USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 10/1/2012
GAIN Report Number: JA2024

Japan

Potatoes and Potato Products Annual

Japanese Imports of U.S. Chipping Potatoes Reach a Third Record High

Approved By:
Jennifer Clever

Prepared By:
Kenzo Ito and Jennifer Clever

Report Highlights:
As of MY2011/12, four U.S. states (California, Washington, Nevada, and Oregon) are now actively exporting chipping potatoes to Japan. As a result, Japanese imports of U.S. chipping potatoes have reached another record high, valued at $9 million. Japanese imports of U.S. frozen French fries increased steadily for a fourth consecutive year. As a result of a slight improvement in Japan's domestic potato production, imports of U.S. non-fried frozen potato products slowed for the first time in four years.

Fresh Potatoes

Fresh Potato Data:

Fresh Potatoes		Market Year Begin: July 2010 MY2010/11	Market Year Begin: July 2011 MY2011/12	Market Year Begin: July 2012 MY2012/13
Area Planted (Ha)	**Total Area**	**82,400**	**81,000**	**80,000**
	For Fresh Market	26,900	26,400	26,100
	For Processing	55,500	54,600	53,900
Area Harvested (Ha)	**Total Area**	**82,400**	**81,000**	**80,000**
	For Fresh Market	26,900	26,400	26,100
	For Processing	55,500	54,600	53,900
Production (MT)	**Total Production**	**2,290,000**	**2,399,000**	**2,528,000**
	For Fresh Market	747,000	782,000	824,000
	For Processing	1,543,000	1,617,000	1,704,000
Consumption (MT)	**Total Consumption**	**1,864,000**	**1,972,000**	**2,086,000**
	For Fresh Market	608,000	643,000	680,000
	For Processing	1,256,000	1,329,000	1,406,000

Source: MAFF

MY2012/13 data is estimated by Post

Breakdown for fresh market and for processing is estimated by Post

** Area measured in hectares*

 # Production and consumption measured in metric tons

Production

Hokkaido, Japan's northernmost island, is Japan's major potato producing region, accounting for 77 percent of the nation's total output in 2011. Hokkaido's cool temperatures and large-scale agricultural land provide suitable conditions for potato production. Potatoes in the Hokkaido region are usually planted in late spring, after the ground has thawed, and harvested in September and October. Much of Hokkaido's potato production is kept in stocks and is available to the market through the following spring.

Honshu, the main island of Japan, and Kyushu, its southernmost island, also produce potatoes. Potatoes in Honshu and Kyushu are largely planted in the spring and harvested from April through August. These potatoes are mainly sold fresh as soon as they are harvested.

As anticipated by traders and growers, Japanese production of fresh potatoes in MY 2011/12 (July-June) increased by 5 percent from last season. The Ministry of Agriculture, Forestry and Fisheries (MAFF) reports that during MY2011/12, Japan produced 2.4 million metric tons of fresh potatoes from a total crop area of approximately 81,000 hectares. The planting area was down about 2 percent from the previous season and consistent with the annual declining trend. Despite the decline in planting area, the season's improved weather conditions increased the average production yield by 7 percent to 30.1 metric tons per hectare. In MY 2011/12, the Hokkaido region produced 1.85 million metric tons, up approximately 6 percent from the previous season.

According to the Hokkaido Potato Growers Association, in February 2012, Hokkaido experienced heavy snowfall which slightly delayed seed planting to late April. Nonetheless, during the key developing months (June, July and August) Hokkaido experienced milder weather providing ideal growing conditions for this year's potato crop. As a result, the Hokkaido potato industry expects another favorable crop in the MY 2012/13 season. Correspondingly, post estimates that in MY 2012/13 Japanese potato production will recover to its five-year

average at 2.53 million metric tons, up 5 percent from the previous season. It is important to note that while growers are expecting a modest recovery in overall potato production, Japanese chipping manufacturers remain somewhat skeptical about the future availability of domestic potatoes for processing.

Consumption

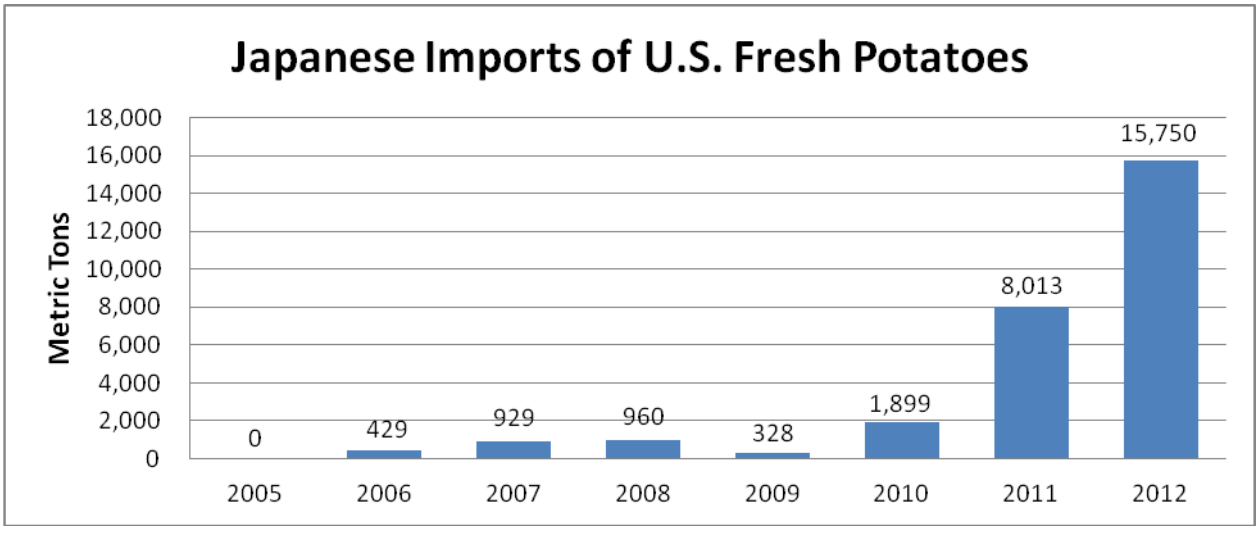
The Ministry of Internal Affairs and Communications (MIC) reports that in CY 2011, Japanese household consumption of fresh potatoes held steady at 10.8 kilograms per year, with an average expenditure of about $36.10 (2,825 yen) per year. The average retail price was $3.33 (261 yen) per kilogram, an increase of 3 percent from last year.

