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Japanese Processed Vegetable Market 2019

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Market Development Reports

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Report Highlights:

The United States, as the second largest exporter of processed vegetables to Japan, accounts for 20 % of the market, valued at US$560 million in 2018. Japan has just registered record import volumes of frozen vegetables in the first half of 2019, increasing 3% year-on-year to 526,000 tons. The United States is the top supplier of processed or frozen potatoes, corn, and mixed vegetables. The Japanese processed vegetable market is growing, due to an increasing demand for convenient food among consumers. In particular, the frozen vegetable segment, as the leading sub-category of imported processed vegetables in Japan, shows notable growth and offers U.S. suppliers continued market opportunities.

I. Processed vegetable market update

A. Increasing demand for processed vegetable

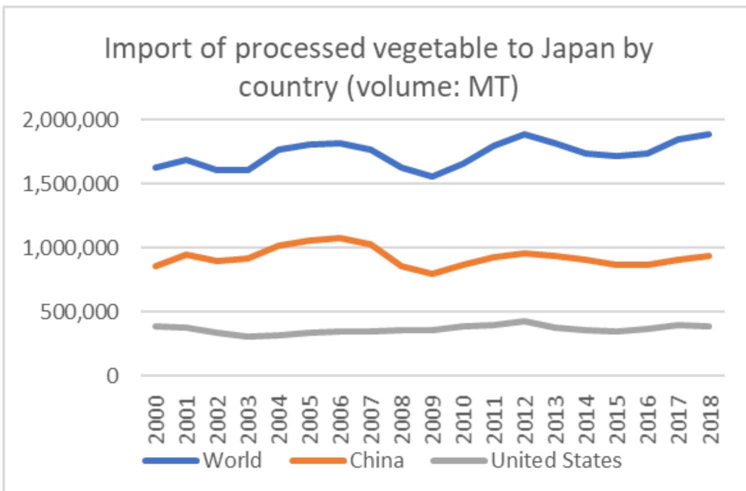
Demand for food convenience has been growing over the years in Japan with on-going social trends, including: a rapidly aging population, an increasing number of women in the workplace and growth in the number of single- and two-person households. Japanese consumers are cooking less at home and dining out more often or buying more ready-made/prepared meals. As a result, demand for processed foods as ingredients, including processed vegetables, both at home and in the food service industry, has been showing a steady increase in Japan.

B. Processed vegetable Import

Imported processed vegetables are well positioned in the Japanese market with increasing demand due to a lower-price point than domestically produced.

Imported processed vegetables to Japan have increased over the years with the recent three-year growth from 2015 to 2018 reaching 10.3% in volume and 9.1% in value. Year-over-year increase from 2017 to 2018 in volume and value reached 1.89 million MT (2.4%) and US$3.4 billion (3.7%), respectively.

