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## Japan

### Market Development Reports

#### Food Business Line

*Periodic Press Translations from ATO Tokyo*

**2004**

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**Report Highlights:**

From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: *Seven-Eleven* continues to gain strength increasing market share to 32%, while the growth rate of overall Japanese convenience store market slows down; *Wal-Mart* is seeking to assist in revitalization of *Daiei*; *McDonald's Japan* expects improvements in its earnings for the first half of fiscal 2004; Japan's agricultural self-sufficiency rate holds steady at 40% in 2003 and; the *U.S. Honey Board* launched several promotions targeting the HRI sector in Tokyo in August.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Tokyo ATO [JA2]  
[JA]



## **Food Business Line**

Periodic Press Translations from ATO Tokyo Vol IV, Issue 55 July 15-August 15, 2004

### **Retail/Wholesale**

- The convenience store market grew 1.6% in fiscal year 2003, which is about half the growth rate recorded in 2002, according to a survey by the Nihon Keizai Shimbun. *Seven-Eleven* continued to gain strength, increasing its market share by 1.3 points to 32%, while second-place *Lawson* and others lost market share. To compete against *Seven-Eleven*, convenience store operators are developing new types of outlets and offering new services such as in-store cafés. (b 7/22)
- *Daiei's* three major creditor banks agreed to seek the help of the Industrial Revitalization Corp. of Japan for the third time to ensure the success of the retailer's turnaround efforts. They are now hammering out a new rehabilitation plan featuring 300-400 billion yen in financial aid, and that would force *Daiei* to focus on food and stop selling apparel and household goods. (a 8/6)
- It was announced on August 19 that *Wal-Mart Stores* of the United States is seeking to assist in revitalization of *Daiei*. *Ito-Yokado*, which also expressed strong interest in aiding *Daiei*, has begun a survey of store-specific earnings and locations. *Aeon* has shown similar interest. (a 8/19)
- *Seiyu*, the struggling major retailer affiliated with *Wal-Mart Stores*, reported a consolidated pretax profit of 500 million yen in the mid-term financial statement for Jan-June 2004. *Seiyu* more than offset a 3.5% decline in same store sales by reducing labor and other costs. It also moved from an operating loss of 400 million yen to an operating profit of 4.8 billion yen. However, sales of foodstuffs fell 2.7% in the first six months. (a 8/19)

### **Food Service**

- According to the *Japan Food Service Association*, total sales of its member food service companies increased 1.9% on a whole store basis including new outlets in Jan-June 2004 compared to same term last year. However, sales declined 3% on a same store basis. Sales of Japanese-style fast food declined 14.2%, hit by the import ban on U.S. beef after the detection of BSE in the U.S. last December. (b 7/29)
- *McDonald's Holdings Japan* announced that it expects sharp improvements in its earnings for the first half of fiscal year 2004 as a result of closing stores, changes in product development strategy, and improvement of service. Total sales for the Jan-June 2004 period increased 2.1% compared to the same term last year. (b 8/3)

### **Food Processing/New Products/Market Trends**

- *Asahi Breweries*, *Kirin Brewery*, and other Japanese beer companies are rushing to increase production of low-alcoholic beverages, such as *chuhai* (a drink based on a combination of "shochu" distilled liquor and fruit juices), in response to strong sales in the first half of 2004. (a 7/17)

- Domestic production of canned fruits and vegetables continues to decline. In 2003, imported canned fruits and vegetables dominated the Japanese market accounting for 81.4% and 77.8%, respectively. Japanese canned food manufacturers are developing value-added products featuring healthy low-sugar, low-calorie formulations, as well as products wrapped in transparent packages, in order to compete with imports. (f 7/19)
- Producers led by the JA in Okinawa Prefecture are teaming up to start a more efficient production line of mangoes. As a result of various efforts, Okinawa mangoes are now sold at 600 yen per piece in some supermarkets in Tokyo, whereas they were priced at 1,000 yen several years ago. (b 7/29)
- ‘First Kitchen’ fast food chain started selling ‘Wild Vine’ fruit wine in its three outlets in Tokyo. The two types, Blackberry Merlot and Peach Chardonnay, are produced by Suntory using California’s ‘Wild Vine’. (b 8/17)

### **Food Safety/Consumer Awareness**

- According to Japan’s Agriculture Ministry, Japan’s agricultural self-sufficiency rate was 40% in 2003. The self-sufficiency rate stopped declining in 1998 at 40%, where it has remained unchanged for six consecutive years. As for product consumption, pork increased as a substitute of beef, apples declined due to typhoon, and rice continues to decline, highly affected by food safety scandals and weather. (f 8/19)

### **ATO/Cooperator/Competitor Activities/Trade Shows**

- Taiwan’s Tainan prefecture held a promotional event for Taiwan mangoes on July 20 in Tokyo. Taiwan mangoes are also called ‘apple mangoes’ with a reputation for sweetness among tourists that visit Taiwan. The Government of Taiwan plans to expand its promotional activities in Japanese retail stores in the future. (b 7/22)
- The U.S. Honey Board launched several promotions in the Tokyo Metropolitan area on August 3<sup>rd</sup>, connecting to the words *hachi* ‘Eight’ and *mitsu* ‘Three’, which combined (*hachimitsu*) mean ‘honey’ in Japanese. Menus using U.S. honey were introduced in cafés, and recipe seminars with cooking demonstrations by an educational chairman from the U.S. National Chef Association were held at food service outlets. (f 8/5)
- The British Tourism Office ‘Visit Britain’ started a British food promotion launching a website. The website not only introduces traditional British specialties such as tea and beer, but also new products such as wine and cheese. <http://www.visitbritain.com/> (b 8/17)

### ☞ Sources ☞

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal        |
| (c) The Japan Food Journal       | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News          | (f) The Food Industry News              |

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