According to MAFF, in CY 2010, a slightly greater percentage of the nation's potatoes were consumed fresh at households and restaurants, 32.6 percent, compared to 30 percent in 2009. The food processing sector utilized about 60.5 percent of the nation's potatoes as ingredients, and 6.9 percent were used as seed potatoes. Within the food processing sector, a lower percentage of potatoes (38.9 percent compared to 47.2 percent) went to starch manufacturing and a higher percentage (21.6 percent compared to 16.8 percent) went to food manufacturing such as potato chips and frozen potato products.

A relatively large volume of Hokkaido potatoes goes to starch makers and food processors, 50.8 percent and 25.0 percent, respectively. However, this year a greater percentage of potatoes, 17.1 percent compared to 13.7 percent, were sold to the fresh market.

** The 78.25 yen per dollar exchange rate is based on a Nikkei News quote from September 17, 2012.*

Trade – Imports



Source: Global Trade Atlas

** 2011 and 2012 imports are the total imports from February to July, while imports for all other years are the total of imports from February to June.*

In 2012, Japanese imports of fresh potatoes from the United States set a third record high, nearly doubling to 15,750 metric tons from the previous year. Japanese imports of U.S. fresh potatoes started in 2006, after the Japanese government first allowed limited importation of U.S. fresh potatoes for potato chip manufacturing.

Several developments continue to contribute to the robust growth of Japanese imports of U.S. chipping potatoes, such as the one-month extension to the allowable shipping period and the approval of a new processing facility in Kagoshima on the southern island of Kyushu. Similarly, this season's authorization of new U.S. states eligible to ship to Japan has paved the way for greater U.S. potato sales to Japan. As a result, total Japanese imports of U.S. fresh potatoes in 2012 were valued at $9 million (CIF basis).

During this season, the United States secured MAFF's approval of two additional U.S. states (Nevada and Montana) as eligible potato shipping states (see policy section). This approval significantly contributed to the increase in imports of U.S. fresh potatoes in 2012. Japan imported 1,350 metric tons of Nevada's fresh potatoes during the months of February through April 2012, valued at approximately $756,000 (CIF basis). While the state of Oregon is one of the original 14 states declared as eligible to ship to Japan in 2006, it only began shipping this year. For the first time, Japan imported 700 metric tons of Oregon fresh potatoes, valued at approximately $392,000 (CIF basis).

MAFF's approval of an additional chipping facility in Kagoshima (see policy section) also increased demand for U.S. fresh potatoes. In the 2012 season, with two chipping facilities approved to handle U.S. potatoes (a plant in Hiroshima and one in Kagoshima) Japanese chip manufacturers doubled their imports of Washington State potatoes to 7,750 metric tons from the previous year. Washington potatoes were shipped to Japan from February to May. Similarly, as a result of the increased chipping capacity, Japanese chip manufacturers imported 5,950 metric tons of California potatoes during June and July, a significant increase from the previous year's level of 4,642 metric tons. Approximately 7,000 metric tons of U.S. fresh potatoes were processed at the newly-approved plant in Kagoshima, and the remainder (about 8,750 metric tons) was processed at the Hiroshima plant.

With four U.S. states now actively shipping potatoes to Japan and two chipping plants approved to process U.S. potatoes, Japanese chippers are ready to expand their U.S. sourcing. As noted earlier, despite the expected improvements in next season's domestic crop, Japanese chipping manufacturers are not optimistic about the availability of domestic supplies for processing. As evidenced by last season's crop utilization distribution, without the availability of outside sources, Japanese consumer demand for fresh potatoes will continue to take precedence over manufacturing demand. Hence, traders are planning accordingly, seeking to enhance their outsourcing efforts. Moreover, the solid relationship between U.S. suppliers and Japanese manufacturers signals that Japanese imports of U.S. potatoes will continue to expand.

Trade – Exports

Japanese exports of fresh potatoes are extremely small, as domestic production is only large enough to partially satisfy domestic demand.

Policy

Currently, Japan allows imports of U.S. fresh potatoes strictly for chip manufacturing. Under the protocol established in 2006, 14 U.S. states were eligible to ship potatoes to Japan with certain access restrictions. Eligible U.S. states were: Idaho, Arizona, Wisconsin, Oregon, California, Colorado, Texas, New Mexico, North Dakota, Florida, Michigan, Minnesota, Maine, and Washington. However, fresh potato shipments from the state of Idaho

have been banned since the finding of potato cyst nematode in Idaho in April 2006. Since the market opened, only fields from the state of California had been designated to ship fresh chipping potatoes to Japan. In 2010, after extensive bilateral negotiation and successful MAFF field audits, fields in the state of Washington were also designated as eligible to ship to Japan; in 2012, fields in the state of Oregon were also designated to ship to Japan. In response to the increased interest by the U.S. potato industry and Japanese chip manufacturers, the United States requested the government of Japan to add the states of Nevada and Montana to the list of eligible shipping states. In February 2012, MAFF approved the states of Nevada and Montana as eligible shipping states. As a result, during the 2012 season, the states of Oregon and Nevada joined the states of California and Washington as active suppliers of fresh chipping potatoes to Japan.