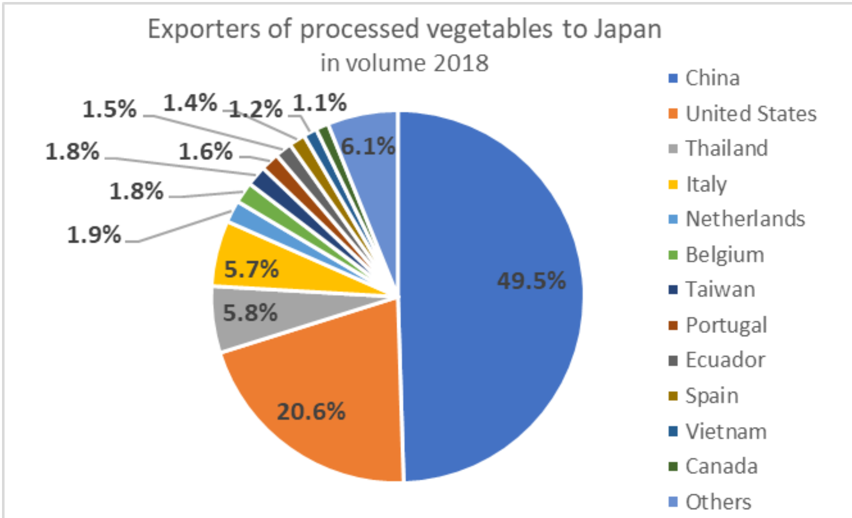
Figure. 1



Source: World Trade Atlas

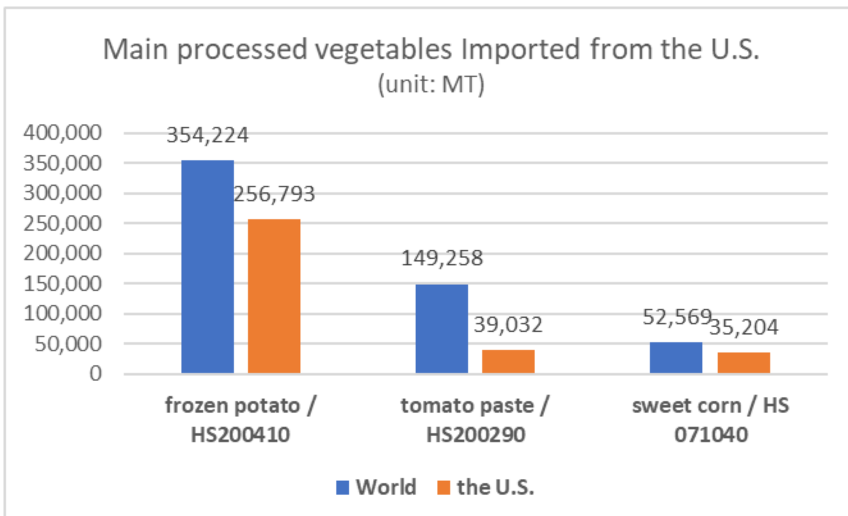
The United States is the second leading supplier of processed vegetables to Japan, following China, with other smaller supplying countries including Thailand, Italy, the Netherlands and Belgium (Figure 2). While the United States is the top supplier of frozen potato, tomato paste, and sweet corn (Figure 3), the market is becoming highly competitive with other countries, such as Thailand, Ecuador, and the Netherlands, that have increased market share in recent years. It is recommended that U.S. suppliers differentiate their products through promoting the quality of their products against lower-priced products from other countries in order to retain its market position and expand further its share.

Figure 2.



Source: World Trade Atlas

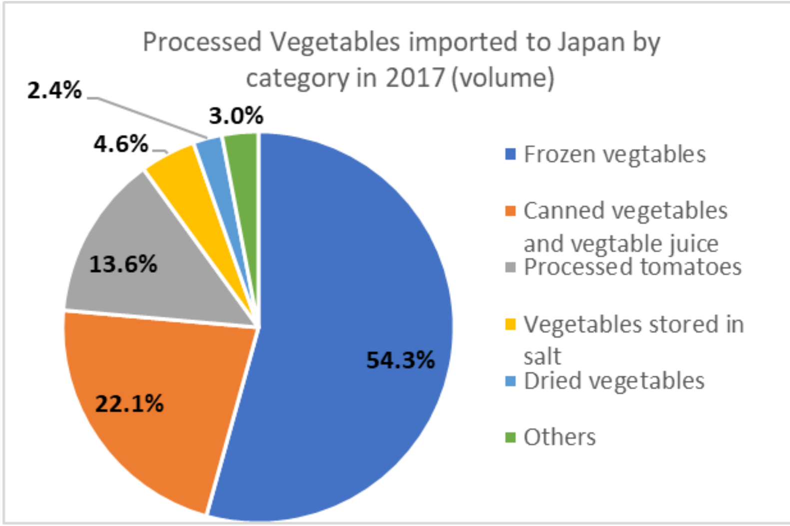
Figure. 3



Source: World Trade Atlas

The processed vegetable import category to Japan was led by the frozen vegetable segment with its 54.3% volume share. This segment was followed by canned vegetables and vegetable juice (22.1%), processed tomatoes (13.6%), vegetables stored in salt (4.6%), and dried vegetables (2.4%). In value, frozen vegetable stands out again attributing to 50.1% of total sales followed by canned vegetables and vegetable juice (25.7%), dried vegetables (10.4%), processed tomatoes (7.9%), and vegetables stored in salt (2.7%).

