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Report Highlights:

The prefecture of Okinawa lies southwest of the main islands of Japan with a population totaling to 1.4million and GPP (Gross Prefectural Product) recording \$37.3 billion. The prefecture, though small, presents an attractive market for U.S. food exporters, because of its high receptivity to foreign food culture, in particular from the U.S., due in part to its unique historical background. Agricultural Trade Office Osaka (ATO Osaka) is actively promoting U.S. food products in the prefecture working closely with U.S. Consulate General in Okinawa and would like to invite U.S. food companies to explore their business opportunities in Okinawa.

General Information:

I. Okinawa Prefecture

1. Prefectural Overview

Okinawa prefecture consists of a total of 160 islands, of which only 49 are populated, covering a wide ocean area totaling to 1000km from east to west and 400 km from north to south. As Okinawa is close to other Asian countries, it has been historically played an important role in the exchange with these countries. Its proximity to Asia has had a deep impact on the development of Okinawa as well.

- **Map of Japan and Okinawa**



The islands of Okinawa are in the subtropical climate zone, surrounded by numerous coral reefs. Its beautiful scenery along with its historic heritage makes the prefecture a major tourist destination in Japan, drawing about 6 million tourists annually, not only from all parts of Japan but also from nearby Asian countries. Tourism is the mainstay industry in Okinawa.

Okinawa, once called Ryukyu Kingdom, was an independent state from 1429 to 1879 and flourished through intermediate trade with Japan, China and other Asian countries, taking the advantage of its geographical location. At the end of 1870s, it was administrated by the Japanese mainland Meiji government, and became a part of Japan.

Okinawa was occupied by the U.S. military at the end of the World War II and was governed by the United States Civil Administration of the Ryukyu Islands (USCAR) for a quarter of a century until it was returned to Japan in 1972. The governance by USCAR and the ongoing presence of U.S. forces, which total about 46,500 soldiers and dependents have had a significant influence on the development of Okinawa and has cultivated a high receptivity to American culture, including American food, among the Okinawan people.

Okinawa, with a population of 1.4 million, is among a few Japanese prefectures experiencing an

increase in population. In fact, it recorded the highest population growth among the 47 Japanese prefectures (2011). The prefecture's relatively high fertility rate*, 1.86 versus 1.39 of the national average (2011), as well as immigrants from the mainland of Japan is behind this increase in its population.

* Fertility rate: the number of children for a woman to bear on average

As Table 1 summarizes below, Okinawa represents about 1% of the whole Japanese economy. Obviously, it is a small market. However, the high receptivity to U.S. food culture among Okinawan people along with strong food demand from resort hotels provides opportunities for U.S. food exporters in this market.

Table 1 Regional Comparison

	Nominal GRP / GPP (\$ million)		Population (thousand)		Food Wholesale* (\$ million)		Food Retail Sale* (\$ million)	
Hokkaido/Tohoku	580,437	11.7%	17,044	13.3%	46,841	11.68%	63,970	14.53%
Kanto (Including Tokyo)	1,975,821	39.9%	45,800	35.7%	165,950	41.38%	155,632	35.35%
Chubu	738,077	14.9%	18,315	14.3%	50,571	12.61%	60,712	13.79%
Kinki (including Osaka)	771,721	15.6%	20,963	16.3%	65,730	16.39%	70,530	16.02%
Chugoku	277,865	5.6%	7,569	5.9%	20,573	5.13%	25,843	5.87%
Shikoku	134,375	2.7%	3,992	3.1%	9,946	2.48%	13,516	3.07%
Kyushu	440,826	8.9%	13,254	10.3%	37,978	9.47%	45,347	10.30%
Okinawa	37,256	0.8%	1,438	1.1%	3,449	0.86%	4,755	1.08%
Japan Total	4,956,377	100%	128,374	100%	401,040	100%	440,260	100%

Source: Cabinet Office / Ministry of Economy, Trade and Industry, Government of Japan

Note:

- GRP (Gross Regional Product) or GPP (Gross Prefectural Product): 2010, Population: 2013, Food wholesales: 2012*, Food Retail Sales: 2012*

-*Food Wholesale/*Food Retail Sale: the amount of each region was calculated based on the national amounts in 2012 and the regional share from the 2007 research. Next national research by region is scheduled in the summer of 2014.