Notwithstanding the recent progress on these policy issues the Japanese import protocol procedures for potatoes remain costly and strict. Building on three consecutive successful shipping seasons, USDA continues to work with the U.S. potato industry and Japanese chip manufacturers to further increase market access for U.S. potatoes. A continuing challenge is the increasing and more vocal opposition by the domestic potato producers. Since the last Potato Annual report (October 2011), USDA's Foreign Agriculture Service (FAS), USDA's Animal & Plant Health Inspection Service (APHIS) and the U.S. potato industry have been actively working on the following plant health issues:

Additional eligible states: In 2011, APHIS requested that Japan approve Montana seed potatoes to be used to grow chipping potatoes in the approved states; Montana was not one of the 14 original states approved to ship potatoes to Japan. Similarly, APHIS requested that the state of Nevada be approved to ship to Japan. These efforts were in response to the increased interest among the U.S. potato industry and Japanese manufacturers to begin using Nevada potatoes, sourcing Montana seeds during the 2012 season. On January 27, 2012, MAFF approved the states of Nevada and Montana as eligible shippers of U.S. chipping potatoes to Japan. Prior to this approval, only fields in the states of California, Washington and Oregon were designated to ship to Japan - now the states of Nevada and Montana join the list of eligible shipping states. On February 24, 2012 the first shipment of five 40-foot containers (about 95 metric tons) of Nevada potatoes arrived at the Port of Hiroshima. At the Port, the inspection was carried out by MAFF's plant quarantine officials (see picture below). In the 2012 season, Japan imported 1,350 metric tons of Nevada potatoes; the addition contributed $780,000 (CIF basis) to U.S. potato export sales to Japan.

MAFF inspectors examine Nevada potatoes at the Port of Hiroshima (February 2012)

Inland transportation: According to the 2006 import protocol, MAFF does not allow inland transportation of U.S. potatoes from the port to the chipping facilities due to phytosanitary concerns. As a result, only port-area chipping facilities are allowed to request MAFF for approval to import and process U.S. potatoes. Unlike the Hiroshima Port, the Kagoshima Port, where the newly- approved facility is located, is a local port that cannot handle large-scale vessels. Consequently, U.S. potatoes need to be loaded onto smaller coastal vessels at the nearest port (Shibushi) approximately 100 kilometers east of Kagoshima. As the smaller vessels are not equipped to keep the cargo refrigerated, the 8-9 hour travel time to Kagoshima can cause premature sprouting and adversely affect the quality of the potatoes. Japanese chipping manufacturers find the current process extremely inefficient and costly. Thus, they have requested MAFF to allow inland transportation by truck from the Shibushi port directly to the chipping facility. The Shibushi port has the capacity to handle containerized cargo and is equipped with electricity which would allow the potatoes to remain refrigerated during ground transport. In addition, the shorter inland travel time would minimize the risk of quality deterioration. USDA, in coordination with U.S. potato suppliers, has supported this request on multiple occasions. This issue was raised with Japan at the annual U.S.-Japan plant protection bilateral meetings held in July 2012. MAFF is currently reviewing the request; the United States urged MAFF to complete its review before the start of the next shipping season.

Additional one-month extension: Working together with Japanese chipping manufacturers, USDA and U.S. potato exporters have made a strong case to MAFF with respect to the economic benefits to the Japanese chipping manufacturers of expanding the import period when domestic supplies are short. Now that the states of Washington, Oregon and Nevada ship their potatoes starting in February, both the U.S. industry and Japanese chip manufacturers are pursuing this additional one-month expansion at the front end of the current allowable shipping period (to include January).

Idaho reinstatement: Under the protocol established in 2006, the state of Idaho was included in the list of eligible shipping states. However, since the finding of potato cyst nematode in Idaho in April 2006, fresh potato shipments from that state remain banned. The United States continues to raise this issue with Japan, most recently at the July 2012 U.S.-Japan plant protection bi-lateral meetings. At present, approval has not been granted; the United States will continue discussions with Japan to reinstate Idaho as an eligible shipper. Japan is the only market worldwide that still maintains a prohibition on the entire state of Idaho.

Missing shipping tags: U.S. fresh potatoes are packed in one-ton tote bags which are shipped to Japan in 40-foot ocean vessel containers (approximately 20 tote-bags per container). According to the current protocol, prior to departing the United States, potatoes in each tote bag must be inspected by U.S. APHIS officials, and shipping tags must be attached to each tote bag. During transport to Japan, occasionally shipping tags go missing, and MAFF import inspectors cannot clear the product without them. During the 2012 season, there were multiple incidents of missing shipping tags. When tags go missing, APHIS Tokyo has to verify the products with missing tags in order for MAFF officials to clear the product. APHIS expeditiously dealt with all of these incidents this season, and all were cleared and imported without significant delays at the port. However, this requirement is onerous, and significant hours are spent verifying product for port clearance. In May 2012, APHIS proposed changes to the current protocol to simplify the shipping tag requirements. The issue was also raised at the latest plant protection bilateral in July; a response from MAFF is still pending.

