fruit imports to Japan, the United States dropped to 5th place from being the 2nd ranked supplier over a period of five years. The recent passage of the U.S.- Japan Trade Agreement provides improved terms of trade for many categories of processed fruit products to assist U.S. growers, processors, and exporters.

I. Domestic Production and Import

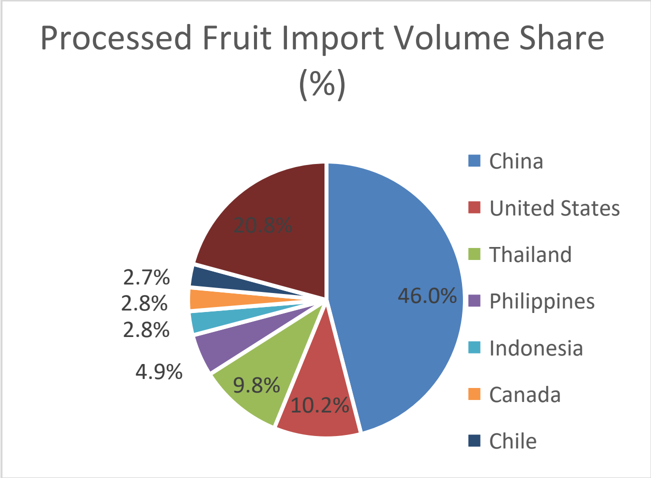
A. Domestic Production

In 2018, the annual domestic production of fruits was 2.5 million metric tons (MMT) with 2.2 MMT distributed showing 1 percent increase from the previous year. Japan's fruit market has traditionally focused on production and demand of fresh fruits is still representing 88 percent of the overall demanded volume. Production mainly focuses on easy-to-peel/eat fruits such as clementines (mikan orange) with 774 thousand metric tons (TMT) (31%), apple with 756 TMT (30%) and Japanese pear with 232 TMT (9%). For additional information on the fresh fruit market in Japan, please refer to our most recent GAIN report on the topic as well as trade treatment under the U.S.- Japan Trade Agreement (USJTA).

Domestic fruit production has been showing gradual declines since 2005 with the decrease in number of farmers due to age coupled with a decline in per capita consumption. The farmers in Japan prioritize production of fresh table fruit with exception of some dedicated production for the processing of fruit juice. The domestic processed fruit industry provides an alternative for B-grade product usage. These B-grade fruits have not seen growth in production due to a lower farm gate price. Hence, the Japanese market continues to rely on imports of processed fruit products to meet consumer demand.

B. Import from Foreign Countries

Figure 1: Processed Fruit Import Volume Share to Japan



Source: Trade Data Monitoring
Note: Categories included are Frozen, Dried, and Canned & others HS code mentioned in appendix 1.

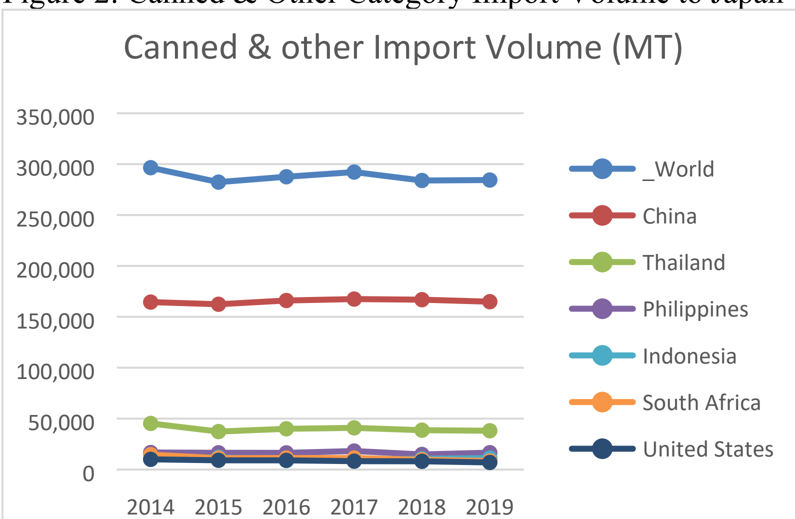
Japan's imports of processed fruits – canned, frozen, dried, other - has largely remained steady over the past 6 years. Total volume of processed fruit imports in 2019 was 415 TMT, a 0.4 percent decrease compared to the previous year. Import value reached over US$1 billion, representing a 4.0 percent increase compared to 2018.

