



Agri-Food Consumer Profile

Japan

June 2006



Canada

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Japan

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Overview

Japan is the world's 3rd largest economy and has an affluent consumer base in excess of 120 million. Japan's total food market is estimated to be over US\$600 billion, with annual imports of US\$70 billion in agri-food products. Japan has 12 urban centres with populations exceeding 1 million. The largest markets are in the cities of Tokyo, Yokohama, Osaka and Nagoya.

Japanese consumers are well educated and technologically driven. Consumers demand innovative and quality food products. An increase in health awareness is driving a relatively new, but strong organic and functional food market, creating significant opportunity for Canadian exporters.

Demographics

- Japan's population of almost 128 million residents grows at a very slight 0.02% annually.
- Immigration to Japan has traditionally been very low, and as a result the population can be characterized as homogenous.
- Japan has the highest life expectancy of all the OECD countries reaching 82 years.
- Lower incidents of heart disease-related deaths account for the higher life expectancy rates.
- Japan is becoming a "childless society" as a result of one child families and an increase in single person households and later age marriages.
- Average birthing age rose to 33 in 2003 from 28 in 1990.
- The median age is almost 43 years. Due to low birth rates, the population is aging rapidly. The number of people over 65 is expected to increase from 18% in 1990, to 35% in 2050.
- The population of young adults is expected to decline sharply in years to come, coupled with an aging population, will likely lead to labour shortages.
- Japan is expected to experience a sharp population decline of almost 40 million residents to 90 million by 2050.
- Over 86 million residents are estimated to have middle class spending power.
- Over 66 million residents make up the Japanese labour force. Almost 70% of these workers are in the service sector.
- Japan has a high GDP per capita of US\$30,000 per person.
- Approximately 50% of females are now employed outside of the home.
- Japan's unemployment rate is 4.5%, a decline from over 5% in 2003.

Consumer Profile

Attitudes

- Japanese consumers are well educated about food and are increasingly aware of food safety issues.

- Consumers tend to “eat with their eyes,” viewing food as art and are looking for aesthetically pleasing products when shopping.
- “Harmony” and “Nature” are important concepts in regards to food consumption. Food must be in “harmony” with “nature” as well as the consumer and surrounding foods (side dishes).
- Japanese feel the key to a long life is good health care and healthy eating.

Eating Habits

- A typical Japanese breakfast includes rice, raw egg, salted salmon and/or fermented soybeans and miso soup.
- The most common dinner foods are meats, fish, vegetables and rice. Traditional Japanese meals include a large bowl of rice, several side dishes (meat, fish, or vegetables) and a bowl of miso soup.
- Lunch is typically the meal eaten outside the home; consuming prepared foods purchased at restaurants or convenience stores is not uncommon.
- Japanese consumers prefer to eat dinner at home where fresh foods can be stored, however, cost and convenience lead many families and individuals to eat at restaurants for this meal.
- Snacking throughout the day is not yet common; although, western influences are increasing snacking habits. Males are more likely to snack than women.
- Men are more likely to eat outside the home than women.
- Single and working women tend to prefer eating out due to lack of desire to prepare their own meals.
- Rural residents are more conservative, and have not been as affected by outside influences. Due to the proximity of retail outlets, rural consumers eat most meals at home and make fewer trips to purchase groceries.
- Japanese soft drinks mostly consist of tea drinks, with growing popularity in sugar-free and ready made drink products.
- Consumer confidence in food is tied heavily to trust in government. This trust was badly damaged in 2001 and had a huge impact on the consumption of beef products as well as frozen food products because of the governments handling of unrelated food scares.

Lifestyle Implications

- Despite busier lifestyles, Japanese consumers are focusing on consuming healthier foods to help maintain a slimmer image.
- The average number of calories consumed in a day by Japanese consumers is 1,200, significantly lower than in North America, where calorie consumption is closer to 2,000 per day. Overall, the Japanese diet is seen as “near perfect” because of the fat-protein-carbohydrate intake ratio.
- Younger people seem to be adopting a westernized diet, while older adults, especially in rural areas stick to the traditional Japanese diet.
- Obesity rates are an increasing concern in Japan. While still very low, it is estimated that 3% of the population is considered obese which translates to 4 million people in a region where obesity is usually not of particular concern. Adoption of westernized eating habits (increases in fat and sugar) are responsible for the rising rate.
- Increasing rates of diabetes, along with rising obesity rates are driving the health food industry, and the desire for consumers to adopt a healthy lifestyle.

Spending Habits

General

- Accounting for 23% of household spending, food purchases are the second largest expenditure category in a Japanese household. In 2003, Japanese households spent an annual average of \$8,840 on retail food purchases and \$5,146 on food-service purchases.
- Mean personal income is expected to increase by almost 20% and disposable income by 5% in Japan by 2015.
- Disposable income for the majority of men has decreased slightly; however, disposable income for women increased by 22.7% between 1999 and 2003.
- Consumers often purchase foods on a daily basis, searching for the highest quality products at several outlets.
- Local, general and specialty stores account for 39% of food sales, while 34% is sold in supermarkets and 13% in convenience stores. General merchandise stores are growing in popularity, providing product selections for one stop shopping.
- Teenagers (10-19 years) spend a significant portion of their money on social and leisure activities, including dining out.
- Although Japanese consumers are generally price sensitive, they are willing to pay for quality, convenience, and brand name products.
- Consumers generally prefer Japanese food products over imports because of high quality standards and food safety concerns, especially meats in the wake of the BSE outbreaks.