Marketing

In MY 2011/12, Japan set another record for imports of U.S. fresh potatoes (15,750 metric tons). In the early stages of Japanese imports of U.S. fresh potatoes, Japan's average import level was only 661 metric tons annually. That modest level of imports is largely attributed to the fact that Japanese chip manufacturers were unfamiliar with the quality and characteristics of U.S. potatoes. Working collaboratively with Japanese chip processors, U.S. potato exporters have successfully supplied higher quality potatoes, providing suitable potato varieties and successfully meeting the needs of the Japanese manufacturers. The Japanese industry reports that the rejection rate for the 2012 U.S. potato crop was very small. In addition, the strong yen has significantly contributed to the increased imports of U.S. potatoes. Until the last two seasons, Japan's multiple year decline in potato production also encouraged Japanese chip processors to look for potato suppliers in the United States.

As four U.S. states are now cleared to export chipping potatoes to Japan and two chipping plants are approved to process U.S. potatoes, Japanese chip manufacturers are looking to expand their sourcing of potato supplies from the United States. When Japan started importing U.S. fresh potatoes, it imported only fresh-crop potatoes from the state of California in the months of June and July. In order to increase the volume of imports from the United States, Japanese traders looked for additional sources within and beyond the state of California. Last year, after multiple consultations with Japanese chip manufacturers, Japan imported stored potatoes (the previous year's crop) from the state of Washington. Since then, Japanese chip manufacturers have been able to confirm the quality of stored potatoes and verify that other potato varieties can meet their needs. The U.S. Potato industry has been working with the Japanese chip manufacturers through reverse trade missions and multiple other activities to assist them in testing new potato varieties and expanding their U.S. purchases. This year, as a result of these efforts, Japan successfully imported stored potatoes from the state of Nevada. Japanese traders reported that the quality of stored Nevada potatoes meets the needs of Japanese manufacturers.

Tariff Table

Japan: Import Duties 2012

Tariff Code (HS)	Description	Duty Rate (%)*
0701.90	Fresh potatoes	4.3%

Source: Customs Tariff Scedules of Japan 2012

** all duties are charged on a CIF basis*

Trade Data

Japan: Imports of fresh potatoes (Quantity) HS: 0701.90

Marketing year: July-June / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**328**	**1,900**	**4,310**	**16,017**
United States	328	1,899	4,105	15,973
Market share:	*100%*	*100%*	*95%*	*100%*
China	0	1	205	44
All other	0	0	0	0

Source: World Trade Atlas

Japan: Imports of fresh potatoes (Value) HS: 0701.90

Marketing year: July-June / Value in thousands of U.S. dollars

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**176**	**1,115**	**3,369**	**9,071**
United States	176	1,113	3,169	9,020
Market share:	*100%*	*100%*	*94%*	*99%*
China	0	2	200	51
All other	0	0	0	0

Source: World Trade Atlas

Wholesale Price Table

Japan: Fresh Potato Wholesale Prices

Domestic (Yen/KG)		
	2011	2012
January	¥139	¥104
February	¥148	¥116
March	¥186	¥134
April	¥230	¥158
May	¥218	¥112
June	¥170	¥78
July	¥95	
August	¥103	
September	¥117	
October	¥111	
November	¥99	
December	¥95	

Source: MAFF

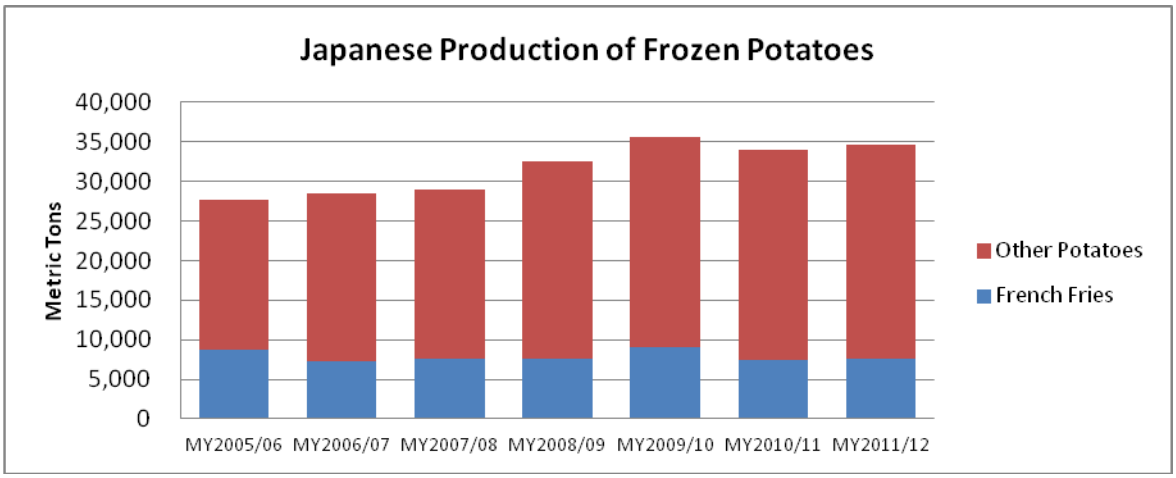
Frozen Potato Products

Frozen Potato Data:

Frozen Potato Products	Market Year Begin: July 2010 MY2010/11	Market Year Begin: July 2011 MY2011/12	Market Year Begin: July 2012 MY2012/13
Production	33,943	34,640	35,000
Imports	358,206	363,203	370,000
Total Supply	**392,149**	**397,843**	**405,000**
Exports	407	273	300
Domestic Consumption	391,742	397,570	404,700
Total Distribution	**392,149**	**397,843**	**405,000**

Source: Japan Customs, Japanese Potato Industry
**Trade data is based on HS 0710.10 and HS 2004.10*
***MY 2012/13 data: Post estimates*
 # Production, consumption, imports and exports measured in metric tons

Production



Source: Japan Frozen Food Association

According to the Japan Frozen Food Association, in MY 2011/12 Japanese production of frozen potato products was 34,640 metric tons, up 2.1 percent from the previous season. Correlated with Japan's domestic crop production, last season's five percent increase in domestic crops encouraged Japanese production of frozen potatoes. Demand for domestic products has been increasing since the Chinese tainted dumplings incident in 2008. Prior to that incident, the average annual Japanese frozen potato production was 28,336 metric tons. However, as traders grew reluctant to source food products from China, domestic frozen production jumped 21 percent to 34,175 metric tons.

