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Canada

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Global Analysis Report

Small Fruit Trends

in Japan

July 2016

EXECUTIVE SUMMARY

Japan is ranked the 16th largest importer of fresh small fruits worldwide, with a value of US$124.6 million in 2014. This has been a declining value since 2011 with a compound annual growth rate (CAGR) of -11% from 2011 to 2015.

In 2015, Canada exported US$505,557.00 of fresh small fruits to Japan. Cranberries and blueberries account for 78.5% share of the fresh small fruit exports to Japan. This sector holds very niche potential for Canada, specifically as a functional ingredient.

Japan's consumers are leaning towards purchasing more health and wellness products that are fresh, healthy and high in antioxidants. This is expected to boost the appeal for fresh small fruits, particular ones that have a healthy image.

Although Japanese consumers value healthy and fresh fruits there is also a growing trend for conveniently packaged fruits. As a result, fresh small fruits are facing heavy competition from juices and yogurts.

In 2014, supermarkets saw an increase in retail volume sales, while independent retailers saw rapid decline in sales. There is a growing trend of younger consumers seeking convenient alternative sources to purchase small fruits such as home delivery services and internet retailing.

Within the small fruits subcategory, cranberries and blueberries are seeing the strongest growth with a compound annual growth rate (CAGR) of 2.7%.

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TRADE OVERVIEW

Top 10 Importers of Fresh Small Fruits* Worldwide 2014, US$

#	Country	Imports US$ billions	Top Suppliers & Market Share			Canada's Share
			1	2	3	
1	United States	1.61	Mexico 63.2%	Chile 19.4%	Canada 11.0%	11.0%
2	Canada	0.94	United States 71.7%	Mexico 18.3%	Chile 7.7%	0.21%
3	Germany	0.66	Spain 46.3%	Turkey 9.8%	Netherlands 9.1%	0.20%
4	United Kingdom	0.61	Spain 37.5%	Netherlands 13.1%	Chile 10.8%	0.63%
5	China	0.57	Chile 81.6%	United States 14.4%	Canada 2.1%	2.10%
6	Hong Kong	0.43	Chile 57.5%	United States 25.6%	Australia 4.3%	2.50%
7	Netherlands	0.39	Spain 29.4%	Chile 20.1%	Portugal 13.8%	0.67%
8	France	0.33	Spain 56.6%	Belgium 11.1%	Morocco 8.6%	0.13%
9	Russia	0.24	Greece 22.6%	Turkey 19.7%	Spain 9.5%	0.01%
10	Belgium	0.20	Netherlands 44.4%	Spain 21.6%	Egypt 6.8%	0.77%
16	Japan	0.12	United States 84.2%	Mexico 7.01%	Chile 7.0%	0.44%

Source: Global Trade Atlas, 2016

*Note: For the purpose of this report, "fresh small fruits" was defined using the following HS Code: 080920, 080921, 080929, 081010, 081020, 081030, 081040

In 2015, Canada exported US$256 million worth of fresh small fruits to the world, a 17.2% increase from the previous year. Of the total exports to the world, 81.2% went to the United States at a retail value of US$208 million. However, Canada exported US$505,557.00 to Japan in 2015. The majority of Canada's exports of fresh small fruits consist of fresh cranberries and blueberries, accounting for 78.5% of the fresh small fruit exports. Fresh raspberries, blackberries, mulberries, and loganberries only account for 22% of fresh small fruit exports to Japan but saw a 71.4% increase from the previous year.

Canada's Exports of Fresh Small Fruits to Japan by Subcategory, US$ Millions

Category	2013	2014	2015	% CAGR* 2013-15	Canada's % Share 2015
Total Fresh Small Fruits	**924,649**	**476,147**	**505,557**	**-26**	**100**
Fresh Cranberries and Blueberries	770,544	412,565	396,598	-28	78.5
Fresh Currants and Gooseberries	116,590	63,582	108,960	-3	21.6
Fresh Cherries	37,516	0	0	-100	0.0

Source: Global Trade Atlas, 2016 ***CAGR:** Compound Annual Growth Rate

Fresh Small Fruits Export Gap, 2015 (US$ Millions)

