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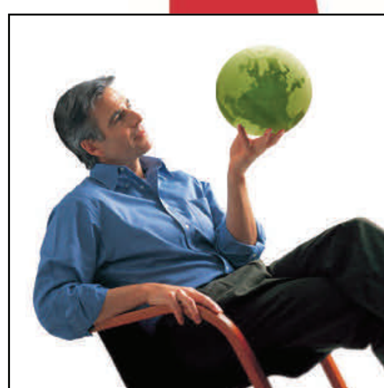
MARKET INDICATOR REPORT | MAY 2012

Fruit and Vegetable Juices in Japan



Growing Forward

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EXECUTIVE SUMMARY

Japanese consumers are becoming increasingly conscious of their own wellness, driven by media promotions emphasizing one's own responsibility for health. The Japanese population is also aging as a whole, contributing to a burgeoning number of consumers who are actively seeking to educate themselves regarding health matters and related food products.

Along with the trend toward even greater health-consciousness, many companies are finding that older demographics represent the majority of their clientele. In both instances, fruit and vegetable juice manufacturers are adapting their products accordingly, developing products that address the particular needs and concerns of this market.

Japan was the third-largest market in the world for fruit and vegetable juices in 2011, with off-trade* value sales of US$9.8 billion, following the United States (US$15.9 billion) and China (US$15.7 billion). Despite this, per capita consumption of fruit and vegetable juices by volume is significantly lower in Japan than many other countries.

In 2011, the category of juice drinks (with up to 24% juice) grew by over 10% in both off-trade value and volume sales over the previous year. However, the other fruit and vegetable juice categories all experienced negative or slowing growth. This is largely due to limited innovation in the sector, which has constrained the sector's ability to attract new consumer markets.

Off-trade* refers to product sales through retail formats, and does not include sales through foodservice establishments (which would be referred to as **on-trade).*

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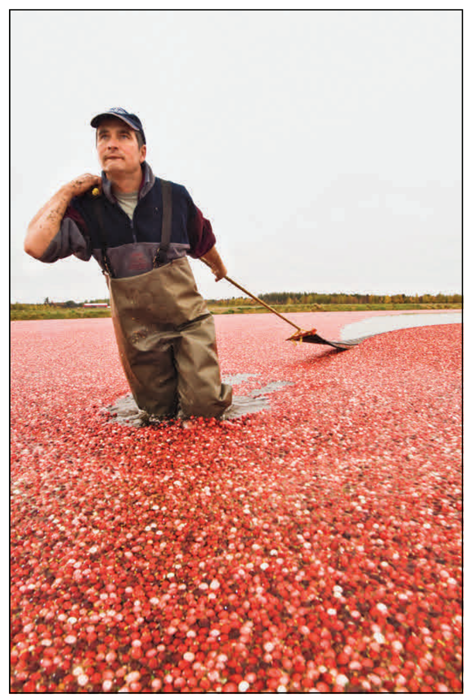


CONSUMER DEMOGRAPHICS

With 29.6 million people aged 65 or older, a median age of 44.9 years and an average life expectancy of 83 years (2011), the senior demographic in Japan represents an important market in terms of size alone. However, the senior population in Japan also has a significant financial impact: between 1975 and 2009, the proportion of funds allocated to the elderly more than doubled, increasing from 30% of total social security expenditure, to almost 70%. Furthermore, the majority of consumers over the age of 50 have significant retirement savings and high disposable incomes. Together, these factors characterize a growing market of consumers that would be well-suited to product targeting.

Cutting-edge medical research and development are key factors in the longevity of the Japanese population. However, active lifestyles and healthy diets also play a significant role. Japanese consumers are very mindful of their health, and continue to demand products with various nutritional claims such as “low calorie” or “vitamin enriched.” However, given their existing health consciousness, products have to be increasingly innovative and inspiring in order to attract the interest of new consumers.