Post anticipates that Japanese frozen potato production will continue on an upward trend, provided that the domestic fresh potato crop can satisfy the increasing industry demand. Industry sources expect Japanese fresh potato production to increase in MY 2012/13. Accordingly, post estimates domestic frozen potato production to be approximately 35,000 metric tons in MY 2012/13.
The majority of domestic frozen potato products are used for croquettes and potato salad manufacturing. Domestic production of frozen French fries is relatively minor, approximately 23 percent of total domestic frozen potato production. Japanese industry reports that, in MY 2011/12, Japanese production of French fries increased to about 8,000 metric tons from 7,500 metric tons in the previous season following an increase in the domestic potato crop. Beginning in 2012, Japanese statistics no longer separate French fry and other frozen potato production.

Consumption

According to Japanese industry sources, Japanese consumption of frozen potato products is steadily increasing. The majority of frozen potato products are consumed as French fries at quick serve restaurants (QSRs) or fast food chains such as McDonald's, KFC, Mos Burger and Lotteria. McDonald's is by far the largest user of frozen French fries, consuming almost a half of the total Japanese imports of frozen French fries. Japanese consumption of frozen potato products is closely tied to the performance of QSRs. Under Japan's current economy, QSRs remain fairly popular as Japanese continue to look for lower-priced menus. MIC reports that in CY2011, the average annual Japanese household expenditure at hamburger shops reached $57.52 (4,501 yen). Interestingly, while household "dining-out" expenditures have declined about 7 percent over the last four years, expenditures on hamburger meals increased 11 percent over the same period.

The MIC also reports that Japan is quickly becoming an aging society (in 2012, 24.1 percent of Japanese were over 65 years old). Industry sources report that the age groups that favor QSRs and eating hamburgers are expanding to include older generations. Hamburger sandwiches were first introduced in Japan about 40 years ago and were typically favored by the younger generation. As this generation ages, hamburger consumption is expected to expand. This expansion will likely encourage greater consumption of frozen potato products.

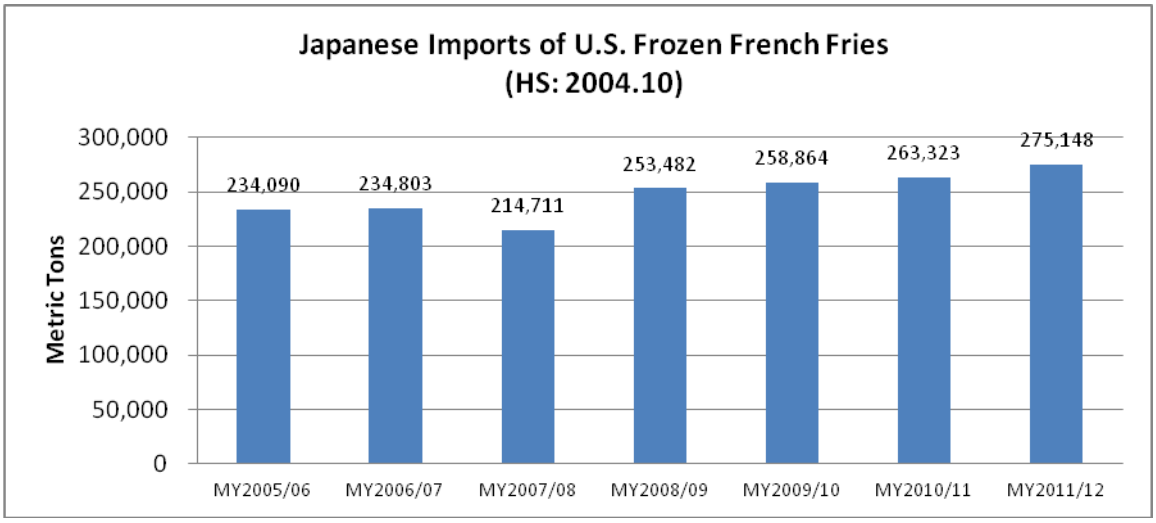
Japanese convenience stores also sell a fair amount of frozen potato products. Convenience stores have installed full size fryers in the store and sell freshly-fried potatoes to consumers. According to the Japan Franchise Association, there are 44,403 convenience stores in Japan (as of December 2011), and many stores have already started selling freshly-fried potatoes at their shops. Japanese convenience stores are also steadily expanding their sales volume. The sales of freshly-fried potatoes at convenience stores significantly contributed to overall Japanese demand for frozen potato products. Family restaurants and "Izakaya," Japanese style pubs, are also consumption hubs for frozen potato products.

**The 78.25 yen per dollar exchange rate is based on a Nikkei News quote from September 17, 2012.*

Trade – Imports

In MY 2011/12, Japanese total world imports of frozen potato products (including both French fries HS: 2004.10 and non-fried potatoes HS: 0710.10) were 363,203 metric tons, a marginal increase (one percent) from the previous season. The total value of imports was approximately $483 million on a CIF basis. Approximately 92 percent of Japan's frozen potato imports are French fries. Successful sales at Japan's QSRs and convenience stores significantly contributed to the sales of frozen potato products. In addition, the strong yen continues to support imports of frozen potatoes. With U.S. production of fresh potatoes expected to increase in MY2012/13, Japanese importers are anticipating to increase their imports of frozen potato products. Correspondingly, for MY 2012/13, Post estimates Japan's total imports of frozen potato products to continue its upward trend, increasing approximately 2 percent to 370,000 metric tons.