The leading processed fruit exporting countries to Japan were China with 46 percent import share, followed by the United States (10.2%) and Thailand (9.8%). The United States has been the second largest exporter of processed fruits to Japan for many years with dried fruit being the largest category. However, the export volume to Japan has been continuously decreasing every year since 2013.

Processed fruit category imports to Japan ranked by volume are led by canned (and other) with 68.6 percent import share followed by followed by frozen fruit 19.4 percent and dried fruit 12 percent.

a) Canned Fruit & Others

Figure 2: Canned & Other Category Import Volume to Japan

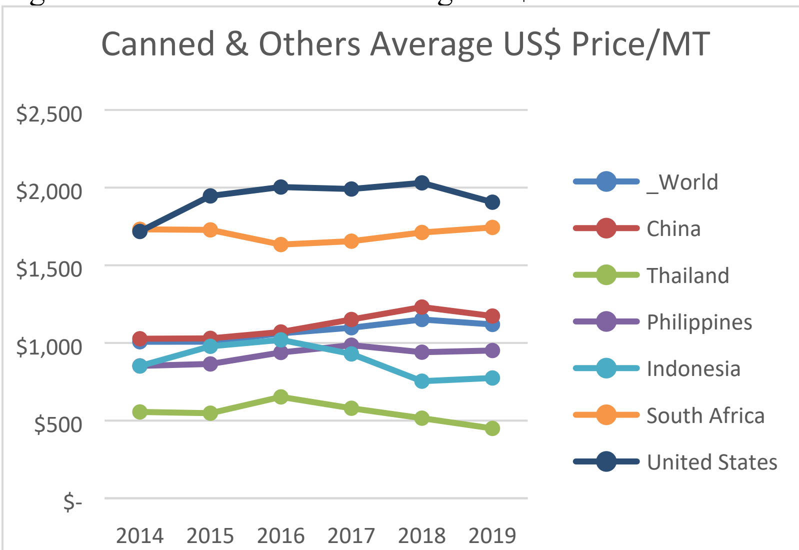


Source: Trade Data Monitoring

The canned & other processed fruit category represents 68.6 percent of the volume of imported processed fruit. Leading items in this category include canned oranges, peaches, and pineapples. China and Thailand's joint import market share exceeds 70 percent with 2019 import volumes of 165 TMT and 38 TMT, respectively. The United States ranks 6th and represents 2.5 percent of the import market share.

In 2019, the United States exported 7 TMT of canned fruit to Japan, valued at US$13.3 million, representing a percentage decrease from the previous year of 14% and 19.7%, respectively. Exports of U.S. canned fruit enter Japan at the highest price point among all exporters and approximately US$700/MT deviation against the average price of China, which may be a contributing factor in this recent decline.

Figure 3: Canned & Others Average US$ Price/MT



Source: Trade Data Monitoring

Table 1: Major Exporting Country's Main Exported Canned & Other Fruits by HS Code

Major canned fruit exporting country	Main exported fruits
China	Citrus Fruit, Peaches, Mixture of Fruit, Pears, Strawberries, Cherries, Peel of citrus fruit or melons, Apricots, Pineapples
Thailand	Pineapples, Mixture of fruit, Peaches, Citrus Fruit, Strawberries, Cranberries
Philippines	Pineapples, Mixture of fruit, Citrus Fruit, Cherries, Strawberries, Apricots
Indonesia	Pineapples, Mixture of fruit, Peel of citrus fruit melons
South Africa	Peaches Pears, Mixture of fruit, Apricots, Citrus fruit, Peel of citrus fruit melons
United States	Cranberries, Strawberries, Cherries, Citrus fruit, Mixture of fruit, Peel of citrus fruit or melons, Pears, Pineapples, Peaches, Apricots,

