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Global Analysis Report

Sector Trend Analysis

Fish Products in Japan

May 2017

Executive summary

The Japanese are affluent consumers who set trends in Asia. The attitudes and consumption behaviours of the Japanese people make this mature market significantly different from those of other Asian countries. Consumers are increasingly interested in a diverse variety of foods that have superior taste, are safe and nutritious. Japanese consumers demand and will pay a premium for high-quality food products, provided they exceed expectations.

According to Euromonitor, Japan's population is aging faster than any other country in the world and as such, by 2020, almost 30% of the population will be over 65 years of age. Coupled with the fact that Japanese life expectancy is the highest in the world, there is a strong demand for healthy foods. Food products that offer health benefits, such as lowering cholesterol, or containing a high level of natural antioxidants such as omega 3, have a marketing advantage in Japan.

Canada-Japan trade relations continue to be important. As of November 2016, Japan was Canada's third-largest export market and registered a trade surplus of C$3.7 billion. Canada has had an extensive history of exporting commodities to Japan. There is opportunity for Canadian fisheries to diversify and capitalize on our regulatory framework, high quality and innovative fish products in this discerning marketplace.

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Consumer attitudes

The Japanese population is seeing significant decline, with a falling birth rate and a growing population of elderly people, which continued to have an influence on over all food consumption in 2016. Euromonitor reports that sales of processed fish products targeting Japanese consumers and especially senior citizens will continue to see growth. This was also true of products offering health benefits, particularly those appealing to the older population segments. Furthermore, with a growing number of small and single-person households, growth in the number of professional females, and consumers' increasing time constraints, fish products offering a high level of convenience, such as ready meals and frozen processed are therefore increasing in demand.

The aging Japanese population also considers specific demands for their food choices, specifically in the sectors of health and wellness. Products are promoted as enhancing the nutritional and health value of foods, while still offering quality, taste and innovation, appeals to Japanese consumers who are looking to increase the chance of living longer and improve their health. These products will come with higher prices, likely for lower volume, but will most likely not offset the overall decline in value that is expected to occur in the Japanese food market, and fish products falls in the category.

In addition, fish processors are increasingly serving ready-to-eat meals while trying to preserve the appearance of traditional dishes. For example, when serving deboned fish dishes, the meat is reshaped and presented in the form of a fish.

Euromonitor also notes that household sizes are shrinking, and the single-person household is becoming more common. In response to this trend, household demand for home delivery and online shopping are increasing.

Consumption

Japan has one of the highest global per capita levels of fish consumption and fish has traditionally played a key role in diets and as the major protein source. Currently, Japanese consumption is around 33 kg per capita. In comparison, Canada's per capita consumption levels are much lower at around 5.6 kg, just a little higher than the US with 5 kg per capita.

Although Japan has a high per capita consumption of fish, fish consumption is down in the country, as the Japanese are adopting a more westernised diet. The decline in fish consumption is especially significant amongst younger Japanese, aged below 40 years, who prefer processed food while older generations (60 years of age and over), buy three times more fresh fish than those aged below 40 years.

Current Japanese consumption includes a wide range of species with significant volumes of fresh/chilled and high value products such as salmon and tuna. However, fillets and other canned products are also important.

Japan is a major importer of a number of premium seafood products, which Canada has to offer. Consumer-ready products that are convenient and easy to prepare would be welcomed in Japan, which has traditionally been known for its high per capita consumption of fish and seafood.

Japan historic per capita consumption from 2011 to 2016, in kg

Category	2011	2012	2013	2014	2015	2016
Fish and seafood	32.8	33.2	32.5	33.0	33.2	33.5
Crustaceans	4.2	4.1	3.9	4.0	4.0	4.1
Fish	21.4	22.1	21.8	22.5	22.9	23.3
Molluscs and cephalopods	7.2	6.9	6.8	6.5	6.3	6.1

Source: Euromonitor 2017.

By the numbers

The volume of Japan's live, fresh, frozen and processed fish imports decreased by 0.7% from 2011 to 2015 to 1.5 million metric tonnes. During the same time period, the value of imports decreased by 6.2% to US$8.1 billion from the US$10.5 billion in 2011. However 2016 sales are promising to reverse this trend. China, the United States, Norway, Chile and Russia were the largest suppliers of fish and seafood to Japan in 2015.

