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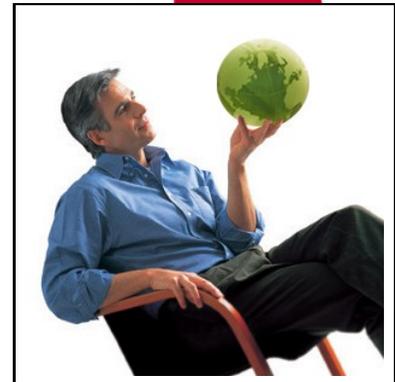
Agriculture et
Agroalimentaire Canada

**International
Markets
Bureau**

MARKET INDICATOR REPORT | JANUARY 2010



Packaged Food Sales In Japan





▶ EXECUTIVE SUMMARY

Japan, the world's second largest economy, is an important market for many packaged food manufacturers. The sales value of packaged food experienced a 0.5% annual growth during the period of 2003-2008. With the economic slowdown, the market for packaged food in Japan is expected to continue to show slow growth in the next five years.

Given recent wage cuts and climbing unemployment rates, Japanese consumers are increasing their savings and spending less of their revenues on food. Expenditures on food are expected to bottom out at US \$341 billion in 2010 before starting to grow slightly again in 2011. Japanese consumers are also more price sensitive than usual. Many consumers have begun to prefer private brand products provided by supermarkets. In addition, increasing health concerns related to packaged food are also affecting growth in this ageing society.

Facing low profit margins and fierce competition, packaged food producers have begun to reduce pack sizes to keep the price stable. JA Group (Japan Agricultural Cooperatives) was the leading packaged food provider in Japan in 2007, holding a market share of just 3.4%.

Japan, is a niche market for high end packaged food manufacturers. The market size of some high end packaged food, such as confectionery, bakery, ice cream and spread, will remain stable in the next five years while some of these products, like dairy and snack bar are expected to grow by 14% and 10% by 2013.

▶ CONSUMER TRENDS

Increased price awareness will drive demand on processed and frozen foods as consumers are trying to save money and are willing to sacrifice freshness.

Ready-made meals are proving increasingly popular and price-competitive as supermarkets see increased business from office workers on lunch breaks as well as for consumption at home. This trend slightly offsets declines in luxury packaged food.

Since most Japanese live in urban areas, supermarkets are able to meet the increasing demands of Japanese consumers for a variety of products. There is increasing competition among the processed food, frozen food, packaged food and convenient ready-made meals sectors.

Influenced by western media, young Japanese consumers are now pursuing western lifestyles, which include red meat and dairy products. This has also increased awareness of foreign cuisine and generated demand for foreign ingredients.

Japan is an aging society, with the elderly demographic making up a growing proportion of Japanese consumers. Birth rates continued to decline to a record low of 7.87 births per 1,000 people in 2008, with annual population growth standing at an estimated -0.2%.

The elderly segment constituted an estimated 22.1% of total population in October 2008. The nation's consumption patterns were also affected by this trend as the elderly have the highest average savings and household incomes of all age groups in Japan. This gives them greater spending power than the average working consumer.

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▶ DID YOU KNOW?