- The exchange rate of \$1=100 yen is used as the conversion rate in this report.

2. Prefectural Center: Naha



The main island accounts for 92.6 % of the prefectural population and it is divided into 3 sub-regions; North, Middle and South. The South area is the center of the Okinawan economy, representing about 48.5 % of the population in prefecture, while the North and the Middle areas represent 9.1% and 35.0% respectively.

The city of Naha, the prefectural capital, is located in the South area and occupies 22.6 % of the overall population of Okinawa (2013).

3. Economic Prospects of Okinawa

The description of Okinawa's economy is not all that comforting with the highest unemployment rate (5.7 % in Okinawa versus 4.0% of the national average in 2013) and its lower average income (73.6 % of the national average income in 2010) among the 47 Japanese prefectures.

The prefecture lacks primary manufacturing industries due to its small market and long distance from the mainland of Japan, with only 4.8 % of its labors engaged in manufacturing industry versus the national average of 16.5 % (as of 2012). The main industry in Okinawa is tourism, which makes its labor distribution by industry skewed toward the service sector with 78.6 % of the prefectural labor belonging to this sector. The agricultural share in the prefectural labor market is also small with only 4.5% and the cultivation of sugar cane along with beef and pork production are the mainstays of the agricultural sector in Okinawa. As expected, U.S. military bases and other related business are among the major employers in the prefecture as well.

However, with this background, the fact that tourism in Okinawa is booming is clearly great news. The number of tourists has been steadily increasing and a total of 6.41 million tourists visited Okinawa in 2013, bringing about \$4 billion as tourism-related revenue. In fact, the number of tourists more than tripled and the tourism-related revenue almost tripled in the past three decades. Additionally, several low-cost carrier companies (LCC) started flight operation, connecting Okinawa with other major cities in Japan. While Okinawa has been an attractive tourist destination among Japanese people, the high flight cost from the Japanese mainland was holding back some potential visitors. With the start of flight operation by these new LLCs, the number of tourists to Okinawa has been showing further growth and the demand for hotels and restaurants is showing significant growth as well.

In addition, due partly to its magnificent scenery and mild weather, Okinawa is drawing numerous migrants from the Japanese mainland. New housing developments are being built for these migrants, many in the prime area of Naha. These migrants are also a part of the main target customers of high-end restaurants and hotels in Naha.

II. Food Culture in Okinawa

1. Local Orientation

People in Okinawa have a local orientation in what they eat. They have local food ingredients only available in the region, which makes their food culture unique to this region, and they appreciate these food items as a part of their cultural identity. On the other hand, they are quite open to food products from outside as well. While the islands are small and its own food supplies are limited, Okinawa depends on supplies from the Japanese mainland as well as foreign countries for its food.

2. Unique Food Culture with U.S Influence

While Okinawa has their own food culture, they are familiar with food from foreign countries, especially from the U.S., due to influences by the U.S. governance after the World War II. During the post-war restoration period, people in Okinawa were exposed to a wide variety of U.S. food brought to Okinawa by American forces stationed at the military bases. They were new and fresh to the local people, such as easy-to-use, ready-to-eat canned or bottled food, including luncheon meat, soup and condiments. These foods impressed the local people as a symbol of a wealthy society.