Figure 4



Source: Japanese Agricultural & Livestock Industries Corporation

* Japanese Processed Vegetable Market Report 2016 provides the detail of the processed vegetable industry growth up until 2014. Also, please refer to the Japanese Fresh Vegetable Market Report 2018 for fresh produce market for detail.

II. Frozen vegetable market

A. Frozen vegetable market

As Japanese consumers seek for convenient foods with the on-going social trends mentioned above, the overall Japanese frozen food market has been showing a continuous expansion over the years. While the annual consumption of frozen food per person in Japan was recorded at 22.5 kg in 2017, 4.8% up from the previous year, it still lags far behind the U.S., whose annual consumption was 51.5 kg in the same year and has a plenty of room to grow. Along with it, the Japanese frozen vegetable market has been growing too, recording 18% growth over the last decade. It is notable that this frozen vegetable market expansion took place, while the local production actually went down by 22% over the same period. The market growth was led by imported frozen vegetables, which showed 23% increase over the same period while compensating the decrease in domestic production.

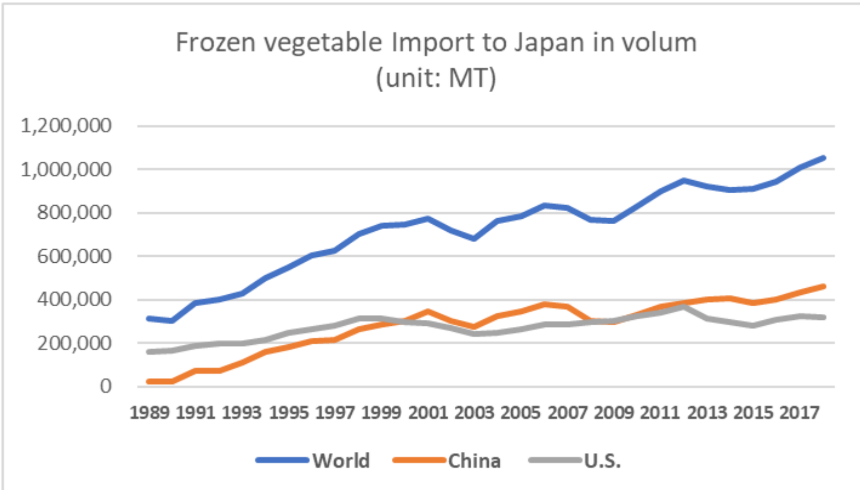
B. Frozen vegetable import to Japan

According to Japan Frozen Food Association (JFFA), imports of frozen vegetable registered a record high of 1,008,783 MT in 2017 while the domestic frozen vegetable production was merely 76,316 MT in the same year. This illustrates that the overall Japanese frozen vegetable market was estimated at 1,085,099 MT in 2017 with the imported products accounting for an overwhelming 93% of the market demand. As the local production is considered to continue to decline in the future, demand for imported frozen vegetable is expected to grow further.

According to JFFA, frozen vegetable used to be considered as replacement for fresh produce when the production of fresh vegetables is scarce due to bad weather or natural disaster etc. However, more and more Japanese consumers, once start using frozen vegetables when fresh produce is scarce, they realize how convenient frozen vegetables are and prefer to use frozen vegetables more often. Frozen vegetables are now becoming preferred items for consumers who look for convenience and establishing solid demand in the market.

Just recently, [local Japanese press] highlighted this growing market opportunity for imported frozen vegetables by citing record import volumes for the first half of 2019. Frozen vegetable imports grew 3% year-on-year to 526,000 tons in the first half of 2019 as steady demand were seen among both businesses and households.

