



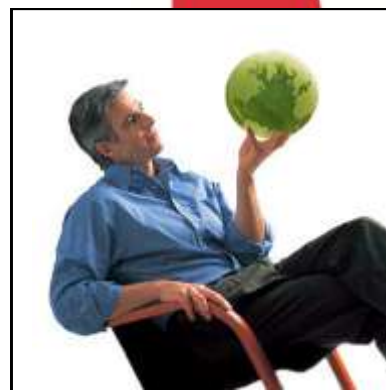
Agriculture and
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International
Markets
Bureau

MARKET INDICATOR REPORT | MAY 2012

Packaged Food Sales in Japan





► **EXECUTIVE SUMMARY**

In 2011, Japan was hit by a series of natural disasters that led to serious national turmoil as well as the disruption of many production facilities and commercial activities. The uncertainty resulting from these events led Japanese consumers to reduce unnecessary spending. Most have curbed their consumption of impulse and indulgence products and reduced the frequency at which they eat out, to conserve finances until the economy shows signs of greater stability.

The economic conditions in Japan are expected to improve during the first half of the 2012-2016 forecast period, with a 1% gross domestic product (GDP) growth projected for 2012. With these gains, consumer confidence is expected to slowly return.

The Japanese food processing market has traditionally been viewed as complex and challenging to enter. However, a series of factors including an increasing emphasis on convenient, quick-to-prepare, ready-to-eat and value-priced foods, have opened some opportunities for exporters in this market.

Packaged sauces, boxed meals and instant meals are growing more popular, as the fast-paced lifestyle in Japan pushes consumers away from preparing homemade meals from scratch. In addition, young professionals living away from home have become a unique demographic of consumers demonstrating significant demand for processed foods.

Japanese consumers are also very interested in new and innovative products. Japanese food manufacturers continue to produce some of the most novel products on the market. Many product innovations launched in Japan have gone global, particularly in the functional food industry. In general, products that target health matters are very popular in Japan, especially as the population continues to age. The Japanese population as a whole is the oldest of any country within the Organisation for Economic Co-operation and Development (OECD).

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ACCORDING TO EUROMONITOR, MANUFACTURERS ARE LIKELY TO COOPERATE WITH LEADING DISCOUNTERS, AND EITHER PRODUCE PRIVATE LABEL GOODS OR HAVE THEIR OWN BRANDS SOLD AT EXCLUSIVE DISCOUNTERS.



▶ MARKET TRENDS

- ▶ Packaged food sales in Japan declined by 1% in value during 2011, the same rate of decline as recorded during 2010. Japanese consumers continue to reduce spending on several product categories, including confectionery and ice cream, that are not considered essential items. In contrast, canned/preserved food and long-life/UHT* milk both recorded strong growth during 2011. Spurred by the earthquake and tsunami that hit Japan in March 2011, consumers stocked up on basic packaged food products with longer shelf lives.
- ▶ As dining out rates continue to decline in Japan, consumers remained keen on preparing their own meals at home, although the benefits of this change in behavior were felt more in fresh food, which is typically available at a lower price than packaged products. This adversely affected the performance of frozen processed food, among other packaged food categories, during 2011.
- ▶ Health consciousness amongst Japanese consumers continued to grow in 2011. Many consumers are more and more conscious of their diets and calorie intake, exacerbated by the country's burgeoning demographic of seniors who are demanding healthy food products. Various outbreaks and disease concerns brought into sharp focus the importance of maintaining good health and nutrition for many Japanese consumers. In addition, ongoing campaigns by the Japanese government further motivated consumer awareness of the importance of living a healthy lifestyle. As a result, 2011 saw naturally healthy products, such as olive oil, experiencing a surge in sales.
- ▶ The performance of packaged food in Japan is expected to improve slightly over the forecast period of 2012 to 2016, as the country's economy is expected to recover and consumers return to their pre-crisis habits. Lifestyles are expected to become increasingly hectic as the economy rebounds, which will lead to a resurgence of dining out fairly regularly, as well as an accelerated demand for quick and convenient packaged meal solutions. Sales of non-essential prepared food are also expected to improve, with consumers using the purchase of impulse and indulgence products as an easy way to reward themselves despite a busy schedule.
- ▶ As Japanese consumers increasingly perceive that there is little difference between the quality of branded packaged food and private label products, the opportunity for retailers to expand their private label lines is expected to emerge. Coupled with the ongoing expansion of chained grocery retailing, this trend has allowed Japanese retailers to successfully promote their private label products to consumers.
- ▶ Product innovation by packaged food manufacturers in 2011 was influenced by health and wellness concerns, as well as demands for convenience. For example, Ezaki Glico Co. Ltd. launched an extension to its Icenomi product, which contains 80% juice concentrate and comes in five smaller bags, each with six small fruit-flavoured gelato balls. This product was launched in response to higher consumer demand for an occasional snack, that allows them to enjoy a treat without going overboard.