Source: Trade Data Monitoring; sorted by HS Code Canned & Others

Over the past 5 years there has not been much change in the usage and sales line-up for canned fruits, but there are some minor changes in the trend of how the product is presented in Japan. At supermarkets, canned fruits still exist but now smaller versions in pouch pack are found adjacent to canned fruits on product display shelves. The average volume of canned fruit usually seen in supermarkets are 400g (14oz) per can, but the pouch pack servings are much smaller ranging from 120g to 150g (4 to 5 oz) per pack. These smaller pouch pack offerings facilitate the contents full consumption at time of serving, whereas the canned fruit volume would more likely require multiple times of serving to be fully consumed. With the onset of smaller portioned pouch packaging, processed fruit availability increased in the fast-growing convenience stores sector across Japan. Smaller packaging sizes for processed food products, including fruit, has been an increasing trend driven in part by the smaller family unit sizes and desire for more convenience in Japan.

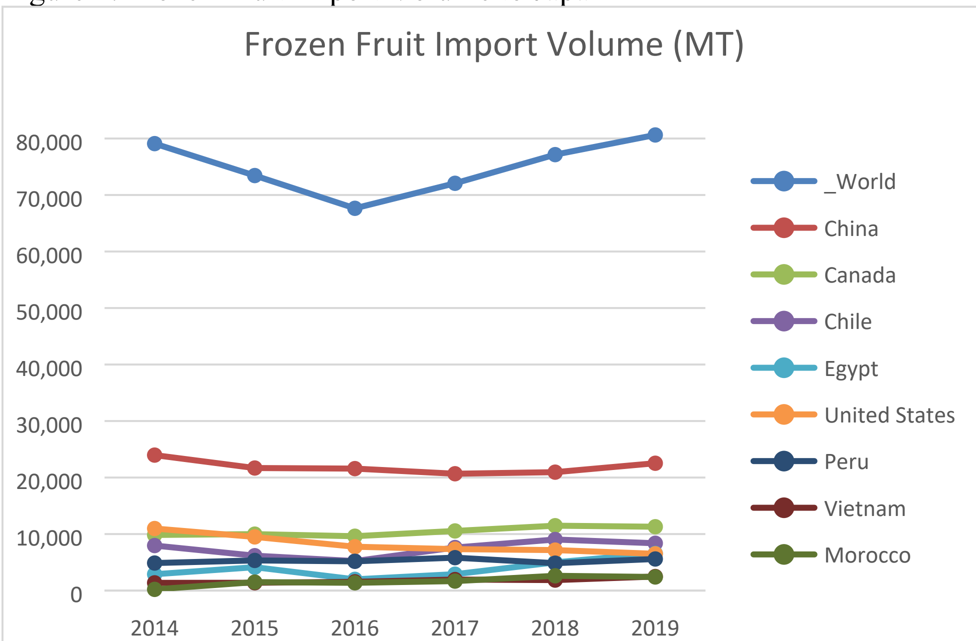
1: Syrup Mixed Fruit in Pouch Pack   2: Syrup clementine in Pouch Pack

The hotel, restaurant, and institutional (HRI) sector's usage of canned fruit remains an important driver of demand in Japan. Canned fruit is used mainly for toppings of parfait served in restaurant desserts or fruit jelly for traditional gift giving. Preserved fruit usage does compete with seasonal fresh fruit usage across many applications. Canned and other fruits which are preserved do normally compete on terms of price and longer shelf life allowing for guarantee of stocks. On the other hand, fresh fruits have a stronger presence and marketing appeal that enables end-users to promote as a premium product.