Imports of Frozen French Fries (HS: 2004.10)



Source: Global Trade Atlas

In MY 2011/12, Japanese imports of U.S. frozen French fries (HS: 2004.10) were 275,148 metric tons, an increase of approximately 4 percent from the previous season, valued at approximately $367 million on a CIF basis. In the frozen French fry category, U.S. is by far the largest supplier to Japan. During the MY 2011/12 season, the United States supplied approximately 83 percent of Japan's total imports of frozen French fries. French fry imports from Canada and Belgium declined by 2 and 17 percent respectively from the previous season.

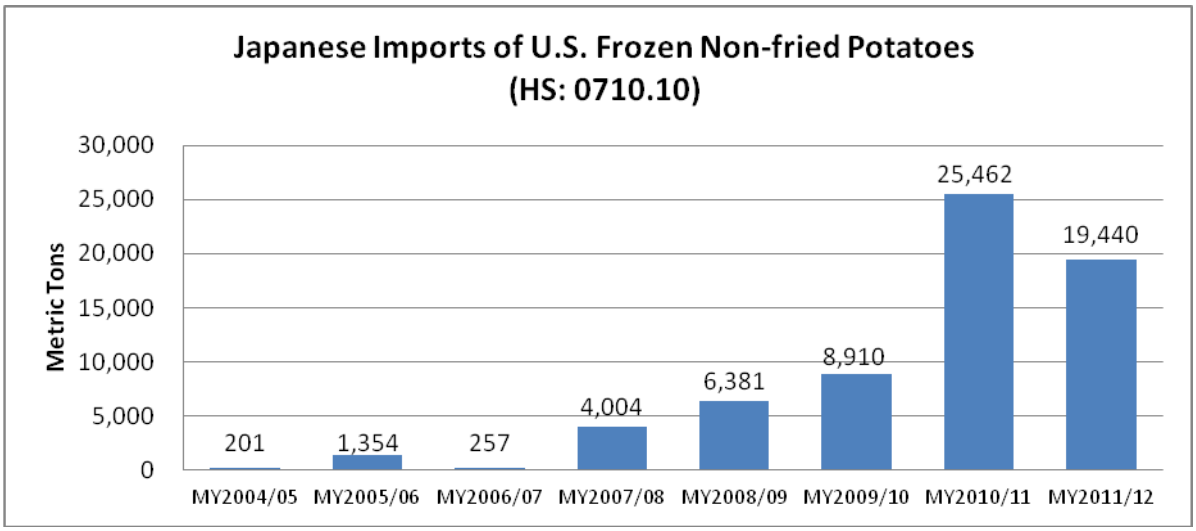
As noted above, sales of U.S. frozen French fries are strongly correlated with sales at Japan's QSRs, particularly sales by McDonald's restaurants. Japan's QSRs are actively introducing new menu items that strongly encourage French fries sales. As a result, Japanese importers expect that strong sales of U.S. frozen potato products will continue in the coming season.
Until last year, Japanese imports of Belgian frozen French fries had increased steadily. However, in MY 2011/12, Belgian frozen fried potato imports declined from 16,270 to 13,441 metric tons. Japanese industry reports that Belgium had gained Japanese market share by selling its potatoes at relatively lower prices compared to U.S. and Canadian potatoes. In MY 2011/12 season, Belgium's frozen potato suppliers raised their prices and consequently lost market competiveness to other suppliers. Thus, one of the major Japanese convenience store chains switched its sourcing of frozen potatoes from Belgium to the United States and Canada.

In MY 2011/12, Japanese imports of Canadian frozen French fries declined marginally (approximately 2 percent) to 31,960 metric tons, valued at $43 million on a CIF basis. According to Japanese importers, Canada's largest frozen potato supplier has plants in both Canada and the United States. This gives the supplier the flexibility to ship its products from either the United States or Canada, and to take advantage of favorable cost and supply conditions. Reportedly in MY 2012/13, Canadian fresh potato production is expected to be fairly good, and hence Japanese imports of Canadian frozen potato products are expected to increase.

Also in MY 2011/12, Japanese imports of Chinese frozen French fries declined significantly to 1,918 metric tons, valued at $5 million on a CIF basis. As Chinese frozen French fries are generally sold at the retail level, where consumers can identify the country of origin, the 2008 incident involving imports of Chinese dumplings tainted with methamidophos has continued to hamper Japanese demand for these and other retail Chinese food products.

Despite earlier signs of a possible recovery, with this season's decline in sales, Japanese traders report that Japanese imports of Chinese frozen French fries for retail sale will likely take some time to recover. On the other hand, Chinese frozen non-fried potatoes sold for food manufacturing, where the supplier country is not identified, is expected to recover relatively faster.

Imports of Frozen Non-fried Potatoes (HS: 0710.10)



Source: Global Trade Atlas

Japan's imports of non-fried potatoes are primarily for snack food manufacturing and general food processing. After peaking last season, Japan's world imports of frozen non-fried potatoes (HS: 0710.10) declined by 11 percent to 30,677 metric tons, valued at $37.5 million on a CIF basis in MY 2011/12. The decline in overall Japanese imports of frozen non-fried potatoes largely reflects a significant decrease in imports from the United States.