Japan Consumer Segmentation in Thousands of People

Age Segment	2011	2015	2020	% Growth 2011-2020
Babies/Infants (0-2 years)	3,188	2,862	2,612	-18.1
Kids (3-8 years)	6,483	6,322	5,639	-13
Tweens (9-12 years)	4,660	4,305	4,244	-8.9
Teens (13-19 years)	8,391	8,240	7,705	-8.2
People in their twenties	13,905	12,925	12,294	-11.6
People in their thirties	17,538	15,639	14,145	-19.3
Middle-aged Adults (40-64 years)	43,320	41,931	41,154	-5
Seniors (65+ years)	29,628	33,621	35,673	20.4

Source: *Euromonitor, 2012*

RETAIL SALES

In 2011, off-trade sales of fruit and vegetable juice in Japan reached US$9.8 billion, making it the third-largest market internationally by value. However, this represents a decline of 0.3% from the previous year, and value sales are expected to continue receding slowly over the forecast period of 2012 to 2016.

Japanese Fruit and Vegetable Juice Market Sizes
Historic/Forecast Retail Sales Value and Volume

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Off-trade Value (based on retail sale price in US$ millions)	11,334	10,586	9,648	9,875	9,847	9,687	9,571	9,490	9,426	9,398
Off-trade Volume (in million litres)	2,604	2,374	2,159	2,271	2,297	2,274	2,254	2,236	2,217	2,197

Source: *Euromonitor, 2012*

RETAIL SALES (continued)

Sales of fruit and vegetable juice are divided into three distinct and competing categories: 100% juice, juice nectars (25-99% juice), and juice drinks (up to 24% juice). While juices under the health and wellness banner are growing (such as functional juices and organic juices), they are not yet well established in Japan. Asian drinks and teas are much more prevalent within the health and wellness sector.

By category, 100% juice holds the largest share of the market, representing 60% of total fruit and vegetable juice value sales in 2011. Juice drinks held the second-largest share with 29%, followed by nectars with 11%. However, juice drinks recorded the highest growth from 2010 to 2011 in value terms (10.1%), while 100% juice and nectars declined by 1.3% and 12.2%, respectively.

Products within the 100% juice category are generally considered to be more adult oriented. Juices classified as "not from concentrate" continue to be a traditional preference in Japan, with many small producers manufacturing their own products for local consumption. Japan produces a very large harvest of various popular juice fruits such as tangerines and Satsuma oranges.

Japanese Fruit and Vegetable Juice Market Sizes by Category
Historic/Forecast Off-Trade Retail Sales Value in US$ millions

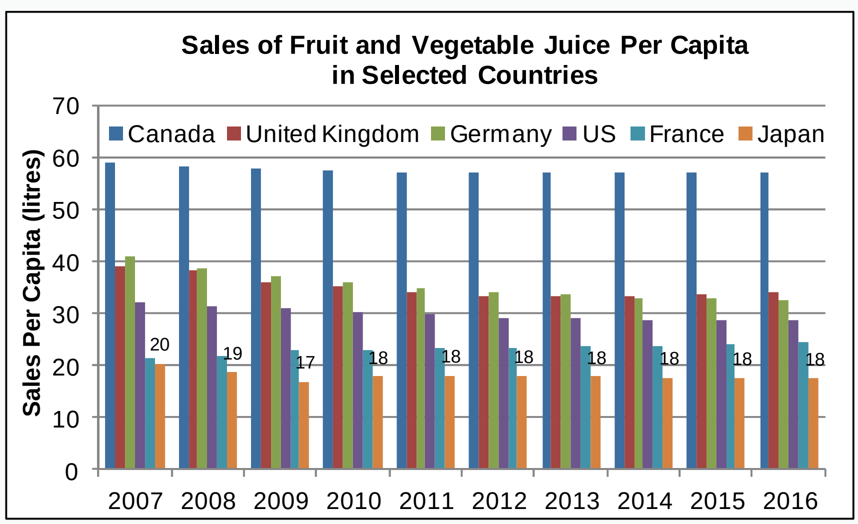
Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
100% Juice	7,452	7,180	6,617	6,674	6,585	6,532	6,496	6,473	6,452	6,447
Nectars (25-99% Juice)	1,218	1,204	1,165	1,179	1,035	1,011	991	977	966	960
Juice Drinks (up to 24% Juice)	2,664	2,203	1,866	2,022	2,226	2,144	2,084	2,040	2,008	1,991