Top ten suppliers of fish: live, fresh, frozen and processed to Japan by value in 2015 in US$ in millions (Based on Japanese import data)

Rank	Country	2011	2012	2013	2014	2015	2016**	*CAGR 2011-15
	World	10,578.2	11,052.3	9,037.1	8,826.2	8,188.8	8,452.7	-6.2%
1	China	1,759.6	1,789.3	1,483.9	1,426.1	1,405.2	1,446.2	-5.5%
2	United States	1,231.7	1,338.3	1,050.7	1,107.5	1,140.8	1,094.3	-1.9%
3	Norway	891.8	914.3	788.0	856.9	812.2	918.6	-2.3%
4	Chile	1,430.2	1,450.5	1,023.5	1,199.1	958.0	915.4	-9.5%
5	Russia	692.0	786.8	690.9	591.9	482.5	514.8	-8.6%
6	Taiwan	657.8	617.6	414.1	448.2	451.4	494.4	-9.0%
7	Thailand	533.0	578.8	482.7	462.3	426.0	430.4	-5.4%
8	South Korea	622.6	617.4	506.9	446.7	362.3	396.4	-12.7%
9	Indonesia	398.4	431.1	325.6	293.1	228.6	242.1	-13.0%
10	Viet-Nam	146.9	175.7	144.7	167.3	171.7	194.2	4.0%
12	Canada	177.0	164.9	140.1	142.4	115.0	142.3	-10.2%

Top ten suppliers of fish: live, fresh, frozen and processed to Japan by volume in 2015 in tonnes (Based on Japanese import data)

Rank	Country	2011	2012	2013	2014	2015	2016**	*CAGR 2011-15
	World	1,588,353	1,601,999	1,461,401	1,500,121	1,543,443	1,483,132	-0.7%
1	United States	238,530	215,480	195,890	205,643	213,561	211,815	-2.7%
2	China	173,268	169,107	154,758	164,170	187,407	186,264	2.0%
3	Norway	188,016	217,256	177,076	147,541	155,891	141,357	-4.6%
4	Chile	113,423	110,744	97,649	95,692	93,362	93,421	-4.7%
5	Thailand	72,963	75,412	73,319	77,130	84,501	86,963	3.7%
6	Taiwan	102,072	104,229	110,384	99,851	87,841	84,059	-3.7%
7	Russia	68,328	65,344	60,828	55,930	51,356	51,200	-6.9%
8	South Korea	66,568	66,351	59,073	55,663	52,541	49,017	-5.7%
9	Indonesia	19,944	17,065	17,343	21,343	17,917	20,025	-2.6%
10	Viet-Nam	33,450	36,794	30,232	37,677	39,386	41,970	4.2%
15	Canada	19,944	17,065	17,343	21,343	17,917	20,025	-2.6%

Source for both: Global Trade Tracker 2017. *CAGR Compound Annual Growth Rate ** 2016 (January to November)

According to most recent Food and Agriculture Organization of the United Nations (FAO), Japan's domestic fish and seafood production is declining year on year. Depleted fish stocks has contributed to the downsizing the fish processing industry in Japan.

Historic fish and seafood domestic production in Japan by category in tonnes from 2011 to 2013

Category	2011	2012	2013
Pelagic fish	1,759,945.11	1,735,610.69	1,659,061.30
Demersal fish	862,013.59	952,986.25	927,685.81
Crustaceans	970,487.48	1,005,750.03	906,333.81
Molluscs, other	917,895.41	904,766.55	819,416.12
Marine fish, other	931,972.96	845,685.67	730,783.86
Cephalopods	465,112.71	452,784.69	499,797.92

Source: FAO 2017.

According to Global Trade Tracker, the notable increases in 2015 in Japanese fish imports were mainly in frozen salmon, frozen mackerel, frozen fillet of tuna, frozen skipjack in Alaska pollock. Pollock is versatile and is used as a raw material for many processed foods besides ordinary fishcake, such as fish sausage and braised fishcake tubes.