3: Jelly with Fruit   4: Dessert Parfait

b) Frozen Fruit

Figure 4: Frozen Fruit Import Volume to Japan

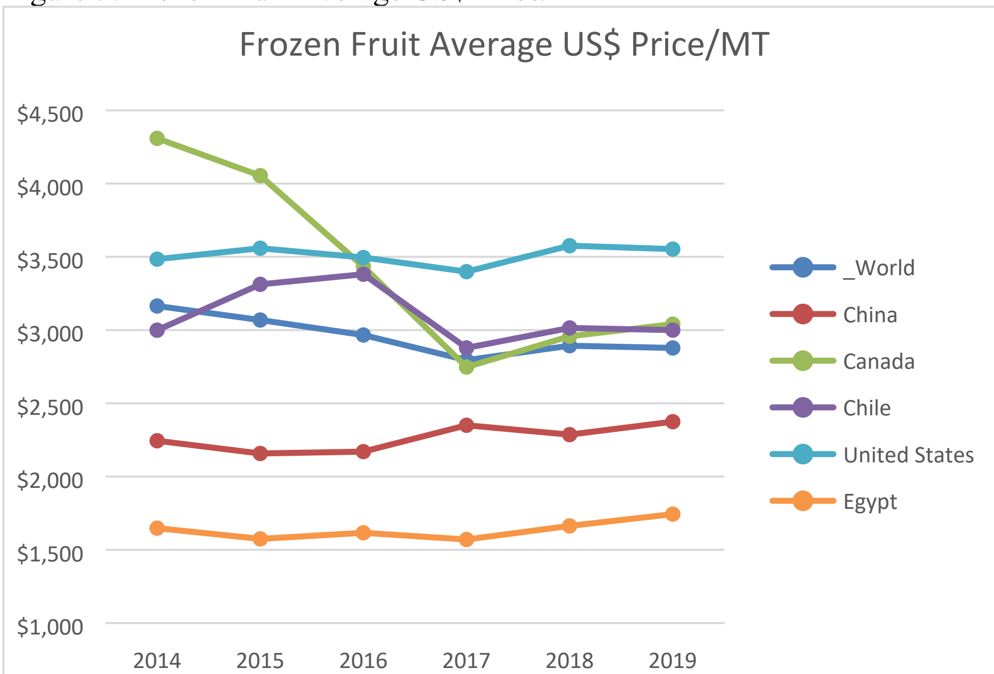


Source: Trade Data Monitoring

The frozen fruit category represents 19.4% of the import volume of processed fruit. The most popular products used in Japan are individually quick frozen (IQF) products sold in retail format at supermarkets/convenient stores and wholesale to manufacturers producing dessert, ice cream, juice, among other applications. China is the lead exporter with 27.9 percent of import market share in 2019 with other exporting countries gradually increasing their market presence in fruit varieties where they have comparative advantage.

In 2019, the United States exported 6.5 TMT of frozen fruits valued at US$23.1 representing a 10 percent decrease in both volume and value from the previous year. Over the past six years, while other countries have been growing or maintaining their export volume, the United States has been decreasing export volume annually. The United States used to be the second largest exporter in 2014, but in 2019 registered as the 5th largest exporter of frozen fruit to Japan. Since 2016, U.S. frozen fruit exports have entered Japan at the highest average price when compared to other exporting countries, which may be a factor leading to this recent decline in export volume.

Figure 5: Frozen Fruit Average US$ Price/MT



Source: Trade Data Monitoring

Table 2: Major Exporting Country's Main Exported Frozen Fruits by HS Code

Major frozen fruit exporting country	Main exported fruits
China	Fruit Nesoi*, Strawberries, Rasberries/blackberries/mulberries/etc.
Canada	Fruit Nesoi*, Rasberries/blackberries/mulberries/etc.
Chile	Fruit Nesoi*, Strawberries, Rasberries/blackberries/mulberries/etc.
Egypt	Strawberries, Fruit Nesoi*
United States	Fruit Nesoi*, Strawberries, Rasberries/blackberries/mulberries/etc.