Some of these U.S. food products have penetrated deeply into the local diet. A case in point is luncheon meat. It became popular in Okinawa partly because it is used as a replacement for pork meat, a familiar item to the local diet. Annual average consumption of luncheon meat per person in the prefecture is about 14 cans (340 g per can)/year. It is even more impressive when you learn that Okinawa, with only 1.1% of the total Japanese population, is responsible for over 90% of the total luncheon meat



consumption in Japan. The local menu using luncheon meat ranges widely from stir-fried vegetables to rice balls. “SPAM omusubi” is particularly popular. (Please refer to the picture in the left side.) SPAM from the U.S. is definitely the leading brand in the prefecture, competing with TULIP from Denmark, followed by others such as MIDLAND from Denmark and WINDMILL from the Netherlands.

Other U.S. food products such as snacks and sweets including chocolate, ice cream, and cake just to name a few, also fascinated the local people.

Part of their yearning for U.S. food culture can be observed in the development of Blue Seal Ice Cream.



It was first made available for the Americans at the military bases in Okinawa in 1948, and then spread throughout the prefecture, enticing local palates with original American rich taste. Since then, Formost Blue Seal Ice Cream has deeply taken root in Okinawa and, today it claims to be Okinawa’s ice cream, being “born in America and raised in Okinawa,” with a variety of flavors including those using local unique ingredients such as Okinawa sweet potato.

Now, the chain has started out opening up stores in Tokyo and other areas in Japan, promoting the “born in America and raised in Okinawa” taste. (<http://en.bluseal.co.jp/>)

There were local people, out of their yearning for U.S. food culture, who even started out their own food



businesses by re-producing American style stores. An Okinawan local, nicknamed as Jimmy by his American friends while working at a local military base, opened a bakery chain named “Jimmy’s” in 1950’s, offering a variety of American style cakes and baked goods decorated with colorful icing and rich whipped cream. The chain got quite popular and today, it has become an Okinawan’s favorite bakery chain. (<http://www.jimmys.co.jp/x/>)

These are just a few examples of how people in Okinawa have accepted U.S. food culture and developed their diets under its influence. The fact that receptivity to U.S. food remains high among the local people is definitely a positive factor for U.S. food suppliers who target this market.

III. Food Market in Okinawa

1. Strong presence of the regional players

There are numerous small independent food importers and distributors who serve the local market. Okinawa was a separate market from the rest of Japan for a quarter of a century during the U.S. governance, taken out of reach from major Japanese mainland companies and left to the hands of local counterparts. Okinawan locals started out their own business to import food from the U.S. and other

countries. Today, these importers keep directly importing processed food such as luncheon meats, condiments, snacks, sweets, and beverages.


It is true that the Okinawan market has become more integrated into the national distribution system with the development of transportation and communication technologies. As a general trend, the number of these local independent importers is reducing. However, Okinawa is still a market relatively segregated from the rest of Japan and regional players maintain a stronghold in the local market.



2. Regional retail food market and its mayor players



The retail food market in Okinawa is estimated at around \$4.76 billion (2012) with over 220 supermarket stores, over 430 convenience stores, 4 general supermarket stores, and over 4,870 food specialty stores.

Among them, supermarket chains are definitely the key players in the food market. The major supermarket chains are listed below.

Table2 National and regional supermarket chains in Okinawa

Name	Number of stores in Okinawa	Coverage	Annual Sales (\$million)	Note
<i>Regional chain</i>				
San-A Co., Ltd. 	63	Prefecture wide including small islands	1,409.3 (consolidated) Financial year ending in Feb. 2013	The leading regional supermarket chain. It started its business in 1950. The chain belongs to Nichiryu Group, a major procurement group based in Osaka, which consists of about 20 supermarket chains and coops all over the country. San-A Co., Ltd. depends its supply mainly on Nichiryu Group's distribution from the mainland. The types of San-A stores range from GMS to shopping center to small supermarket stores, covering a wide area of the mainland of Okinawa. The chain also operates a few stores in smaller islands as well. San-A Group runs a variety of business, including restaurants, drug stores, convenience stores and hotels under license contracts with the operators in the Japanese mainland. http://www.san-a.co.jp/