Until last year, Japanese imports of U.S. non-fried potato products had increased for four straight years. However, in MY 2011/12 Japanese imports of U.S. non-fried potatoes declined by 24 percent to 19,440 metric tons, valued at approximately $23 million on a CIF basis. These imports are largely supported by Japanese snack food manufacturers who use them to develop new products. According to Japanese industry sources, as a result of the slight recovery in the domestic crop in MY 2011/12, the major Japanese snack food manufacturer increased its use of domestic potato products and reduced its volume of imports. U.S. non-fried potato products are processed and frozen in U.S. plants. U.S. potatoes are usually blanched and cut into French fry potato shapes. Then, Japanese manufacturers turn them into crispy chips resembling French fries. Other types of U.S. non-fried potato products are blanched and cut into cube shapes in U.S. plants, which the Japanese food service industry then utilizes to prepare various menu items.

In MY 2011/12, Japanese imports of Chinese non-fried potatoes increased by 26 percent to 10,404 metric tons. While, the 2008 safety incident with imported Chinese food products negatively affected sales of Chinese frozen potato products at the retail level, the same has not been the case for imports of Chinese frozen non-fried potato products. These Chinese imports are primarily destined for the Japanese food service industry where they are

mixed with other domestic ingredients. As the origin of these imports then becomes unidentifiable, demand has remained mostly unaffected. Japanese traders report that while the unit price of Chinese potatoes has been slowly increasing, it is still cheaper to buy Chinese products compared to other competitors' products. Cheaper Chinese potatoes are somewhat attractive to Japanese buyers, and also Chinese potato processers are reportedly fairly adept at meeting the specific needs of Japanese food manufacturers. Over the last few seasons, U.S. industry efforts to introduce innovative ways to utilize U.S. non-fried potatoes in Japan's food service sector is paving the way for future U.S. sales in this sector.

Trade – Exports

Japan's exports of frozen potato products are very small. Japan exports around 300 metric tons to Indonesia, Hong Kong, Singapore and the United States, mostly through local Japanese grocery stores.

Marketing

In recent years, Japanese consumers have become more price-sensitive. QSRs have been performing well since Japanese consumers have begun to opt for lower-priced menu items. Japanese QSRs are the key users of U.S. frozen potato products. With over 3,300 restaurants throughout Japan, McDonald's sells about a half of all Japanese imports of U.S. frozen French fries. French fries sales at McDonald's have been growing thanks to the introduction of various new menu items such as the 100-yen hamburger, and the deluxe Big American Hamburger promotional series. As hamburger sales go up, so do the sales of side-order fried potatoes. U.S. frozen French fry suppliers have earned a good reputation among their Japanese clients as they are able to provide a high quality product and a steady supply throughout the year.

Over the past years, sales of fried potatoes at convenience stores have been very successful. Convenience stores have installed full size fryers in-house and sell freshly fried potatoes to customers. There are approximately 45,000 stores nationwide, and many stores have already adopted this practice. Today, Japan's giant convenience store chains such as Seven-Eleven and Lawson's also sell freshly fried potatoes at their stores. With big volume and steady supply capacity, U.S. frozen potato suppliers have been successfully supplying their products to these giant convenience store chains. Seven Eleven operates 14,562 stores throughout Japan; similarly Lawson's operates 10,912 stores nationwide.

In 2007, a major Japanese food manufacturer developed snack food products using non-fried U.S. frozen potatoes (HS: 0710.10) as an ingredient. U.S. non-fried potato products are processed and frozen in U.S. plants, and then Japanese manufacturer turns them into crispy chips resembling French fries; they are marketed in small vacuum-packed cups (see pictures below). The sales of these products have been very successful, and the product development has expanded to include other flavors. With last season's improvement in the availability of domestic potatoes, demand for non-fried U.S. frozen potatoes as an ingredient in this type of products declined slightly. However, Japanese manufacturers anticipate that over the long run this type of utilization will expand beyond the capacity of domestic supplies, and the use of U.S. frozen potatoes is thus expected to continue growing in the future.

The product on the right is a snack food product developed using non-fried U.S. frozen potatoes. The product on the left is a variation using domestic potatoes from Hokkaido.

Non-fried potato products are widely used by the Japanese food service industry. Family restaurants and "Izakaya," Japanese style pubs, also prepare their food menu items using non-fried potato products. The popularity of "sozai" (prepared food available for purchase at supermarkets and department stores) holds great potential for increasing sales of non-fried U.S. frozen potato products.

The U.S. potato industry has actively expanded its outreach activities to different distribution channels, participating in various trade shows. At the FABEX 2012 Trade Show, the U.S. industry promoted fried and mashed potatoes for quick and efficient food preparation at restaurants. It also demonstrated other types of non-frozen U.S. potato products such as baked, shredded, sliced and dice-cut potatoes, and highlighted the cost efficiency and nutritive values of using U.S. frozen potatoes. Similarly, the U.S. industry participated in other trade shows such as the "Izakaya" industry trade show and the Supermarket Trade show. In addition, the U.S. potato industry has worked with local supermarket chains and has been successful developing new *sozai* deli menu items using U.S. non-fried frozen potatoes. For example, the American Potato Deli Fair featured croquets, mashed potato salad, and various hamburger toppings prepared with non-fried U.S. potatoes.

Products using U.S. non-fried frozen potatoes featured at the American Potato Deli Fair

The Japanese food service industry believes that Japan's frozen potato market has good potential to grow. Given Japan's high quality and high food safety standards, the United States remains the best positioned country to

supply high quality frozen potato products to meet the needs of Japanese food manufacturers and retailers. Targeting alternative segments in Japan's food service sector such as supermarkets, traditional Japanese fast food restaurants, and QSRs holds promise for continued expansion of U.S. sales of frozen potatoes in Japan.