*UHT refers to ultra-high temperature (UHT) processing. This process is used to sterilize products, such as milk, so that they no longer require refrigeration and can be kept shelf-stable for longer periods of time.



► PACKAGED FOOD SALES BY CATEGORY

Packaged Food Sales in Japan by Category
Retail Sales Price (RSP) - Historic/**Forecast** - US\$ Millions

Categories	2009	2010	2011	2012	2015
Chilled Processed Food	67,634.0	67,005.5	65,096.9	64,029.4	64,396.7
Bakery	33,551.5	32,938.3	31,960.2	32,544.8	33,356.3
Dried Processed Food	31,912.7	30,884.8	30,182.0	30,778.7	30,785.5
Dairy	24,640.6	24,607.6	24,251.2	25,464.1	27,245.4
Sauces, Dressings and Condiments	21,847.1	21,705.3	21,375.6	21,600.5	22,462.7
Ready Meals	18,521.4	18,861.2	19,551.0	19,377.1	21,154.2
Noodles	14,447.9	14,407.1	14,536.3	14,642.3	15,109.1
Sweet and Savoury Snacks	13,601.5	13,732.2	13,913.8	14,066.8	14,638.2
Confectionery	10,155.7	10,002.9	9,758.8	9,965.3	9,913.3
Canned/Preserved Food	8,135.5	8,013.4	8,284.7	8,201.4	8,558.0
Frozen Processed Food	7,032.9	7,144.9	6,883.0	7,039.6	7,310.0
Ice Cream	6,386.5	6,636.7	6,482.6	6,555.3	6,823.4
Oils and Fats	3,792.1	3,650.3	3,961.7	4,140.6	4,582.8
Soup	2,392.2	2,386.1	2,395.1	2,416.1	2,541.3
Baby Food	1,319.0	1,313.1	1,284.1	1,265.1	1,248.0
Spreads	1,086.0	1,096.6	1,050.2	1,039.7	1,043.5
Pasta	1,055.5	1,029.8	1,037.5	1,044.3	1,086.2
Snack Bars	651.9	645.6	633.2	647.6	688.8
Meal Replacement	464.9	458.8	453.1	474.1	551.2
Packaged Food	232,532.1	230,155.1	225,888.1	228,132.9	233,936.5

The Japanese packaged food sector is expected to reach sales of nearly US\$234 billion by 2015.

Source: Euromonitor, 2012

Note: The Packaged Food totals are lower than the actual calculated totals, as some subcategories are classified under more than one category. For example, sales of "Chilled Ready Meals" are included within the total for the "Ready Meals" category, as well as the "Chilled Processed Food" category. The total Packaged Food sales figures (bottom-most row) do not include this duplication.



▶ KEY MARKET SEGMENTS: 2010-2011

CHILLED PROCESSED FOOD

- ▶ In 2011, this sector's sales decreased from US\$67 billion to US\$65 billion. Sales volume decreased from 3.9 million tonnes to 3.8 million tonnes.

Main Sectors

- ▶ Chilled fish and seafood sales decreased from US\$37 billion to US\$35 billion.
- ▶ Chilled ready meals increased from US\$15.1 billion to US\$15.8 billion.
- ▶ Chilled processed meat sales decreased from US\$10.6 billion to US\$10.4 billion.

Main Companies and their Japanese Brands (2010*)

- ▶ Generics were the leader in chilled processed food with 60.9% of retail sales in 2010; followed by 7-Eleven Japan Co. Ltd. with 2.3%, and other private label followed at 4%. Company and brand data is not available by sector.