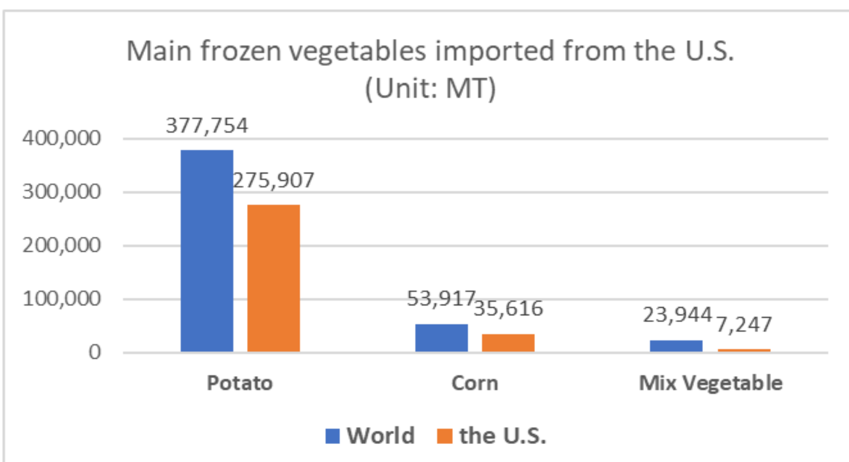
Figure 5



Source: Japan Frozen Food Association

The United States is the second leading supplier of frozen vegetable to Japan with 32% share following China with 43% of the volume share. Other minor suppliers include Thailand (5%), Belgium (4%), Taiwan (3%), the Netherlands (3%), and Ecuador (2%). The U.S. is the leading supplier of frozen potatoes, corn and mix vegetables with China leading in the other vegetable categories.

Figure 6



Source: Japan Frozen Food Association

Other countries, though still small, are growing quickly in the Japanese market. Potatoes supply from Belgium and the Netherlands started to grow in the Japanese market after the U.S. West Coast port strike took place in 2014. Ecuador is also expanding its share in frozen broccoli.

In the fastest growing segment of frozen vegetables, it is recommended that U.S. suppliers seek to ways to promote their product quality against its competitors'. For example, frozen potatoes for French fry from the U.S. has distinct quality different from those from Belgium and the Netherlands. It is also suggested that U.S. suppliers try to accommodate requests on product specifications from Japanese buyers as much as possible in order to retain current customers and gain new customers in the market.

C. New trends of frozen vegetable market in Japan

a. Natural Defrosting

"Natural Defrosting" continues to be the growing trend in the Japanese frozen food market. Natural Defrosting foods are pre-cooked and processed by IQF methods so that they are ready to be eaten once defrosted naturally. Developed to save time for cooking, this new product category has been a big hit in the industry in spite of its higher price than the equivalent conventional products. This technology is being applied mainly to green beans and part of leafy vegetables including green soybeans (edamame), spinach, broccoli, cauliflower, snap pea. The industry is waiting for the application of this technology to root vegetables and others in the future, but so far it is yet to come. While Japanese food industry is suffering from labor shortage and the general consumers look for convenient foods at home, the benefits of natural defrosting perceived among users outweigh the higher cost and the demand for natural defrosting products is expanding further both in the industry and at retail. For retail market, it is notable a number of frozen food manufacturers are marketing new products using natural defrosting technology, mainly targeting the use for lunch boxes.

b. Healthy Food Products

The long-time trend of "healthy" in the general food market in Japan is spreading into the frozen food market as well. As an example, cauliflower rice made a great hit as a low-carb diet food. In particular, when AEON, the largest nationwide supermarket chain, launched "Cauliflower to eat instead of rice" under its private brand of TopValu in 2018, it became a great hit. They also introduced Broccoli rice, which was a big hit in the market as well. This product category, already popular in the U.S. as part of popular low carb diet, was new to Japanese consumers and succeeded in creating a new demand segment for frozen vegetables.