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Packaged food sales will experience slow growth in the next five years
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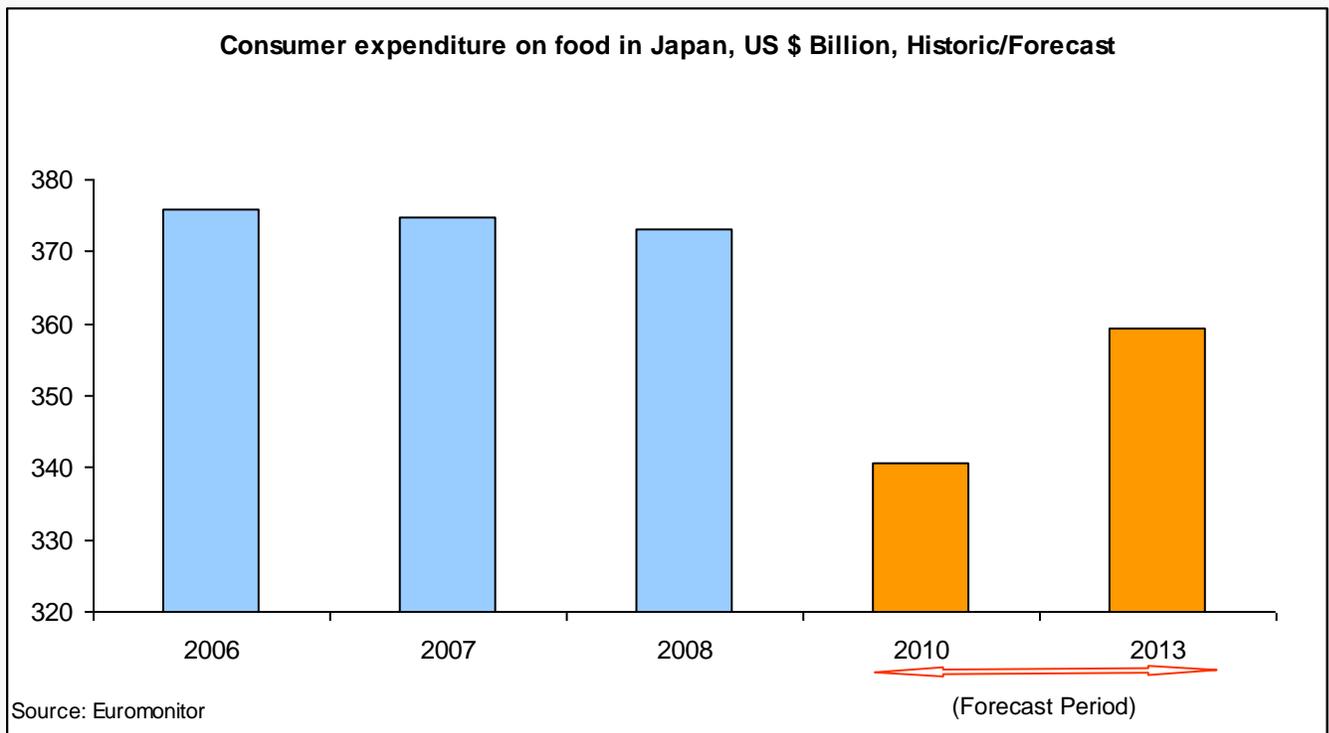


▶ ECONOMIC TRENDS



- ▶ Japan's GDP is projected to decline by 6% in 2009, according to IMF data and the unemployment rate is expected to climb to a historic peak. Packaged food are expected to show slow growth (a 1.8% annual growth), during the period of 2008-2013.
- ▶ Japanese consumers may now be less pessimistic about the nation's economy as some evidence shows that the Japanese economy finally hit bottom in June of 2009. Recovery signs could cause the market for packaged food to rebound in 2010, however it may be too early to tell.
- ▶ Packaged food was also significantly impacted by the food price increase. This led packaged food producers to increase their prices, which caused lower demand for some premium products. Unit prices for packaged food continued to increase in 2009, while some packaged food manufacturers have maintained unit prices by reducing pack sizes.

- ▶ In 2008, Japanese consumers spent US \$373 billion dollars on food, a 1.3% decline compared to 2003. Expenditures on food will hit bottom in 2010 and are expected to see growth after 2011.
- ▶ By 2013, Japanese consumers are expected to spend US \$359 billion on food, a 4% decline from 2008.
- ▶ Despite expenditure on food shrinking, Japan still ranked third on food spending in the world and continues to be a large market for this product category.
- ▶ It is worth noting that the relatively expensive organic foods segment of packaged food, popular amongst the Japanese, is expected to continue to grow through 2013.





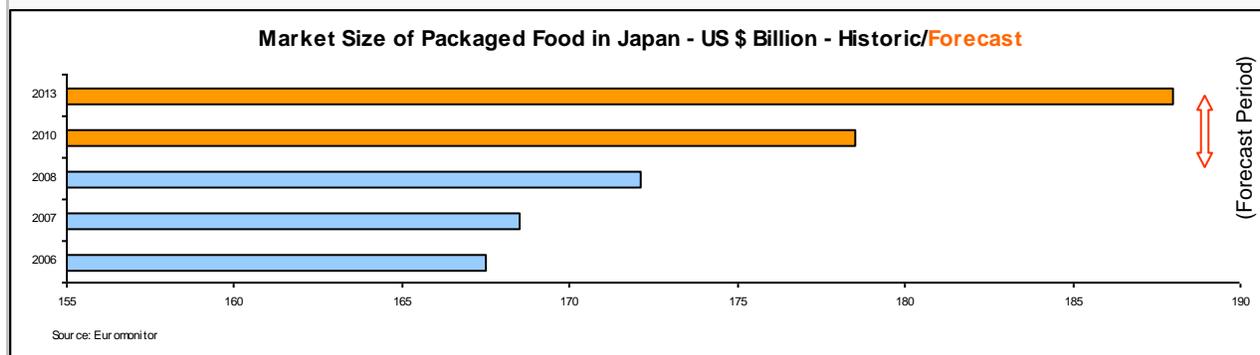
▶ PACKAGED FOOD TABLE

Market Sizes - Historic/ Forecast - Retail Value RSP - US\$ bn - Fixed 2008 Exchange Rates - Value at Current Prices