Forecasts for 2012-2016

- ▶ Chilled fish and seafood is projected to decline by 1.6% in value terms. However, chilled ready meals are projected to increase by 3.2% in value terms, while chilled processed meat is expected to increase by 1.7%.

BAKERY PRODUCTS

- ▶ In 2011, sales in this sector decreased from US\$32.9 billion to US\$32 billion. Sales volume decreased from 2.6 million tonnes to 2.5 million tonnes.

Main Sectors

- ▶ Sales of baked goods decreased from US\$27 billion to US\$26.2 billion.
- ▶ Sales of biscuits decreased from US\$5.3 billion to US\$5.2 billion.
- ▶ Sales of breakfast cereals decreased from US\$576.1 million to US\$563.9 million.

Main Companies and their Japanese Brands (2010*)

- ▶ Yamazaki Baking Company Ltd. held 23% of the retail sales for baked goods, followed by Shikishima Baking Company Ltd. (7%) and Fuji Baking Company Ltd. (4%).
- ▶ Ezaki Glico Co. Ltd. dominated the biscuit market with 16% of retail sales, followed by Bourbon Corporation (15%) and Lotte Co. Ltd. (9%).
- ▶ Kellogg (Japan) KK led breakfast cereals in 2010 with a 41% value share, followed by Calbee Foods Co. Ltd. at 27%, and Nissin Cisco Co. Ltd. at 17%.

Forecasts for 2012-2016

- ▶ Baked goods are projected to grow by 1.1% in value terms over the forecast period. Biscuits are expected to decline by 0.1%, while breakfast cereals are projected to increase by 0.2%.

*2010 is the most recent data available for company and brand share information.



► KEY MARKET SEGMENTS: 2010-2011 (continued)

DRIED PROCESSED FOOD

- In 2011, sales in this sector decreased from US\$30.9 billion to US\$30.2 billion. Sales volume decreased from 4.6 million tonnes to 4.5 million tonnes.

Main Sectors

- Rice sales decreased from US\$16.9 billion to US\$15.9 billion.
- Sales of instant noodles increased slightly from US\$8.7 billion to US\$8.9 billion
- Sales of plain noodles also increased slightly from US\$2.1 billion to US\$2.2 billion

Main Companies and their Japanese Brands (2010*)

- JA Group (Japan Agricultural Cooperatives) held 23% of the retail sales for dried processed food, followed by Nissin Foods Holdings Co. Ltd. (12%), and Japanese Consumers Co-operative Union (7%). Company and brand data is not available by sector.

Forecasts for 2012-2016

- Rice is projected to decline by 1% in value terms, while instant noodles are expected to increase by 1.4% and plain noodles by 0.6%.

DAIRY

- In 2011, sales in this sector decreased slightly from US\$24.6 billion to US\$24.4 billion. Sales volume decreased from 4.1 million tonnes to 3.9 million tonnes.

Main Sectors

- Sales of drinking milk products decreased slightly from US\$9.7 billion to US\$9.5 billion.
- Yogurt and sour milk drink sales declined from US\$8 billion to US\$7.9 billion.
- Cheese sales grew from US\$3.7 billion to US\$3.8 billion.

Main Companies and their Japanese Brands (2010*)

- Meiji Holdings Co. Ltd. led sales of drinking milk products in 2010 with a 12% value share, followed by Morinaga Milk Industry Co. Ltd. at 10%, and Nippon Milk Community Co. Ltd. at 7%.
- Yakult Honsha Co. Ltd. led in sales of yogurt and sour milk drinks with 21%, followed by Meiji Holding Co. Ltd. (20%) and Morinaga Milk Industry Co. Ltd. (16%).
- Snow Brand Milk Products Co. Ltd. led cheese sales in 2010 with 29%, followed by Morinaga Milk Industry Co. Ltd. (15%) and Rokko Butter Co. Ltd. (11%).

Forecasts for 2012-2016

- Drinking milk products are expected to post a 1.5% increase in value terms over the forecast period. Yogurt and sour milk drinks should increase by 2.1%, and cheese products are expected to grow by 4.1%.

*2010 is the most recent data available for company and brand share information.