Canada's performance

Canada's was the 12th-largest supplier of live, fresh, frozen and processed fish with a value of US$142.3 million as of November 2016 (based on Japanese import data). This represents an increase of 24% for the same period in 2015. The live, fresh, frozen and processed final exports value to Japan, will certainly will be much higher when the all export values and volumes are reported for 2016.

Top ten Japanese fish: live, fresh, frozen and processed imports from the Canada and 2016 in US$

HS Code	Description	2015	2016*	2016/2015
030520	Fish livers and roes, dried, smoked, salted or in brine	27,474,897	33,112,814	21%
030389	Frozen fish	22,010,858	20,935,842	-5%
030390	Frozen fish livers and roes	13,210,424	20,901,161	58%
030214	Fresh or chilled Atlantic salmon	5,374,121	16,428,795	206%
030331	Frozen lesser or Greenland halibut	14,826,399	16,346,056	10%
030235	Fresh or chilled Bluefin tuna	8,240,307	7,692,139	-7%
030312	Frozen pacific salmon	3,827,171	4,494,281	17%
160432	Caviar substitutes prepared from fish eggs	2,293,256	4,075,291	78%
030351	Frozen herrings	2,012,800	3,640,350	81%
030483	Frozen fillets of flat fish	4,813,664	2,709,955	-44%

Source: Global Trade Tracker 2017 *2016 partial year.

In 2016, the increase in imports from Canada are most notable in fresh/chilled Atlantic salmon, frozen herring, caviar substitute, frozen fish liver and roe, dried, smoked, salted fish liver and roe products.

Market sizes

Euromonitor predicts that the sales of fish products will continue to grow in the Japanese market, as consumers continue to seek out convenient meal solutions amidst demographic and lifestyles changes. In addition, manufacturers will continue to introduce value-added fish products, geared toward younger generations which should help to sustain fish product sales.

Historic fish and seafood value sales in Japan by product in US$ in millions

Category	2011	2012	2013	2014	2015	2016	*CAGR 2011-16
Processed seafood	29,319	28,637	28,311	28,686	28,441	28,236	-0.8%
Shelf stable seafood	2,489	2,715	2,837	2,889	2,760	2,669	1.4%
Chilled processed seafood	26,154	25,269	24,827	25,175	25,042	24,914	-1.0%
Frozen processed seafood	676	653	646	622	639	653	-0.7%

Source: Euromonitor, 2017. **Note:** sales for the fresh fish and seafood market include both foodservice and retail sales. Any slight discrepancies in column totals are due to rounding. ***CAGR** = compound annual growth rate

In sales terms, the most important product category within processed fish and seafood is the chilled processed seafood, confirming the convience trends observed by Euromonitor. With rapid demographic changes sweeping the Japanese society, consumers are increasingly looking to save time by adopting already prepared meals and semi-processed fish products, this trends is expected to continue in the future.

Forecast fish and seafood value sales in Japan by product in US$ millions

Category	2017F	2018F	2019F	2020F	*CAGR 2017-20
Processed seafood	28,744.9	29,172.7	29,578.8	29,987.9	1.4%
Shelf stable seafood	2,650.6	2,632.3	2,621.2	2,618.2	-0.4%
Chilled processed seafood	25,418.5	25,845.2	26,244.0	26,638.2	1.6%
Frozen processed seafood	675.9	695.1	713.6	731.6	2.7%