Trends

- Consumers with higher disposable incomes are willing to pay for new health products including organic foods, which come at a price premium.
- Western influence coupled with a desire for convenience is increasing demand for fast foods and prepared meals. Convenience is a driving force in restaurant sector growth.
- Packaged, frozen, preserved and processed food demand is increasing, and is primarily purchased from supermarkets and convenience stores.
- Consumers are demanding larger quantities of fresh products. Tracking devices are used to prove freshness and increase consumer confidence.
- Due to its high protein content, fresh meat consumption is increasing faster than vegetable consumption.
- Sugar, carbohydrate, calorie and fat reduced food product demands are a result of health conscious consumers. Increased fibre, vitamin and mineral content are also important attributes for consumers.
- Meal replacement product popularity is increasing, with sales expected to grow 13% between 2004 and 2009.
- Alcohol consumption has increased in recent years. Beer accounts for 55% of the market, followed by Japan's traditional alcoholic beverage, sake.
- Coffee consumption has increased almost 14% since 1998 due to a significant increase in the number of coffee shops in Japan.
- Smaller, easily opened packages are in demand with small families and elderly consumers who lack storage space for large volumes of food products.
- Bottled water is making gains in the Japanese market; however tap water is preferred for economical and religious reasons—water is seen as a “gift from nature” according to Japanese religious tradition, and as such, people are unwilling to pay for it.

- An aging population is driving demand for healthy home delivered meals called "Foods for Ill Persons," which are nutritious meals are delivered to people who are unable to cook for themselves because of illness or disability. This niche market will continue to grow as the majority of the population ages in years to come.
- Older men are an important target for the health industry. With more youthful older Japanese men, hipper and trendier health products are becoming popular. Likewise, new markets are opening up targeting the baby boomer-aged women.

Import Situation

- Importing a total of US\$67.4 billion of agri-food products, Japan is the world's largest market for imported consumer food products.
- With only a small portion of Japan suitable for agricultural development, Japan has to import over 60% of their foodstuffs.
- Japan has also begun to establish offshore production facilities and invest in food processing ventures, particularly in Southeast Asia and China and even Australia. These overseas facilities produce products specifically for the wants and needs of the Japanese market.
- Consumer oriented food imports were valued at almost US\$26 billion in 2004. Edible seafood imports accounted for almost US\$14 billion. Japan's self sufficiency rate in these sectors is decreasing, from 45% in 1994 to 40% in 2004, indicating opportunities for exporters specializing in these product categories.
- In 2004, Japan's top sources for consumer oriented agri-food products included the United States, China, Australia, Denmark, and Canada. Together, these countries accounted for over 50% of Japan's consumer oriented good imports.
- Due to increasing organic demand, Japan is looking to import significant quantities of organics from outside Asia.
- Popular imports include: rice, sugar beets, vegetables, fruit, pork, poultry, dairy products, eggs and fish.

Canadian Position

- Canada is Japan's 5th largest source for imported consumer oriented agri-food products and 11th largest source for fish and seafood products.
- Total agri-food exports to Japan exceeded \$3.1 billion in 2005. Almost 40% of these exports were consumer oriented products. Consumer oriented exports to Japan from Canada have grown by more than 30% since 2002. Intermediate export to Japan from Canada totalled almost \$250 million in 2005, while bulk export to Japan from Canada totalled almost \$1.2 billion.
- The top ten consumer products shipped in 2005 included pork products, fresh or frozen (85% of exports); preparations of vegetables; fruits and nuts; beverages, spirits and vinegar; meat preparations; sugars and sugar confectionary; dairy products, eggs and honey; edible vegetables, roots, tubers and pulses; preparations of grains and pasta; miscellaneous edible preparations.

- Canada has a strong reputation in Japan for safety and quality. Canada's strong labelling, traceability and food safety initiatives are a sign of quality to Japanese consumers.
- In keeping with Japan's healthy eating trend, Canadian exporters of health food products will find a receptive market. Blueberries and functional milk products are popular in Japan; lesser-known products such as cranberry and Saskatoon berry products are attracting interest.

Opportunities for Canadian Exporters

Opportunities

- ⇒ Japanese demand for safe and high quality food products.
- ⇒ Japan is relying more on imports for consumer ready food products.
- ⇒ Consumers are demanding a greater variety of innovative functional foods.
- ⇒ High demand for consumer oriented, seafood and organic products.
- ⇒ Increasing pork consumption in Japan due to BSE concerns with beef.

Canadian Advantage

- ⇒ *Canada has systems in place to ensure quality and high safety standards.*
- ⇒ *Canada is already a significant exporter of consumer goods to Japan.*
- ⇒ *Canadian manufacturers are positioned well to meet the needs of Japanese consumers.*
- ⇒ *Ranked 5th and 11th in seafood and organic product production respectively, Canada is poised to move up the ranks.*
- ⇒ *Canada is a significant exporter of consumer ready pork to Japan.*