Japanese Fruit and Vegetable Juice Market Sizes by Category
Historic/Forecast Off-Trade Retail Sales Volume in millions of litres

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
100% Juice	1,543	1,448	1,345	1,389	1,387	1,386	1,384	1,381	1,376	1,368
Nectars (25-99% Juice)	300	295	287	290	254	249	244	239	235	231
Juice Drinks (up to 24% Juice)	761	631	527	592	656	639	627	616	606	598

While sales of fruit and vegetable juice per capita are expected to remain stable in Japan as well as select countries such as Canada, the United Kingdom, Germany, the United States and France, Japanese consumption is significantly lower. The average Japanese consumer consumes 18 litres of juice annually, compared to 57 litres in Canada, 34 in the United Kingdom and 30 in the United States.

The breadth of the market, as well as the traditional popularity of green tea and alcoholic beverages in Japan, is a major factor in the low per capita sales.



***Source for all:** Euromonitor, 2012*

This represents an opportunity for juice manufacturers to increase individual sales in Japan by introducing innovative and functional products that keep consumers' interest.

HEALTH AND WELLNESS

The retail value of the health and wellness fruit and vegetable juice market represents approximately 58% of the total fruit and vegetable juice market in Japan. Naturally healthy and fortified/functional are the most popular health and wellness juices, but organic juices are seeing steady value growth.

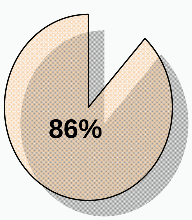
The Japanese government actively promotes making healthy food choices through an anti-obesity law and a robust functional food classification agency. The country's national health-consciousness has contributed to rising demand for juices that are perceived to retain the nutritional value of fresh fruits and vegetables, such as those within the organic juice category. Japanese consumers are looking for products offering nutritional value and/or functional benefits that are also convenient and tasty.

Japanese Health and Wellness Fruit and Vegetable Juice Market Sizes
Historic/Forecast Retail Sales Value in US$ millions

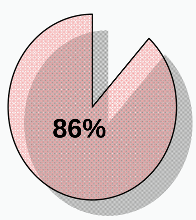
Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Naturally Healthy Juice	5,604	6,276	6,108	5,748	5,470	5,330	5,218	5,159	5,134	5,132
Fortified/Functional Juice	285	308	314	321	328	337	349	364	381	400
Organic Juice	50	55	56	57	59	63	67	71	77	83

Source: *Euromonitor, 2012*

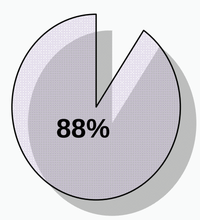
Japanese Consumer Responses to a 2010 Datamonitor Survey



Percentage of consumers who are trying to lose or maintain weight



Percentage of consumers who are conscious of their daily calorie intake



Percentage of consumers who make active attempts to eat healthfully

Source for all: *Mintel, 2012*

LEADING FLAVOURS

Leading Flavours in the 100% Juice Category in Japan
% Off-Trade Volume Breakdown

% retail volume	2005	2006	2007	2008	2009	2010
Apple	14	13.7	12.4	11.6	12	12.3
Grapefruit	5.5	5.3	5	4.6	4.3	2
Mixed vegetables	30	31	36.9	41	39	38
Orange	30	29	26.3	24.6	25	25.4
Pineapple	1.5	1.5	1.7	1.7	1.8	2
Tomato	4.5	4.6	4.4	4.2	4.1	4
Other flavours	14.5	14.9	13.3	12.3	13.8	16.3
Total	100	100	100	100	100	100

Leading Flavours in the Nectar (25-99% Juice) Category in Japan
% Off-Trade Volume Breakdown

% retail volume	2005	2006	2007	2008	2009	2010
Apple	18	18	17.5	18	18.5	19
Grapefruit	4	4.2	4.5	4	4.1	4.3
Orange	35.4	35.3	38	38.5	39	41
Peach	2.8	2.8	2.7	2.5	2.4	2.2
Other flavours	39.8	39.7	37.3	37	36	33.5
Total	100	100	100	100	100	100

Leading Flavours in the Juice Drink (up to 24% Juice) Category in Japan
% Off-Trade Volume Breakdown

% retail volume	2005	2006	2007	2008	2009	2010
Apple	30	30	28	28.5	29	30
Lemon	8	8	7.9	8	8.3	8.5
Orange	38.3	38.5	39	38.5	38	27
Other flavours	23.7	23.5	25.1	25	24.7	34.5
Total	100	100	100	100	100	100

Source for all: *Euromonitor, 2012*

Orange continued to be the most popular juice flavour in 2010 (not including the "other flavours" catch-all), accounting for a 25.4% share of off-trade volume sales in the 100% juice category, and a 41% share in nectars and juice drinks.