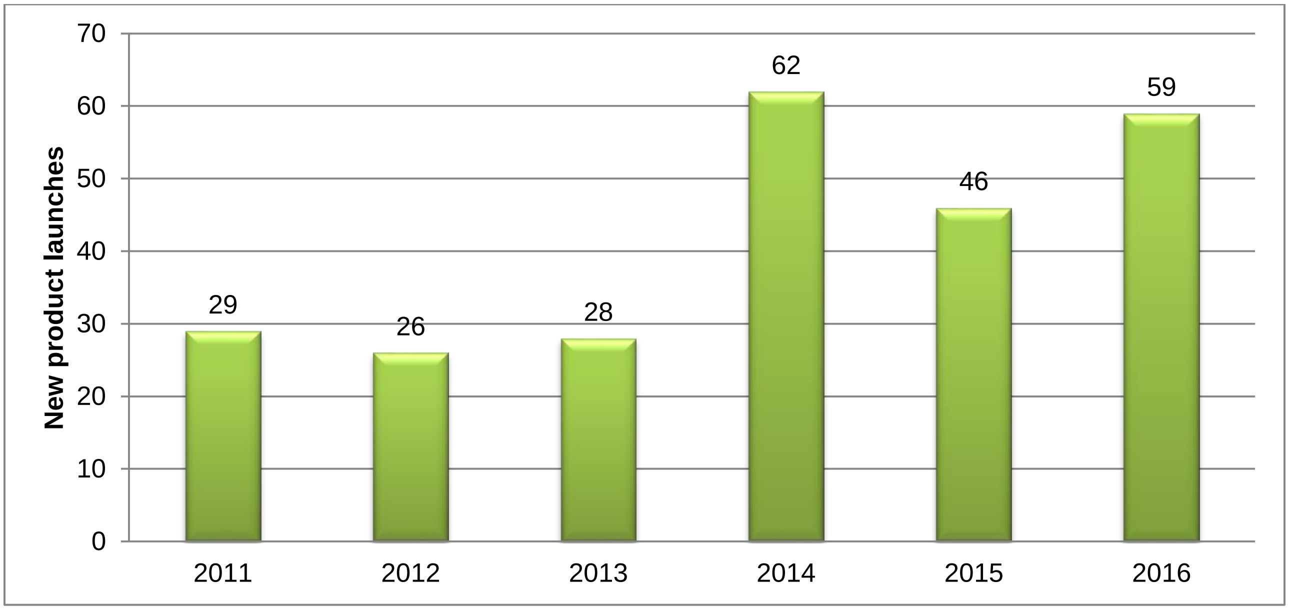
Source: Euromonitor, 2017. **Note:** sales for the fresh fish and seafood market include both foodservice and retail sales. ***CAGR** = compound annual growth rate **F**= forecast

New products trends

Of the new packaged fish products launches tracked by Mintel, there were 250 products introduced to the Japanese market between January 2011 and December 2016, with 59 new products in 2016 alone.

Convenience plays an important role in fish product marketing in Japan. Mintel notes that ready to cook and ready to eat forms of fish are in high demand as more consumers are willing to pay a premiums for those products. Moreover, ranges of value added meat products available in the Japanese markets make meats more popular and a strong competitor to fish and fish products. Fish and fish based meals are known all over the world to be beneficial due to health and wellness claims. Fish is rich in Omega 3 fatty acids which make fish more popular in the Japanese market in particular.

New fish and fish products launches in the Japanese market between January 2011 and December 2016



Source: Mintel, 2017.

New fish and fish products launches by ingredient in the Japanese market between January 2011 and December 2016

Ingredient	2011	2012	2013	2014	2015	2016
Fish extracts	2	0	1	20	8	12
Bonito extract	7	3	8	8	9	12
Fish fats	2	2	3	1	10	5
Crab extract	2	1	2	3	3	5
Cod	13	11	13	17	3	5
Scallop extract	2	2	1	4	4	2
White flower croaker	1	1	2	6	1	2
Snakehead fish	5	6	7	5	4	1
Swordfish	7	3	5	3	1	0

Source: Mintel , 2017

Fish products containing fish extract, bonito extracts and fish fats are the top three sought after products. Fish products consumption in all its forms and especially cooked from scratch are still popular in many Japanese home kitchens, particularly among the older generation. Overall, the majority of Japanese consumers have indicated that food safety concerns puts natural/organic claims on fish products very high on their buying choices, according to Mintel.

It should be noted that, fish is often viewed negatively among many younger Japanese as they do not appreciate its odour and the preparation involved. However, Euromonitor notes that health-inspired successes linked to the healthy attributes of fish in recent years may have the potential to rekindle consumer interest in consuming fresh fish.