Source: Trade Data Monitoring; sorted by HS Code Frozen Fruit
*Nesoi = Not elsewhere specified or included

Frozen fruit retail products of many varieties are now readily available in Japan and seen in the frozen product aisles of supermarket and convenience stores. Demand for frozen fruits has been increasing and is marketed as ready-to-eat with a longer shelf life than their fresh counterparts. Demand is also boosted under the general perception of frozen fruits falling in the category of “healthy” product choice. There exists the additional convenience of frozen fruits being available in smaller portions and as IQF allows for multiple uses over time.

5: Frozen Mix Berry

6: Frozen Blueberry


7: Frozen Strawberry and Ruby Grapefruit

In the manufacturing/processing sector, frozen fruits are used for seasonal and spot basis products or menu such as desserts, drinks, and ice creams which are served in convenient stores or café restaurants. Japanese manufacturers have the business culture of developing numbers of new items on a weekly basis and only a few are able to There is a trend where major convenient stores have been putting effort in the development of new desserts and ice cream aiming to make a difference against supermarkets which also serves desserts and ice cream with more competitive price, but doesn’t change their product portfolio as much.

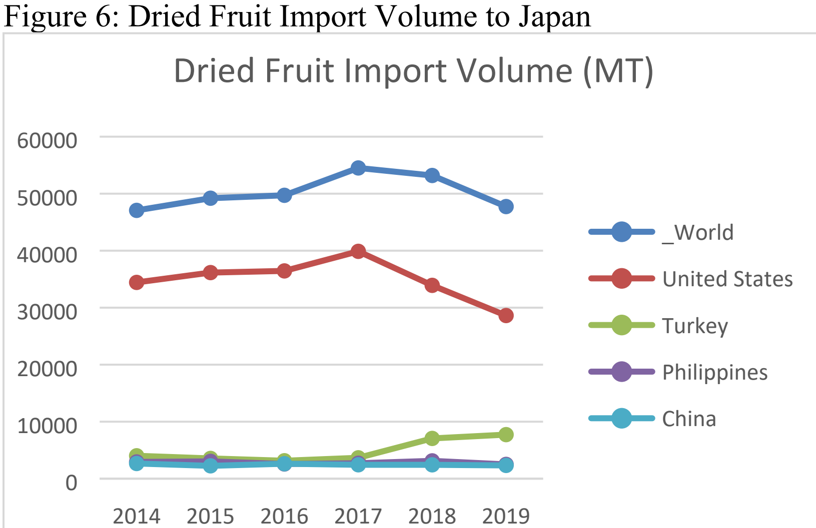
8: Frozen Clementine Parfait


9: Juice with Frozen Fruits


10. Kiwi Ice Cream Bar

c) **Dried Fruit**

Figure 6: Dried Fruit Import Volume to Japan

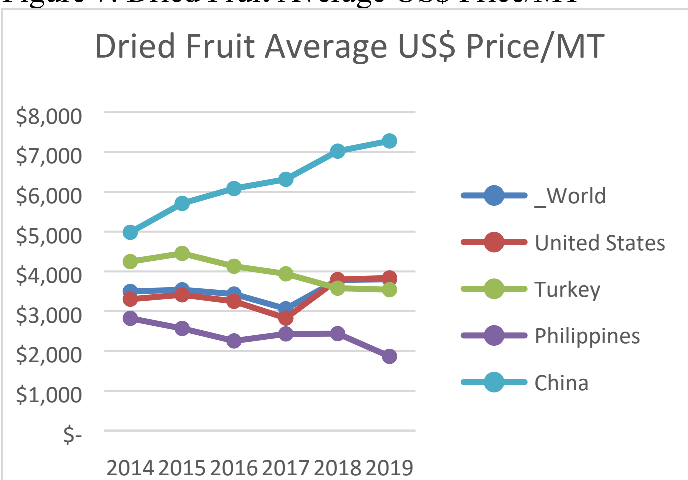


Source: Trade Data Monitoring

The dried fruit category represents 12 percent of the import volume of processed fruit to Japan. With the two pillars of raisin and dried prune products, U.S exports have dominated imports of dried fruits sector for over a half century and in 2019 still represented 60 percent import market volume share. Turkey is the second largest exporter with 16.2 percent import market share and has absorbed some of the U.S. market share in recent years, particularly in raisin. U.S. raisins continue to stand out in terms of quality, consistency, and reliability of supply.

In 2019, the total U.S. export volume of dried fruits to Japan was 28.6 TMT valued at US$110 million representing a 15 percent decline in both volume and value compared to 2018. The increase in average price of U.S. dried fruit is one factor that has led to this decline imports.

Figure 7: Dried Fruit Average US$ Price/MT



Source: Trade Data Monitoring

Table 3: Major Exporting Country's Main Exported Dried Fruits by HS Code

Major dried fruit exporting country	Main exported fruits
United States	Grapes (including raisins), Prunes, Figs, Dates, Apricots, Fruit Nesoi*, Apples
Turkey	Grapes (including raisins), Figs, Apricots, Apples, Dates, Fruit Nesoi*, Prunes
Philippines	Coconuts, Fruit Nesoi