Despite this preference for more traditional juice flavours, Japanese consumers are often attracted to novel and innovative flavours or flavour combinations. However, more unusual juice products are generally priced at a premium, and consumers became increasingly price sensitive in recent years, causing them to revert to cheaper varieties.

BRAND AND COMPANY SHARES

Minute Maid is the market leader in the Japanese fruit and vegetable juice market, holding a 6.0% share in 2011. The fruit juice market is quite diversified with many small producers and private label producers.

Top 15 Brand Shares of Fruit and Vegetable Juices in Japan – Retail Value % Breakdown

Brand	Company Name	2006	2007	2008	2009	2010	2011
Minute Maid	Coca-Cola Co, The	6.0	5.6	6.3	6.9	6.4	6.0
Nacchan	Suntory Holdings Ltd	4.5	4.2	4.4	4.7	5.4	5.2
Qoo	Coca-Cola Co, The	6.5	5.7	6.2	6.4	5.3	5.1
Yasai Seikatsu	Kagome Co Ltd	6.1	6.1	7.0	4.7	4.7	5.0
Nichirei	Suntory Holdings Ltd	-	-	-	-	2.4	4.1
Bireley's	Asahi Breweries Ltd	4.0	4.3	3.9	4.0	3.9	4.1
Jujitsu Yasai	Ito En Ltd	3.6	3.4	3.7	4.0	3.8	4.0
Tropicana	PepsiCo Inc	4.4	4.2	4.2	4.2	4.1	3.7
Dydo	Dydo Drinco Inc	3.0	3.4	3.3	3.0	3.1	3.1
Yasai Ichinichi	Kagome Co Ltd	2.1	1.8	2.0	2.4	2.8	2.9
Ichinichi bun no Yasai	Ito En Ltd	1.9	1.9	1.9	2.1	2.7	2.8
Yasai Seikatsu 100	Kagome Co Ltd	-	-	-	2.8	2.5	2.7
POM	Ehime Inryou Co Ltd	2.6	2.2	2.4	2.6	2.6	2.6
Nokyo Kaju	Snow Brand Milk Products Co Ltd	-	-	-	-	-	1.9
Glico	Ezaki Glico Co Ltd	1.6	1.5	1.6	1.7	1.5	1.5