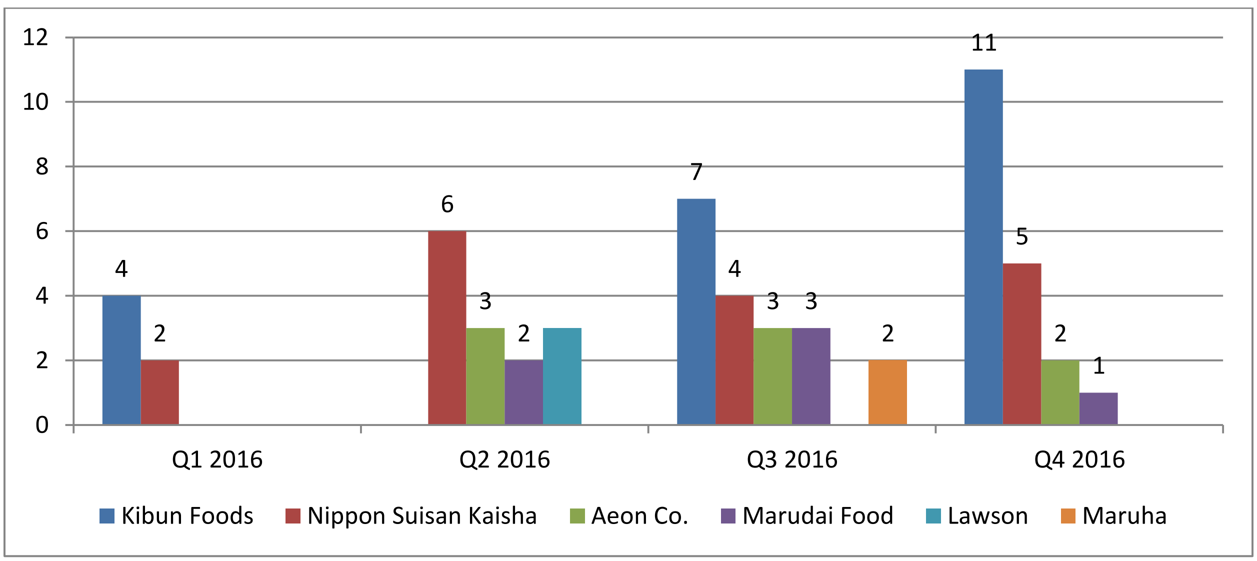
New fish and fish products launches by claim in the Japanese market between January 2011 and December 2016

Claim category	2011	2012	2013	2014	2015	2016	Total products
Natural	34.48%	42.31%	53.57%	70.97%	50.00%	66.10%	56.80%
Suitable for	27.59%	26.92%	32.14%	11.29%	34.78%	28.81%	25.60%
Ethical & environmental	13.79%	23.08%	32.14%	14.52%	19.57%	22.03%	20.00%
Convenience	24.14%	50.00%	35.71%	11.29%	8.70%	8.47%	18.40%
Minus	0.00%	7.69%	10.71%	20.97%	26.09%	23.73%	17.60%
Plus	31.03%	23.08%	32.14%	9.68%	10.87%	11.86%	16.80%
Demographic	20.69%	19.23%	14.29%	6.45%	10.87%	8.47%	11.60%
Functional	3.45%	7.69%	7.14%	0.00%	2.17%	8.47%	4.40%

Source: Mintel , 2017

Over 66% of the new products released in 2016 were positioned as natural, which was by far the most frequently occurring claim. Other leading claims were “suitable for”, as well as ethical and environmental.