China	Fruit Nesoi*, Apples, Grapes (including raisins), apricots, Dates, Figs, Prunes

Source: Trade Data Monitoring; sorted by HS Code Dried Fruit
*Nesoi = Not elsewhere specified or included

Dried fruit usage is similar worldwide being utilized as an ingredient in processed retail products or made available in consumer retail packaging. Supermarkets carry dried fruits and dried fruit containing processed products – granola cereals, bars, etc. - in their health food and snack sections. Raisins are the predominate dried fruit used in the bread and bakery industry with other dried fruits being used sparingly in specialty bakery products.

11: Fruit Granola Cereal

12: Snack Bars


13: Dried Fruit Consumer Pack

Dried fruits are infrequently used in food service, but can be observed as specialty appetizers, such as raisin butter (picture 14) or dried fruits offered with mixed nuts to accompany meals and alcoholic beverages.


14: Raisin Butter


15: Dried Fruits served in bars

II. <u>Processed Fruit Consumption Trends</u>

The Japan Fruit Association's 2019 consumer survey indicated that 64 percent of the respondents consume fruit as fresh fruit, whereas 26 percent reported to consume processed fruit more or equal to the quantity of fresh fruit. Of note, 44.5 percent of the younger generation in their twenties tends to consume processed fruit more or in the same quantity as fresh fruit. Older Japanese consumers have favored fresh fruit. Consumption of processed fruit may increase over the years as the young generation ages and carries with it the habit of consuming processed fruits.

When analyzing the frequency of processed fruit (including fruit juice) purchases, 64 percent of Japanese respondents indicated that they purchase either 1~2 times per week or 1~3 times per month. Supermarkets lead sales of processed fruits followed by convenience stores. Japanese consumers responded that their reason for consuming processed fruit was driven by it being delicious and easy to eat. For the reason of consuming, majority of the people have answered that it is easy to eat and delicious.

Since the outbreak of COVID-19, Japanese consumers' lifestyle shifted to having more meals at home and purchasing staple products with longer shelf life. This shift may change consumption habits and lifestyle over time and lead to increased demand for all types of processed fruits to substitute some fresh fruit and snacks categories given their longer shelf life and as a healthier snack option.

III. Opportunities for American suppliers

A. Policies

The recent passage of the U.S.- Japan Trade Agreement provides improved terms of trade for many categories of processed fruit products to assist U.S. growers, processors, and exporters. Please refer the specific reports on USJTA treatment for Frozen and Dried Fruit and USJTA treatment for Fruit Preparations for more information.