	2011	2012	2013	2014	2015	2011-15 CAGR* (%)
Japan Imports of Fresh Small Fruits** from the world	174.1	175.1	143.8	124.6	109.6	-8.0%
Japan Imports of Fresh Small Fruits** from Canada	1.1	1.0	1.0	0.5	0.4	-17.9%
Gross Export Gap	173.0	174.1	142.8	124.1	109.2	-8.0%

Source: Global Trade Atlas, 2016 ***CAGR:** Compound Annual Growth Rate

****Note**: For the purpose of this report, "fresh small fruits" was defined using the following HS Code: 080920, 080921, 080929, 081010, 081020, 081030, 081040

Throughout the past few years, Japan's imports of fresh small fruits have been declining with a compound annual growth rate (CAGR) of 11% over a five-year period (2011–2015). In 2015, Japan imported US$109.6 million of fresh small fruits, a decrease of US$15 million from the previous year. This decline is in part due to the weakness of the Japanese yen and its adverse effect on imports. Despite this ongoing decline, fresh cherries continue to have the largest market share of 10.1% in Japan's import of fresh small fruits, a missed opportunity for Canada.

The vast majority of Japan's imports continue to be supplied by the United States, with a 40% market share in 2015. Moreover, 98% of Japan's import of fresh cherries was imported from the United States. As fresh cherries are the second-largest export subcategory of fresh small fruits and is the largest subcategory in Japan's import, there is an opportunity to increase Canada's cherry export to Japan.

Japan's Import of Fresh Small Fruits from the World by Subcategory, US$ Millions

Category	2013	2014	2015	% CAGR* 2013-15	Canada's % Share 2015
Total Fresh Small Fruits	**143,757,692**	**124,580,910**	**109,561,838**	**-12.7**	**100**
Fresh Cherries	69,302,667	54,420,503	43,929,700	-20.4	40.1
Fresh Strawberries	34,261,733	32,302,001	29,033,740	-7.9	26.5
Fresh Cranberries and Blueberries	25,011,522	23,040,946	22,211,147	-5.8	20.3
Fresh Raspberries, Blackberries, Mulberries, Loganberries	14,854,279	14,602,119	14,162,690	-2.4	12.9
Fresh Currants ad Gooseberries	327,491	215,342	208,653	-20.2	0.2
Sour Cherries, Fresh	0	0	15,907	0.0	0.0

Source: Global Trade Atlas, 2016 ***CAGR:** Compound Annual Growth Rate

Related Product Categories

Japan's Imports of Select Small Fruit Related Product Categories in 2015

HS Code	Description	Total Import Value US$	Total Import Value Change 2015/13	Top Supplier % Share	Canada's % Share
Small Fruit Products (Other than Fresh)					
081110	Frozen strawberries	64,676,691	- 4.59	China 42.5	0.0
081120	Frozen raspberries, blackberries, currants, gooseberries, etc.	14,164,884	15.5	Chile 37.7	2.7
081190	Frozen fruit and nuts, not elsewhere specified	146,505,709	- 12.97	Canada 27.5	27.5
081210	Provisionally preserved cherries, not for immediate consumption	128,965	- 37.38	Italy 100.0	0.0
081290	Other provisionally preserved fruits and nuts, not for immediate consumption	27,131,342	- 14.94	China 95.2	0.0
081340	Other dried fruit, not elsewhere specified	14,164,179	1.89	China 71.6	0.2
081350	Mixtures of dried fruit and/or nuts, not elsewhere specified	1,147,220	361.20	Australia 75.0	0.0
Prepared foods Containing Small Fruits					
200710	Homogenized fruit preparations (baby and dietetic food)	2,414	-1.06	United States 100.0	0.0
200799	Jams, fruit jellies, marmalades, purees and pastes, not citrus	32,707,991	-11.41	France 35.3	0.16
200860	Prepared/preserved cherries	9,517,107	-12.5	China 53.7	0.0
200880	Prepared/preserved strawberries	21,631,287	10.0	China 63.8	0.02
200893	Prepared/preserved cranberries	6,839,755	8.0	United States 93.9	5.4
200897	Prepared/preserved fruit and nut mixtures	26,959,002	-16.7	China 22.7	0.8
200899	Prepared/preserved fruit and nuts, not elsewhere specified	258,112,055	-5.4	China 49.7	.20
Fruit Juices					
200981	Cranberry juice	1,212,764	-12.4	Chile 46.1	5.6
200989	Juice of single fruit or vegetable, not elsewhere specified	146,455,482	-25.3	United States 48.9	0.51
200990	Juice of mixed fruit and/or vegetables	18,888,153	-23.6	Australia 20.1	0.25