c. Growing demand from nursing home for the elderly

Demand for frozen food/vegetables from nursing homes for the elderly is showing a notable growth and is expected to increase further. The number of senior citizens over 65 years is rapidly increasing, reaching 35.57 million and accounting for 28.1% of the total Japanese population in 2018. According to a survey conducted by JFFA, the nursing home industry accounted for 8.3% of frozen food industry demand in 2017, up from 4.6% in 2012 in just 5 years. Demand from these facilities in general call for a set of distinct specifications for the food products they purchase in order to facilitate food intake for senior citizens. While the labor shortage has become a critical issue for these facilities these days, meeting their requests for product specifications is quite important to grab this growth opportunity of this market segment.

III. Market situation and recommendation

A. Competitive market – growing market with opportunities but severe competition

Demand for processed vegetables is growing in the Japanese market, but it is also getting highly competitive. While the U.S. has been the major supplier to Japan following China, still, other countries are seeking ways to get into the market competing in price as well as offering wider product ranges to meet the requests by Japanese buyers. FAS Japan would like to suggest U.S. suppliers to stay aware of changes in the market trends and stand ready to cope with market demands in order to maintain and expand its market.

B. On-going negotiation on trade agreement between the U.S. and Japan

The United States currently faces a challenging situation in the Japanese market as the member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Japan–European Union Economic Partnership Agreement (EPA) enjoy a preferential tariff advantage over the United States.

However, the United States and Japan are in on-going negotiations for a U.S.-Japan Trade Agreement. As such, FAS Japan recommends that U.S. suppliers follow the progress of these negotiations so that they stand ready to take advantage when an agreement is reached.

C. Major players in the industry

Japanese importers of processed vegetables are the first contacts for U.S. companies to enter into the Japanese market. There are major general trading companies as well as specialty importers who are dedicated to the processed vegetable sector (See Appendix I).

D. How to enter the market

The Japanese distribution system is complex and requires market access strategies based on product characteristics, competition, and market environment. As an exporter, your point of contact is most likely to be Japanese importers and distributors who supply end-users including retailers, food service operators, food processors and manufacturers. Demand-pull strategies that highlight your product's unique attributes through educating these end-users is also important. The best way to find buyers is to attend trade shows such as Foodex, Supermarket Trade Show and/or Food and Beverage Expo (FABEX). This is also a good way to meet and learn about the latest trends in Japan. If you are interested in attending these shows, please contact ATO Tokyo or Osaka. We will inform you whom to contact and how to enroll.

If you have already have an established importer/distributor, there are additional regional trade show opportunities to help further penetrate the Japanese market.

IV. Contacts and information sources:

A. Agricultural Trade Offices (ATO) in Tokyo and Osaka, and Office of Agriculture Affairs (OAA) stand ready to assist you in your efforts to bring products to market in Japan.

ATO Tokyo	ATO Osaka
U.S. Embassy, Japan	U.S. Consulate General Osaka-Kobe
atotokyo@fas.usda.gov	atoosaka@fas.usda.gov
tel +81 3.3224.5115	tel +81 6.6315.5904
fax +81 3.3582.6429	fax +81 6.6315.5906

Office of Agricultural Affairs
U.S. Embassy, Japan
agtokyo@fas.usda.gov
tel +81 3.3224.5102
fax +81 3.3589.0793

B. USDA Japan website:

There are a wide variety of reports on Japanese market and regulations available at the following website, including commodity reports such as "Japan Potatoes Annual," and other sector reports such as "Exporter Guide," "Japan Retail Foods," "HRI Food Service Sector Report," "The Japanese Processed Vegetable Market-Opportunities and Challenges," "Japanese Fresh Vegetable Market" and "FAIRS report." For Reports on the Japanese markets: http://www.usdajapan.org/reports/

C. Japan External Trade Organization (JETRO) website:

Information on the Japanese Vegetables, Fruits and Processed products market report:
https://www.jetro.go.jp/en/reports/market.html (Market Reports)