B. Recommendations

a) Understanding Business Culture of Japan

The business style in Japan is slightly different compared to U.S. and other countries from its culture and history. From the original "Wabi-Sabi culture" mindset, Japanese style of business encompasses the importance of past relationships and spirit of helpfulness. In other words, the style of Japanese business puts priority in maintaining a relationship with business partners they work with, by helping each other even in times of difficulties.

Price competitiveness is one important aspect that works to differentiate oneself, but in order to enter into new business dealings under this culture, is important to be prepared to emphasize the difference/advantage that the user will have when compared to other origin products currently being procured. Hence, creating a good reputation of one's product and company will support market entry and/or expansion into Japan. The Japanese market remains a promising market and being able to secure and provide a continuous and reliable supply is an advantage.

b) Customization to Japanese Market Trends

The Japanese market has distinctive market trends associated that evolve with lifestyle choices of its consumers. In particular, the convenience and size of the product packaging has been rapidly changing. There are many U.S. products present in the market with the majority of them are being sold in the same style as they are in the U.S.; which stands out as an imported product, but also limits the product's ease of use vis-à-vis Japanese consumption patterns. Having flexibility to make necessary adjustments to product packaging, style, size, etc., in order to better align with Japanese market needs and trends will result in greater accessibility and more opportunities.

IV. How to enter the market

It is important to understand the typical business culture and the flow in Japan. Please refer to the latest Annual Exporter Guide for more detailed information. As Japanese companies often do not respond to "cold calls" or requests for meeting with individual contacts, the best way to find new importers, manufacturers and distribution partners here is to participate in one of the recommended food related trade shows or showcases such as Foodex, Supermarket Trade Show and/or Food and Beverage Expo (FABEX). If you are interested in attending these shows, please contact ATO Tokyo or Osaka and we will inform you whom to contact and how to enroll. If you already have an established importer/distributor, there are additional regional trade show opportunities to help further penetrate the Japanese market. Amidst COVID-19 travel restrictions, ATO Tokyo and Osaka are organizing virtual trade events (VTEs) to provide opportunities for U.S. companies to introduce their products with potential Japanese partners.

V. Contacts and information sources

Agricultural Trade Offices (ATO) in Tokyo and Osaka, and Office of Agriculture Affairs (OAA) stand ready to assist you in your efforts to bring products to market in Japan.

ATO Tokyo
U.S. Embassy
1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
Tel: 81-3-3224-5115
Fax: 81-3-3582-6429
E-mail address: atotokyo@fas.usda.gov

ATO Osaka
U.S. Consulate General Osaka - Kobe
2-11-5, Nishi Tenma, Kita-ku, Osaka City, Osaka 530-8543
Tel: 81-6-6315-5904
Fax: 81-6-6315-5906
E-mail address: atoosaka@fas.usda.gov

Office of Agricultural Affairs
U.S. Embassy
1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
Tel: 81-3-3224-5102
E-mail address: agtokyo@fas.usda.gov

Sources:

[Japan Fruit Association, 2020]
[Ministry of Agriculture, Situation of Fruit Demand and Consumption, 2015]
[Ministry of Agriculture, Fruit Production and Distribution Statistics, 2020]

Category	HS-Codes
Canned & Others	081210, 081290, 081400, 200820, 200830, 200840, 200850, 200860, 200870, 200880, 200892, 200893, 200897
Frozen	081110, 081120, 081190
Dried	080110, 080111,081112,081119, 080410,080420,080620,

Other Related Reports:

USJTA Treatment for Fruit Juice and Jams
USJTA Treatment for Fresh Fruit
Stone Fruit Annual
Citrus Annual
Japanese Fresh Fruit Market Overview 2018
The Japanese Processed Fruit Market-Opportunities and Challenges 2017

Attachments:

No Attachments.