Japan	2006	2007	2008	2010	2013
Confectionery	8.5	8.5	8.5	8.5	8.7
Chocolate confectionery	3.9	3.9	3.9	3.9	4.0
Sugar confectionery	2.9	2.9	3.0	3.1	3.2
Gum	1.7	1.6	1.6	1.6	1.6
Bakery products	24.3	25.2	27.5	26.6	26.8
Baked goods	20.2	21.0	22.9	21.7	21.3
Biscuits	3.7	3.8	4.1	4.5	5.0
Breakfast cereals	0.4	0.4	0.5	0.5	0.5
Snack bars	1.0	1.0	1.0	1.1	1.1
Granola/muesli bars	0.0	0.0	0.0	0.0	0.0
Breakfast bars	0.0	0.0	0.0	0.0	0.0
Energy and nutrition bars	0.5	0.5	0.5	0.5	0.6
Other snack bars	0.5	0.5	0.5	0.5	0.6
Meal replacement products	0.4	0.4	0.4	0.4	0.4
Meal replacement slimming products	0.2	0.2	0.2	0.2	0.2
Convalescence products	0.2	0.2	0.2	0.2	0.2
Spreads	0.8	0.9	0.9	0.8	0.9
Jams and preserves	0.4	0.4	0.4	0.4	0.4
Honey	0.4	0.4	0.4	0.4	0.4
Chocolate spreads	0.0	0.0	0.0	0.0	0.0
Nut-based spreads	0.0	0.0	0.0	0.0	0.0
Ice cream	4.4	4.6	4.9	5.4	6.0
Dairy products	20.1	20.3	21.2	22.4	24.2
Drinking milk products	9.8	9.8	10.1	10.3	10.6
Cheese	2.3	2.4	2.6	2.9	3.4
Yoghurt and sour milk drinks	5.8	5.9	6.1	6.6	7.2
Other dairy products	2.2	2.3	2.4	2.6	2.9
Sweet and savoury snacks	9.4	9.5	9.5	9.8	10.3
Chips/crips	1.2	1.2	1.2	1.3	1.5
Extruded snacks	5.0	5.0	5.0	5.1	5.3
Nuts	0.3	0.3	0.3	0.3	0.3
Canned/preserved food	5.5	5.5	5.6	5.8	6.2
Frozen processed food	5.1	5.1	5.2	5.4	5.7
Dried processed food	23.7	23.5	23.3	23.4	23.5
Chilled processed food	48.2	47.8	47.5	47.9	49.0
Oils and fats	2.8	2.9	3.1	3.3	3.6
Olive oil	0.3	0.3	0.3	0.3	0.4
Vegetable and seed oil	1.9	2.0	2.1	2.3	2.4
Cooking fats	0.0	0.0	0.0	0.0	0.0
Butter	0.2	0.2	0.3	0.3	0.3
Margarine	0.1	0.1	0.1	0.1	0.1
Spreadable oils and fats	0.3	0.3	0.3	0.4	0.4
Sauces, dressings and condiments	15.5	15.6	15.6	15.8	16.2
Baby food	1.0	1.0	1.0	1.1	1.1

Source: Euromonitor

↔
(Forecast Period)





▶ KEY MARKET SEGMENTS — DATA FROM 2007-2008

▶ Bakery

Sale values increased from US \$25.2 billion to US \$27.5 billion, while sales volumes shrank from 2,554.6 thousand tonnes to 2,540.8 thousand tonnes.

Forecasts for 2008-2013

Biscuits are expected to lead the growth with an increase in value of 22%. Breakfast cereals sales will remain stable. Baked goods sales are expected to decline by 7%.

Main Sectors 2007-2008:

Baked goods sales increased from US \$21 billion to US \$22.9 billion.

Biscuit sales increased from US \$3.8 billion to US \$4.1 billion.

Breakfast cereal sales increased from US \$0.4 billion to US \$0.5 billion.

Main Producers and their Japanese Brands

Yamazaki Baking Co Ltd was the leader in the baked goods market, holding 21.9% of the share in 2007. Its leading brand is Yamazaki.

Ezaki Glico Co Ltd gained a 17.1% share of the biscuit market in 2007. Its leading brand is Pocky.