Source: *Euromonitor, 2012*

Source: *Datamonitor, 2011.*

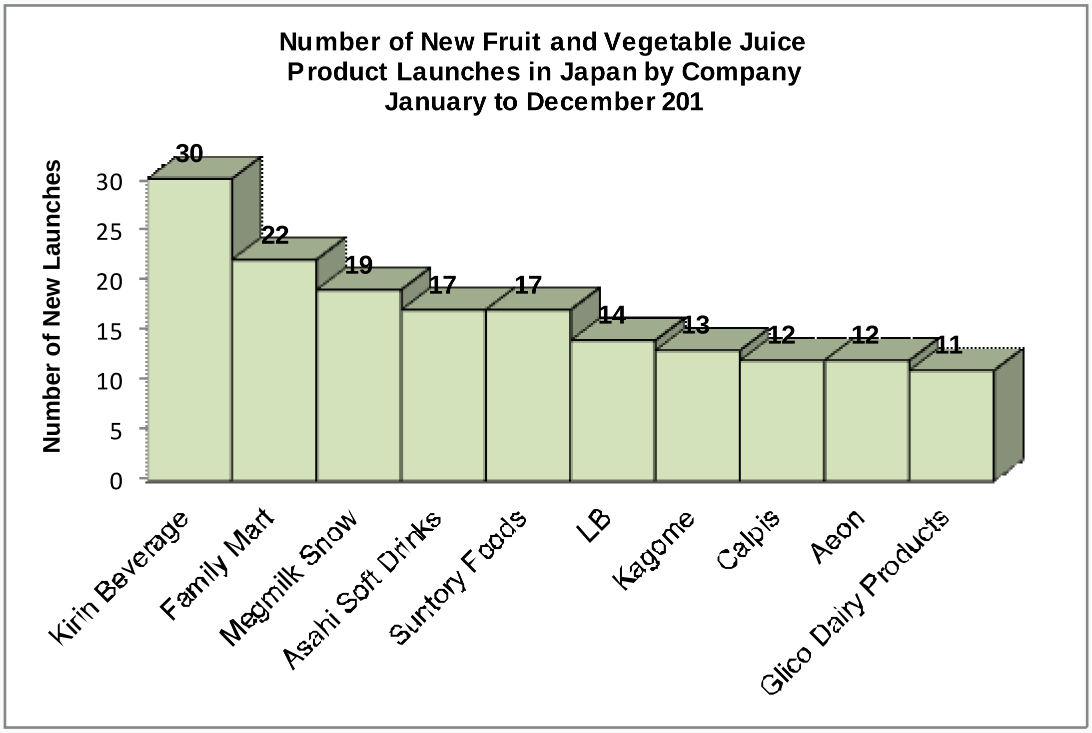
NEW PRODUCTS

According to the Mintel Global New Products Database, 298 new fruit and vegetable juice products entered the Japanese market from January 2011 to December 2011. Kirin Beverage, Family Mart brand, and the Megmilk Snow brand introduced the largest number of new product varieties during this period with 30, 22 and 19 launches, respectively.

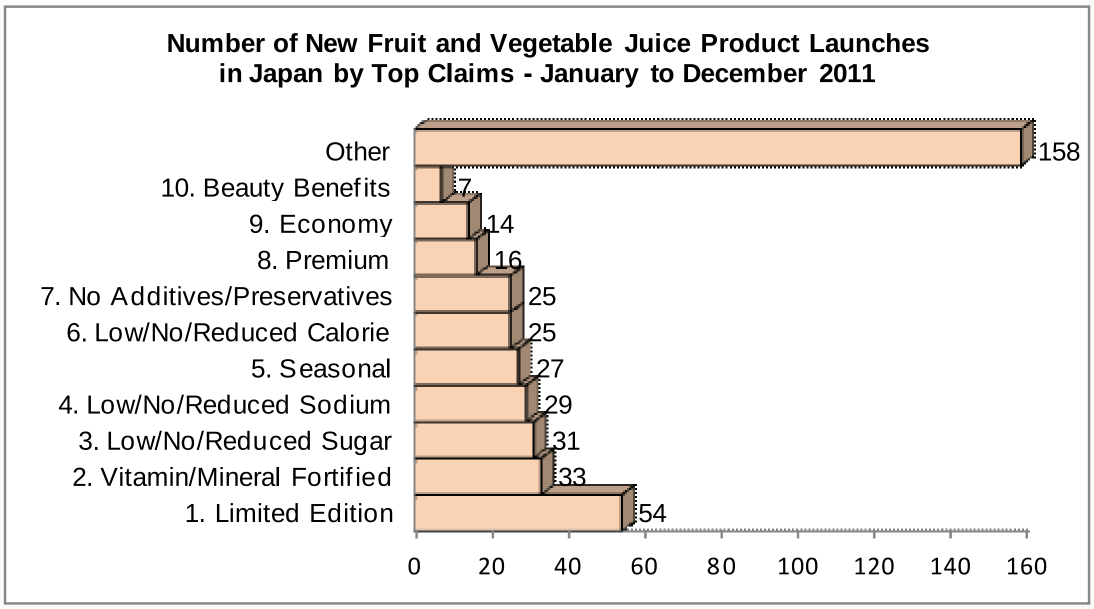
Of these 298 new products, the majority were new varieties or range extensions (122), followed by completely new introductions (80), new packaging (42), new formulations (35) and re-launches (19). “Limited edition” was the most popular claim appearing on 54 of the new products, followed by “vitamin/mineral fortified,” (33) and “low/no/reduced sugar” (31).