Sources: Global Trade Atlas, 2016

CONSUMER ATTITUDE AND ECONOMIC DRIVERS

The decline in Japan's population and its aging demographic structure is affecting the consumption of fresh fruits, specifically fresh small fruits. As a result, fresh fruits consumption is reaching a ceiling and since then has suffered a decline due to Japan's falling population (Euromonitor, 2015). However, fresh fruits are doing reasonably well in comparison to other fresh foods as national health campaigns and accessibility of all types of fresh foods is growing, especially among baby boomers. Furthermore, Japan's consumers are leaning towards purchasing more health and wellness products that are fresh, healthy, and high in antioxidants. This is expected to boost the appeal for fresh fruits, particular ones that have a healthy image such as cranberries and blueberries (Euromonitor, 2015).

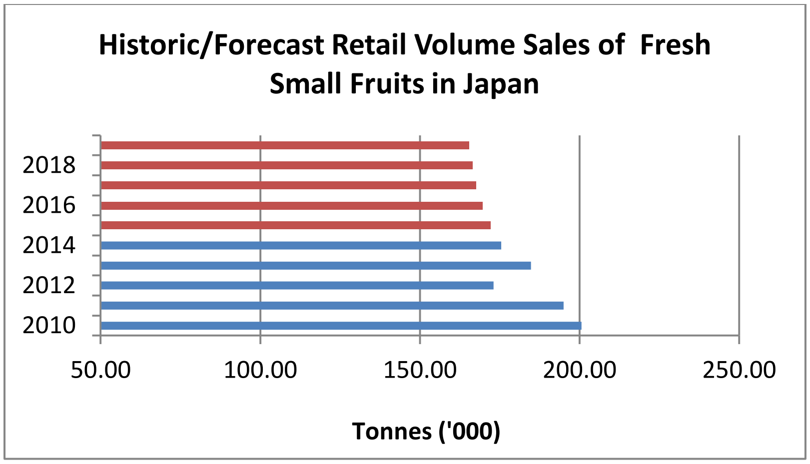
In addition to the growing demand for products that have ingredients that promise to improve health, there is a rising concern for food safety. As a result, Japanese consumers have a high preference for domestically produced fresh fruits and are less willing to purchase international imports (Euromonitor, 2015).

Although Japanese consumers value healthy and fresh fruits there is a growing trend for conveniently packaged fruits. Japanese consumers are increasingly looking for fresh fruits that are convenient to consume on the go. This is in part due to consumers having a busy lifestyle and the growing reliance on processed foods. As a result, manufactures are developing premium products and are investing in convenient forms of packing, as there is an expected boost in total volume over the 2016 to 2020 forecasted periods (Euromonitor, 201).

RETAIL ENVIROMENT

Since 2009, supermarkets in Japan have seen an increase in sales at the expense of independent retailers. Independent retailers currently account for a fair portion of the retail sales of fresh fruits but their numbers are expected to decline rapidly as store owners retire and younger generations look for convenient alternatives, such as home delivery and internet retailing (Euromonitor, 2015).

In addition, farm direct stores are growing in popularity. So much so that farm direct stores have increased to 17,000 outlets in 2009, exceeding the number of 7-eleven stores, which reached 15,000 in early 2015 (Euromonitor, 2015). Japanese consumers are looking towards out-of-town farmer's markets because they are lower in price and are considered reliable in fresh food safety.