Kellogg (Japan) KK was the leader in the breakfast cereal market, with a 40.2% market share in 2007. Its leading brand is Kellogg's Frosties.

▶ Confectionery

This sector's sales remained stable at US \$8.5 billion.

Forecasts for 2008-2013

Confectionery sales are forecast to increase by 2.4% in value. Chocolate confectionery is expected to increase by 2.6%. Sugar confectionery sales are expected to grow by 6.7%. Gum sales are expected to remain stable.

Main Sectors 2007-2008:

Chocolate confectionery sales remained stable at US \$3.9 billion.

Sugar confectionery sales increased from US \$2.9 billion to US \$3 billion.

Gum sales stayed stable at US \$1.6 billion.

Main Producers and their Japanese Brands

Meiji Seika Kaisha Ltd was the leader in chocolate confectionery, with an 18% market share in 2007. Its leading brand is Meiji.

Morinaga & Co Ltd was the leader of the sugar confectionery market, with an 8.8 share in 2007. Its leading brand is Hi-Chew.

Lotte Co Ltd was the leader in the gum market, holding a 56.7% share in 2007. Its leading brand is Xylitol.

▶ Dairy

This sector's sales increased from US \$20.3 billion to US \$21.2 billion.

Forecasts for 2008-2013

Cheese sales are expected to show the highest growth at 30.8%. Drinking milk products sales are expected to increase by 5% and yoghurt sales will grow by 18%. Dairy products are expected to increase by 14.2% in value.

Main Sectors 2007-2008:

Cheese sales increased from US \$2.4 billion to US \$2.6 billion.

Drinking milk products sales increased from US \$9.8 billion to US \$10.1 billion.

Yoghurt and sour milk sales increased from US \$5.9 billion to US \$6.1 billion.

Main Producers and their Japanese Brands

Snow Brand Milk Products Co Ltd was the leader in the cheese market, with a 22.7% share in 2007. Its leading brand is Snow Brand.

Meiji Dairies Corp was the leader in the drinking milk market, holding a 15.6% share in 2007. Its leading brand is Meiji.

Meiji Dairies Corp was the leader in the yoghurt and sour milk market, with a 32.4% share in 2007. Its leading brand is Meiji.



▶ KEY MARKET SEGMENTS — DATA FROM 2007-2008

▶ Ice Cream

Sales values in this sector remained stable at US \$2.8 billion.

Forecasts for 2008-2013

This sector's retail value is forecast to increase by 1.1%. Impulse ice cream is expected to grow by 5.2%. Take-home ice cream purchases are expected to decline by 4.7%. Artisan ice cream sales are expected to grow by 15.9%.

Main Sectors 2007-2008:

Impulse ice cream sales remained stable at US \$1.6 billion.

Take-home ice cream sales declined from US \$1.2 billion to US \$1.1 billion.

Artisan ice cream sales increased from US \$9.6 million to US \$10 million.

Main Producers and their Japanese Brands

General Mills, Inc. was the leader in the impulse ice cream market with a 46.1% share in 2007. Its main brand is Häagen-Dazs.

General Mills, Inc. was the leader in the impulse ice cream market with a 19.3% share in 2007. Its main brand is Häagen-Dazs.

There is no leading company or brand for artisan ice cream .

▶ Sauces, Dressings, and Condiments

This sector's sales increased in value from US \$7.2 billion to US \$7.3 billion.

Forecasts for 2008-2013

Sales of sauces, dressings, and condiments are forecasted to increase by 7.7% in value. Sales in condiment sauce are expected to shrink by nearly 0.3%. Table sauce sales are expected to increase by 6.3%, and wet/ cooking sauce by 18.2%.

Main Sectors 2007-2008:

Condiment sauces sales were stable at US \$2.5 billion.

Table sauce sales increased from US \$353.5 million to US \$357.8 million.

Wet cooking sauce sales increased from US \$1.254 billion to US \$1.291 billion.

Main Producers and their Japanese Brands

Kikkoman Corporation was the leading player in the condiment sauces market, with a share of 67.1% in 2007. Its leading brand is Kikkoman.

Kagome Co. Ltd was the leading player in table sauce market, holding a share of 64.5% in 2007. Its leading brand is Kagome.

Bull-Dog Sauce Co, Ltd. was the leading player in the wet cooking sauce market, holding a share of 30.3% in 2007. Its leading brand is Bulldog.

▶ Sweet and Savoury Snacks

Sales values in this sector remained stable at US \$9.5 billion. The volume of sales increased from 691.3 thousand tonnes to 695.7 thousand tonnes.