Amongst these new products, multi-layer board was the most popular packaging material, used for 46% of the new releases, while 34% were made with Plastic PET (polyethylene terephthalate). For manufacturers looking to export to Japan, it is also important to note that individual package/portion sizes are generally smaller than in other countries.

NEW PRODUCTS (continued)



Source: *Mintel, 2012*



Source: *Mintel, 2012*

NEW PRODUCT EXAMPLES

The following are some examples of new fruit and vegetable product launches in Japan, from the Mintel Global New Products Database (2012).

Yuzu and Lemon Flavoured Konjac Drink

Company: Family Mart

Price: US$2.38

Pack Size: 7.06 oz

Golden Ratio Vegetable Juice

Company: Kagomy

Price: US$1.27

Pack Size: 6.76 oz

Hot Lemon Drink

Company: Suntory Foods

Price: US$1.59

Pack Size: 10.24 oz

La France Pear Jelly Drink

Company: 7 & I Holdings (Premium private label)

Price: US$1.79

Pack Size: 7.06 oz

TRADE DATA

Japanese Import Statistics – Fruit and Vegetable Juice Imports by Major Supplier

Partner Country	C$			% Share			% Change 2010-11
	2009	2010	2011	2009	2010	2011	
World	696,863,169	630,447,872	870,309,407	100.00	100.00	100.00	38.05
Brazil	128,167,531	133,184,367	210,572,663	18.39	21.13	24.20	58.11
United States	121,532,181	116,401,136	138,545,845	17.44	18.46	15.92	19.02
China	92,972,647	74,558,441	117,770,531	13.34	11.83	13.53	57.96
Israel	34,533,465	34,912,221	60,897,997	4.96	5.54	7.00	74.43
Argentina	45,561,482	43,607,021	46,391,469	6.54	6.92	5.33	6.39
Australia	36,361,349	26,775,589	40,562,377	5.22	4.25	4.66	51.49
Italy	32,302,570	28,607,183	36,182,358	4.64	4.54	4.16	26.48
Chile	35,517,657	27,873,196	30,831,454	5.10	4.42	3.54	10.61
New Zealand	19,886,671	17,558,659	26,511,353	2.85	2.79	3.05	50.99
South Africa	21,745,237	18,662,379	22,783,362	3.12	2.96	2.62	22.08

Source: *Global Trade Atlas, 2012*

TRADE DATA (continued)

Japanese Import Statistics
Fruit and Vegetable Juice Imports from the World by Sub-Segment

Commodity	Description	C$			% Change 2010-11
		2009	2010	2011	
2009	Total fruit/vegetable juices, not fortified with vitamins/minerals, unfermented, whether or not sweetened, not containing spirits	696,863,169	630,447,872	870,309,407	38.05
200980	Juice of any single fruit/vegetable, whether or not sweetened, unfermented	166,213,733	134,827,903	180,563,850	33.92
200979	Apple juice, not fortified with vitamins, unfermented	130,376,085	99,345,945	154,205,450	55.22
200919	Orange juice, other than frozen, whether or not sweetened	53,547,559	61,125,064	118,091,343	93.2
200911	Orange juice, frozen, whether or not sweetened	88,788,580	85,882,152	117,825,661	37.19
200969	Grape juice, nesoi, not fortified with vitamins/minerals	103,921,798	102,245,964	114,021,654	11.52
200939	Juice of other single citrus fruit, not fortified with vitamins/minerals	45,990,894	46,385,606	52,383,029	12.93
200929	Grapefruit juice, not fortified with vitamins/minerals	37,200,641	38,483,336	50,895,392	32.25
200990	Mixtures of fruit and/or vegetable juices	17,994,692	16,286,123	27,194,876	66.98
200949	Pineapple juice, not fortified, unfermented	20,593,106	19,601,474	23,538,376	20.08
200931	Juice of one citrus fruit, Brix Value <=20, not fortified with vitamins/minerals	13,041,621	9,841,345	11,992,036	21.85

Source: *Global Trade Atlas, 2012*

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