Policy

Since the last Potato Annual report (October 2011), there have been no major issues relative to U.S. frozen potato products, and Post has observed no trade disruptions of U.S. frozen potato products.

Tariff Table

Japan: Import Duties 2012

Tariff Code (HS)	Description	Duty Rate (%)*
0710.10-000	Frozen potatoes: Uncooked or cooked by steaming or boiling in water	8.5%
2004.10-100	Frozen potatoes: Cooked, not otherwise prepared (fried potatoes)	8.5%
2004.10-210	Frozen potatoes: Mashed potatoes	13.6%
2004.10-220	Frozen potatoes: Others	9.0%

Source: Customs Tariff Schedules of Japan 2012

** all duties are charged on a CIF basis*

Trade Data

Japan: Imports of frozen potato products - HS 2004.10 (Quantity)

Marketing year: July-June / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**308,496**	**310,599**	**323,820**	**332,526**
United States	253,482	258,864	263,323	275,148
Market share:	*82%*	*83%*	*81%*	*83%*
Canada	34,023	28,029	32,455	31,960
Belgium	10,886	13,059	16,270	13,441
New Zealand	3,506	4,069	4,045	4,007
Germany	2,425	2,018	2,568	2,335
China	2,191	2,311	2,444	1,918
Egypt	1,401	1,253	1,278	1,582
All others	582	996	1,437	2,135

Source: Global Trade Atlas

Japan: Imports of frozen potato products - HS 2004.10 (Value)

Marketing year: July-June / Value in thousands of U.S. dollars

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**372,954**	**380,091**	**403,766**	**445,436**
United States	305,985	314,529	325,119	366,975
Market share:	*82%*	*83%*	*81%*	*82%*
Canada	38,418	33,535	40,171	42,953
Belgium	12,966	15,616	20,164	17,121
New Zealand	4,300	4,824	4,813	5,214
Germany	3,193	2,763	3,238	2,979
China	5,527	5,306	6,039	5,302
Egypt	1,114	1,085	1,255	1,550

All others	1,451	2,433	2,967	3,342

Source: Global Trade Atlas

Japan: Imports of frozen potato products - HS 0710.10 (Quantity)

Marketing year: July-June / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**15,460**	**18,283**	**34,386**	**30,677**
United States	6,381	8,910	25,462	19,440
Market share:	*41%*	*49%*	*74%*	*63%*
China	8,409	8,822	8,231	10,404
Colombia	233	180	266	335
Vietnam	294	291	197	130
All others	143	80	230	368

Source: Global Trade Atlas

Japan: Imports of frozen potato products - HS 0710.10 (Value)

Marketing year: July-June / Value in thousands of U.S. dollars

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**18,837**	**24,176**	**40,133**	**37,532**
United States	9,603	14,576	29,977	23,343
Market share:	*51%*	*60%*	*75%*	*62%*
China	8,144	8,630	8,753	12,438
Colombia	601	503	817	1,045
Vietnam	343	363	289	217
All others	146	104	297	489

Source: Global Trade Atlas

Potato Flakes (Non-Frozen)

Japanese Imports of U.S. Potato Flakes and Flour
(in Metric Tons)

HS code	MY 2009/10	MY 2010/11	MY 2011/12	Description
1105.20	14,044	15,622	14,837	Flakes of Potatoes
1105.10	3,954	2,585	4,109	Flour & Meal of Potatoes
Total	17,998	18,207	18,946	

Source: Global Trade Atlas

Tariff Table

Japan: Import Duties 2012

Tariff Code (HS)	Description	Duty Rate (%)*
1105.10	Flour, meal and powder of potatoes	20.0%

1105.20	Flakes, granules and pellets of potatoes	20.0%

Source: Customs Tariff Schedules of Japan 2012

** all duties are charged on a CIF basis*

Trade Data

Japan: Imports of potato flakes - HS 1105.20 (Quantity)

Marketing year: July-June / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**18,500**	**15,990**	**17,064**	**18,679**
United States	15,719	14,044	15,622	14,837
Market share:	*85%*	*88%*	*92%*	*79%*
Germany	2,356	1,637	944	2,575
China	352	230	357	704
All others	73	79	141	563

Source: Global Trade Atlas

Japan: Imports of potato flakes - HS 1105.20 (Value)

Marketing year: July-June / Value in thousands of U.S. dollars

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**28,639**	**25,517**	**26,359**	**31,228**
United States	24,643	22,708	24,211	25,067
Market share:	*86%*	*89%*	*92%*	*80%*
Germany	3,320	2,344	1,358	3,834
China	573	344	584	1,408
All others	103	121	206	919

Source: Global Trade Atlas

Japan: Imports of potato flour - HS 1105.10 (Quantity)

Marketing year: July-June / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**4,554**	**5,304**	**4,382**	**6,709**
United States	3,179	3,954	2,585	4,109
Market share:	*70%*	*75%*	*59%*	*61%*
Germany	0	225	876	932
Netherlands	600	500	759	1,100
Poland	775	625	162	572

Source: Global Trade Atlas

Japan: Imports of potato flour - HS 1105.10 (Value)

Marketing year: July-June / Value in thousands of U.S. dollars

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12
Beginning month of marketing year:	July/08	July/09	July/10	July/11
World	**6,944**	**8,066**	**6,916**	**10,605**
United States	5,087	6,356	4,380	6,966
Market share:	*73%*	*79%*	*63%*	*66%*

Germany	0	262	1,298	1,397
Netherlands	777	617	961	1,407
Poland	1,080	831	277	834

Source: Global Trade Atlas