				(in Japanese only)
Kanehide	62	Prefecture wide, including small islands	N/A	A major regional supermarket chain, covering a prefecture-wide area, including smaller islands. The group started its operation in 1964. Kanehide Group operates not only supermarkets but also home centers, resort hotels, golf clubs, and convenience stores as well. The group has its own trading division, which is in charge of importing processed food, mainly canned and bottled, directly from foreign countries. Its current trading partners are Korea, China, Vietnam, Spain, the U.S and Australia etc. http://kanehideshj.com/ (in Japanese only)
Union 	17	Mainly the south and middle areas of the main island	257 (FY 2012)	A regional major supermarket chain, operating mainly in the southern and middle parts of the main island of Okinawa. It started its business in 1949. The chain's main targets are lower-end customers and its stores are open 24-hours. http://www.nodake.co.jp/ (in Japanese only)
Ryubo 	12	In and around Naha-city in the South area	N/A	A regional supermarket chain, operating mainly in and around Naha-city area. The chain was established in 1984. It currently runs 12 stores. The chain deals with specialty foods as well and targets middle to high-end customers. Ryubo Group operates a department store in Naha as well as convenience stores, "Okinawa Family Mart." http://ryubo.jp/store/ (in Japanese only)
Jimmy's	23	Region wide, mainly in the south and middle areas	N/A	A regional sweets & bakery chain. The chain offers American-style sweets and baked goods. It also operates restaurants, and supermarkets, where they sell a variety of imported processed foods, ranging from snacks,

				confectioneries, beverages, condiments, to canned processed food. http://www.jimmys.co.jp/x/ (in Japanese only)
National chain				
AEON Ryukyu AEON / MaxValu/BIG (AEON Group) 	38	Region wide	631.75 (FY2012)	It is part of AEON Group, the largest supermarket chain in Japan. AEON Ryukyu was established in 1975. The chain currently operates 5 “AEON” shopping centers, 27 “MaxValu” supermarkets and 6 “BIG” discount stores in a wide area of the prefecture, including small islands. https://www.aeon-ryukyu.jp/ (in Japanese only) http://www.aeon.info/en/index.html 1 (in English)

Data & Picture: from Companies’ websites

IV. Recommendation

Although Okinawa is small, it presents an attractive market for U.S. food exporters. Its high receptivity to U.S. food culture is evidently among the major favorable factors of this prefectural market. In addition, its booming tour industry is also offering great opportunities, in which food demands from numerous high-end resort hotels scattered around the Okinawa islands are showing robust growth. Responding to active approaches by ATO Osaka with the assistance from the U.S. Consulate General in Okinawa, several resort hotels have held “American Fairs” featuring American food products including U.S. beef. It is expected that the demand for U.S. food from these resort hotels will grow further in the near future. The Agricultural Trade Office Osaka (ATO Osaka) is actively promoting U.S. food products to these hotels as well as to the retail market, working closely with the U.S. Consulate General in Okinawa.

V. Post Contact and Further Information

1. ATO Osaka as a gateway to West Japan

ATO Osaka is actively promoting U.S. agricultural products in the western part of Japan. Along with ATO Tokyo, it offers a series of services to assist U.S. food companies who are interested in exporting their products into the country.

ATO provides relevant information on the Japanese food market and facilitates U.S. companies to find business partners in Japan. For this purpose, ATO runs a bilingual business website (www.us-ato.jp) targeting both U.S. trades as well as their Japanese counterparts. It also reaches out consumers with another website tailored for general public (www.myfood.jp). In addition, ATO

Osaka is actively approaching food companies in western Japan in order to seek trade leads and present business chances to U.S. food exporters.

ATO Osaka serves as a gateway to Western Japan for U.S. exporters and would like to invite U.S. companies to explore their opportunities in the region.

Please contact us at:

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- *For USDA'S report on the Japanese markets, please visit the following website and see the "Exporter Assistance" at the upper right hand corner.*

<http://www.usdajapan.org/#>

Note: The images used in this report are from websites from each company.