▶ KEY MARKET SEGMENTS: 2010-2011 (continued)

SAUCES, DRESSINGS AND CONDIMENTS

- ▶ In 2011, this sector's sales decreased slightly from US\$21.7 billion to US\$21.4 billion. Sales volume also dropped from 1.9 million tonnes to 1.85 million tonnes.

Main Sectors

- ▶ Sales of table sauces decreased from US\$9.6 billion to US\$9.2 billion.
- ▶ Sales of cooking sauces remained stable at US\$5.4 billion.
- ▶ Sales of other sauces, dressings and condiments also remained stable at US\$3.5 billion.

Main Companies and their Japanese Brands (2010*)

- ▶ Kikkoman Corp. continued to occupy the top position in sauces, dressings and condiments with an 8% value share in 2010. It was followed by QP Corp. with 6% and Ajinomoto Co. Inc. with 6%. Company and brand data is not available by sector.

Forecasts for 2012-2016

- ▶ Table sauces, cooking sauces, as well as other sauces, dressings and condiments are all expected to post a growth of 1.5% in value terms over the period.

READY MEALS

- ▶ In 2011, sales in this sector increased from US\$18.9 billion to US\$19.6 billion. Sales volume also increased from 1.4 million tonnes to 1.5 million tonnes.

Main Sectors

- ▶ Sales of chilled ready meals increased from US\$15.1 billion to US\$15.8 billion.
- ▶ Sales of canned preserved ready meals remained stable at US\$1.5 billion.
- ▶ Sales of frozen ready meals decreased from US\$1 billion to US\$975 million.

Main Companies and their Japanese Brands (2010*)

- ▶ Generics retained the leading position in ready meals with a 52% value share in 2010, followed by 7-Eleven Japan Co. Ltd. with 8% and Family Mart Co. Ltd. at 6%. Company and brand data is not available by sector.

Forecasts for 2012-2016

- ▶ Chilled ready meals are projected to post a growth of 3.2% in value terms. Canned preserved ready meals are projected to grow by 1.5%, and frozen ready meals by 2.6%.

*2010 is the most recent data available for company and brand share information.



► KEY MARKET SEGMENTS: 2010-2011 (continued)

NOODLES

- In 2011, sales in this sector increased slightly from US\$14.4 billion to US\$14.5 billion. Sales volume remained stable at about 1.2 million tonnes.

Main Sectors

- Instant noodle sales increased from US\$8.7 billion to US\$8.9 billion.
- Plain noodle sales increased slightly from US\$2.1 billion to US\$2.2 billion.
- Chilled noodle sales decreased from US\$2.2 billion to US\$2.1 billion.

Main Companies and their Japanese Brands (2010)

- Nissin Foods Holdings Co. Ltd. maintained its leadership in this sector with a 29% retail value share in 2010, followed by Toyo Suisan Kaisha Ltd. (15%) and Sanyo Foods Co. Ltd. (8%). Company and brand data is not available by sector.

Forecasts for 2012-2016

- Instant noodles are expected to grow by 1.4% in value terms over the forecast period. Plain noodles should grow by 0.6%, while chilled noodle sales are expected to grow by 0.3%.

SWEET AND SAVOURY SNACKS

- In 2011, sales in this sector increased moderately from US\$13.7 billion to US\$13.9 billion. Sales volume also increased slightly from 735 thousand tonnes to 742 thousand tonnes.

Main Sectors

- Extruded snack sales increased slightly from US\$7.1 billion to US\$7.2 billion.
- Other sweet and savoury snack sales increased from US\$3.7 billion to US\$3.8 billion.
- Sales of chips/crisps grew from US\$1.9 billion to US\$2 billion.

Main Companies and their Japanese Brands (2010)

- Calbee Foods Co. Ltd. maintained its lead with a 14% value share in 2010, followed by Kameida Seika Co. Ltd. (11%) and Koikeya Co. Ltd. (6%). Company and brand data is not available by sector.

Forecasts for 2012-2016

- Extruded snacks are expected to post a growth of 1.5% in value terms. Other sweet and savoury snacks will grow by 1.2%, while chips/crisps are predicted to grow by 1%.



The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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ISSN 1920-6615
AAFC No. **11754E**

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please contact:

Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

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