Source: Euromonitor, 2015

Historic Retail Volume Sales in Tonnes ('000) of Fresh Small Fruits in Japan

Category	2010	2011	2012	2013	2014	2010-14 CAGR* (%)
Total Fresh Small Fruits	**200.6**	**195**	**173.1**	**184.8**	**175.5**	**-3.3**
Cherries	40.3	40.5	40.8	41.1	41.4	0.7
Cranberries/Blueberries	4.6	4.7	4.9	5.1	5.2	3.1
Strawberries	155.7	149.8	127.4	138.6	128.9	-4.6

Forecast Retail Volume Sales in Tonnes ('000) of Fresh Small Fruits in Japan

Category	2015	2016	2017	2018	2019	2015-19 CAGR* (%)
Total Fresh Small Fruits	**172.2**	**169.7**	**167.7**	**166.5**	**165.5**	**-1.0**
Cherries	41.8	42.2	42.6	42.8	42.9	0.7
Cranberries/Blueberries	5.4	5.6	5.7	5.9	6	2.7
Strawberries	125	121.9	119.4	117.8	116.6	-1.7

Source for both: Euromonitor, 2015 *CAGR: Compound Annual Growth Rate

SECTOR ANALYSIS

In 2014, fresh small fruits saw a decline in volume sales, with a compound annual growth rate (CAGR) of -3.3% from 2010 to 2014. Despite this decline, there is potential growth for fresh small fruits as the aging population eats more and much greater variety of fresh small fruits than ever before (Euromonitor, 2015). Blueberries and cranberries continue to experience strong growth in comparison to other fresh small fruits with a forecasted CAGR of 2.7% from to 2015 to 2019. This success is largely due to the media coverage concerning health benefits associated with the regular consumptions of these berries.

In 2014, the cherries category saw growth in volume and is expected to see a compound annual growth rate of 0.7% from 2015 to 2019. Cherries continue to be a premium fruit in Japan as they still hold a cultural significance with Japanese consumers, especially during the spring and summer seasons (Euromonitor, 2015). On the contrary, strawberries (a popular summer fruit) are declining in sales with an expected compound annual growth rate of -1.7% from 2015 to 2019.

Related Product Analysis

Fruit juices, fruit yogurts, and health-oriented fruit extracts are enjoying strong sales over the last two decades as Japan's health and wellness boom continues (Euromonitor, 2015). As convenience packaging and processing of fruits become more popular, there is a growing threat to fresh small fruits. Canned and frozen fruits pose a strong competition due the convenience of their use, while fruit juice claims that contain the recommended daily intake of fruit is negatively impacting the consumption of small fresh fruits.

In 2014, dried fruits and nut mix experienced successful growth. This is largely due to the rise in demand for pre-packaged-freeze-dried fruits in supermarket retailers. These products will continue to grow in sales as Japanese consumers are seeking convenient and easy ways to combine fruits in their daily diet (Euromonitor, 2015).

Historic Retail Volume Sales of Fruit Related Products in Japan

Categories	Unit	2010	2011	2012	2013	2014	2010-14 CAGR (%)
Fruited Yoghurt	'000 tonnes	142.06	150.41	170.62	176.59	172.18	5
Fruit Snacks	'000 tonnes	14.8	14.58	14.59	14.67	14.71	0
Juices	million litres	1,344.90	1,389.40	1,385.20	1,460.00	1,464.80	2

Forecast Retail Volume Sales of Fruit Related Products in Japan

Categories	Unit	2015	2016	2017	2018	2019	2015-19 CAGR* (%)
Fruited Yoghurt	000 tonnes	168.73	166.2	164.54	163.39	162.57	-1
Fruit Snacks	000 tonnes	14.76	14.86	14.94	15.03	15.12	1
Juices	million litres	1,387.10	1,373.60	1,363.50	1,356.90	1,353.40	-1

Source for both: Euromonitor, 2016 **CAGR**: Compound Annual Growth rate
Note*: Percentage calculation done by AAFC based on data from Euromonitor International

CONCLUSION

Japanese consumer awareness for fresh and healthy products will continue to have a positive impact on the consumption of fresh small fruits. This could be a potential market to develop stronger export growth for Canadian fresh small fruits. More specifically for cranberries and blueberries as they account for 78.5% share of Canada's fresh small fruit exports to Japan and are highly valued by Japanese consumers. Also, as Japanese consumers move towards more processed products containing small fruits for health purposes, it is the fruit derivative market that represents the best long-term opportunity in this sector.

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in Japan**
  www.tradecommissioner.gc.ca/jp

- **Find a Trade Commissioner**
  www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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RESOURCES

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SMALL FRUITS IN JAPAN

Global Analysis Report

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