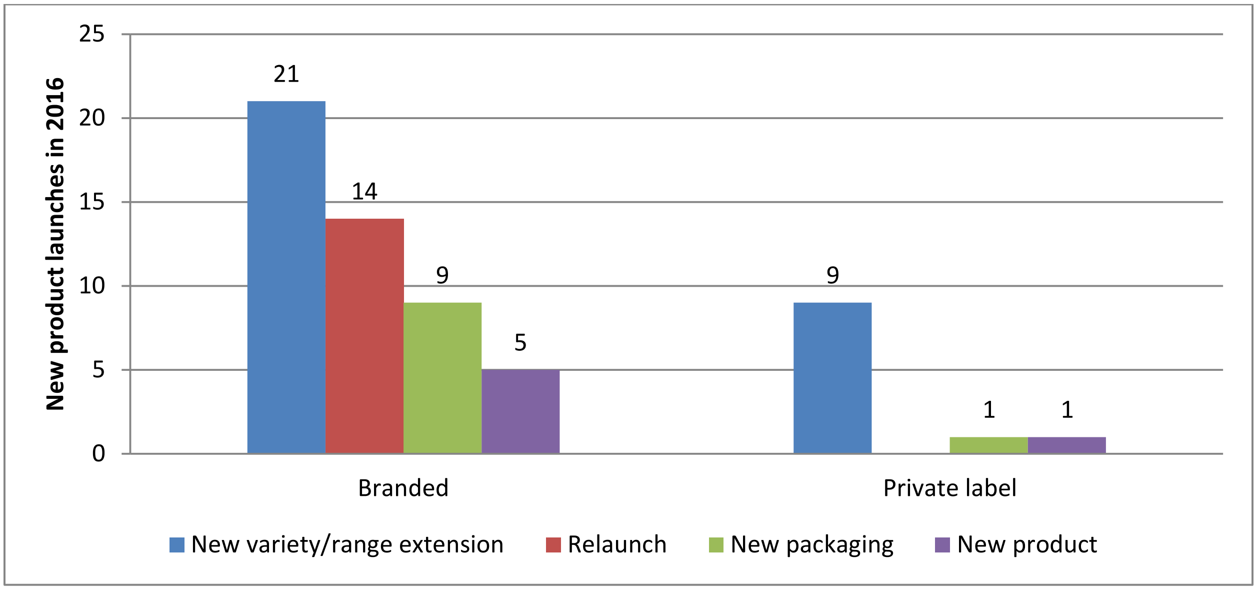
Top Japanese companies with the most product launches in 2016



Source: Mintel, 2017

Kibun is one company that dominates in terms of manufacturing or launching new fish products in 2016, with 22 new products, followed by Nippon Suisan Kaisha with 17 new products and Aeon Co was third with eight new products.

Japan, product launches by branded versus private label in 2016



Source: Mintel GNPD, 2017

Products incorporating fish and fish ingredients are dominated by branded products, which represented almost 82% of the new releases, whereas only 18% of the introductions were released under a private label. Kibun is the dominant branded brand, while Aeon is the dominant in private label category. The majority of the new launches (50%) were new varieties/range extensions, followed by relaunches (23.3%), new packaging (16.7%), and new product (10%).

Foodservice

The foodservice channel accounts for 47.6% of fresh fish and seafood sales in Japan, followed by the retail channel with 33.8%. This shows the importance of the foodservice sector for fish and seafood consumption in Japan. Imported products such as salmon, tuna and mackerel are in heavy demand by the foodservice sector.

Distribution of fresh fish and seafood sales in Japan – (%) breakdown based on volume sales

Channel	2010	2011	2012	2013	2014	2015
Foodservice	47.9	47.9	48.0	48.0	47.8	47.6
Retail	35.0	35.0	35.0	35.0	34.2	33.8
Institutional	17.1	17.1	17.0	17.0	18.0	18.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor, 2017

Major fish and seafood distributors in Japan in 2015

Company name	Product type	Rank
OUG Holdings Inc.	Fish and Seafood	1
Chuo Gyorui Co Ltd	Fish and Seafood	2
Maruichi Co Ltd	Fish and Seafood	3

Source: Euromonitor, 2017

Conclusion

Japanese food manufacturers seek quality ingredients and conveniently prepared semi-processed foods that can reduce costs. Specifically, indications are that there is good potential in the market for high value fish products.

Japan has many opportunities for Canadian fish processing companies who are willing to take the time to establish business relationships and meet the necessary regulatory requirements enforced by the country. There are market opportunities for fish products that provide solutions for convenient living, address emerging health issues and aging, and satisfy the consumer's need for new experiences.

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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For additional information on FoodEx 2017, please contact:

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Resources

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