Forecasts for 2008-2013

Sales of sweet and savoury snacks are forecast to increase by 8.4%. Sales in nuts are expected to hold firm in value. Chips/crisps and extruded snacks are expected to increase in value by 25% and 6%, respectively.

Main Sectors 2007-2008:

Nut sales kept stable at US \$0.3 billion.

Chips and crisps sales remained stable at US \$1.2 billion.

Extruded snacks sales also remained stable at US \$5 billion.

Main Producers and their Japanese Brands

Kraft foods is the leading, player in the nuts and seeds sector, its popular brand Planters is holding 20% of market share followed by Natori Co. with Otsumani Nuts holding 14.2% of this market in 2008.

In the savoury snacks sector, Calbee food Co. with brands such as, Calbee, Jagarico, and Kameda Seika Co Ltd with brands such as Happy Turn and Soft Salad, are leaders in the Japan's sweet and savoury snacks sector with 11.68% and 6.84% of market share in 2008 respectively.



► **KEY MARKET SEGMENTS — DATA FROM 2007-2008**

► **Spreads**

This sector's sales value remained stable at US \$1.1 billion.

Forecasts for 2008-2013

Spreads sales are forecast to increase by 4.9% in value, while jams & preserves sales are forecast to decline by 1.4%. The sales of honey and chocolate spreads are forecast to increase by 12.3% and 5.3%.

Main Sectors 2007-2008:

Sales of jams and preserves declined from US \$529.8 million to US \$528.4 million.

Honey sales increased from US \$377.9 million to US \$387.4 million.

Chocolate spread sales increased from US \$10.2 million to US \$10.3 million.

Main Producers and their Japanese Brands

Kato Bros Honey Co Ltd, which is the national brand owner of Sakura-jirushi honey, lead with a 16.3% value share in the spread market in 2007.

QP Corp was second in the spread market with a 16.3% share in 2007, thanks to its flagship Aohata 55 Jam brand, which was launched in 1969.

Sonton was the leader of the chocolate spread market, with a 56% share in 2007. Its brand is Sonton.

► **Snack bars**

This sector's sales value remained stable at US \$1 billion. The quantity increased from 36.5 thousand tonnes to 37 thousand tonnes.

Forecasts for 2008-2013

Snack bar sales are forecast to increase by 10% in value. The sales value of energy bars and other snack bars are expected to increase by 20%.

Main Sectors 2007-2008:

Sales of other snack bars stayed stable at US \$0.5 billion.

Energy bar sales also stayed stable at US \$0.5 billion.

Main Producers and their Japanese Brands

Otsuka Pharmaceutical Co Ltd was the leader of the snack bar market, with a 44.2% share in 2007. Its leading brand is Calorie Mate.

Asahi Food & Healthcare Co Ltd was second in the snack bar market, with 16% share in 2007. Its leading brand is Balance Up.

Company Shares of Packaged Food (by Global Brand Owner) - Retail Value RSP - % breakdown

Japan	2001	2002	2003	2004	2005	2006	2007
JA Group (Japan Agricultural Cooperatives)	4.2	4.0	3.9	3.6	3.6	3.5	3.4
Yamazaki Baking Co Ltd	2.2	2.3	2.3	2.3	2.3	2.5	2.6
Meiji Dairies Corp	2.1	2.3	2.3	2.3	2.4	2.4	2.5
Morinaga Milk Industry Co Ltd	2.0	2.1	2.1	2.0	2.0	2.1	2.1
Nissin Food Products Co Ltd	1.8	1.9	1.9	2.0	2.0	2.0	2.0
Lotte Group	1.4	1.5	1.6	1.6	1.5	1.5	1.6
Ajinomoto Co Inc	1.3	1.4	1.4	1.4	1.4	1.5	1.5
Ezaki Glico Co Ltd	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Meiji Seika Kaisha Ltd	0.9	1.0	0.9	0.9	0.9	1.0	1.0
QP Corp	0.8	0.8	0.9	0.9	0.9	0.9	1.0
Toyo Suisan Kaisha Ltd	0.8	0.9	0.9	0.9	1.0	1.0	0.9
Yakult Honsha Co Ltd	1.0	1.0	1.0	1.0	1.0	0.9	0.9
House Foods Corp	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Morinaga & Co Ltd	0.8	0.8	0.8	0.7	0.7	0.7	0.8
Shikishima Baking Co Ltd	0.7	0.6	0.6	0.7	0.7	0.7	0.7

Source: Euromonitor

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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