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The Changing Consumer and Food System in Japan

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Outline

Amid rising import and the falling self-sufficiency rate in the areas of production and distribution, the food service industry and volume retailers have been growing due to the progress of dependence on outside sources for meals, and dependence on food imported from abroad has been on the rise.

On the other hand, the number of consumers who have recently suffered from lifestyle-related diseases due to nutritional imbalance is increasing, while at the same time demands for safety and security are on the increase due to the occurrence of unexpected situations, such as BSE.

Under these circumstances, it is essential that the food industry, which bridges the production and consumption segments, satisfies the needs of consumers in close cooperation with agriculture side, in order to provide the people with stable and safety food supplies

This presentation provides information and experience on noteworthy issues in Japan relating to food system including agricultural co-operatives, as well as the future direction of specific measures and their necessity.

1. Changing Consumer Lifestyle and Food system

Although Japanese dietary patterns are now so varied that there is said to be “overabundance”, that we are said to be living in “the age of overabundance,” there are increasingly growing concerns over excess or insufficient nutritional intake such as excessive intake of fat or unbalanced diets. These concerns need attention in terms of prevention of lifestyle diseases.

Tab-1. PFC Supplied Calorie Composition in countries

While the household expense for purchasing fresh food is decreasing, the consumption of prepared foods is steadily increasing. Also increasing are eating-out and

diversification of consumer preference and demands as demonstrated by populations of different age range and with different household composition showing different preference for quality and price of foods and inclination to convenience of preparation and eating of food. As agricultural production inside Japan has been unable to keep pace with the diversification recently, food industries have become more dependent on imported agricultural produce.

[Fig-1. Food Expenditure percentages on household](#)

[Fig-2. Trend of Food Externalization](#)

Regarding retail marketing channel, food retailers, the number of shops and annual sales values of food supermarkets and convenience stores are increasing, while conventional specialized grocery stores and stores mainly handling food products are decreasing. Also, recently there is a trend of diverse food distribution routes such as, direct delivery from producers by co-operative societies, agricultural co-operatives and so on, direct transactions between producers and large users, and transactions using the Internet.

2. Characteristics of food self-sufficiency

The food self-sufficiency rate is defined by “domestic food supply / national food demand”, which means the relation between agriculture and consumption, in other word.

The decline in Japanese food self-sufficiency on a supplied calorie basis, seen over the long term, has been greatly influenced by dietary changes such as a decrease in consumption of rice suited to domestic production in Japan, increased consumption of livestock products, oils and fats which are largely dependent on imported.

Meanwhile, total calories supplied from Japanese agricultural products fell by 26% between FY1965 and FY2003, and changes in agricultural production are also contributing to the decline in self-sufficiency. During this time, although single crop yields rose, the total crop cultivation area fell by 40%.

The self-sufficiency ratio on a production value basis is decreasing more slowly than that on a supplied calorie basis. This is partly due to the impact of economic value on activities for the production of vegetables, fruit, and livestock products.

[Tab-2. Food Self-sufficiency rate on calorie](#)

[Tab-3. Food Self-sufficiency rate on item](#)

3. Efforts aimed at ensuring food safety and consumer confidence

In recent years, there has been a series of problems (such as agricultural chemical residues in excess of maximum limits in imported agricultural produce, fraudulent food labeling, incidences of BSE in Japan and the USA, and outbreaks of bird flu in Japan and other countries), and the situations surrounding food safety and consumer confidence have changed significantly.

In line with these changes, consumers have also adjusted their purchasing behaviors to pay more attention to food safety, for example, more attention to safety than price, and/or less purchase from those companies which caused problems related to food safety or fraudulent labeling in the past.

Tab-4. Major Event for Food safety in Japan

Distribution approach for food safety

From the perspective of elucidating the cause whenever a food accident or similar incident occurs, and making it easier to recall affected food, and from the perspective of securing consumer reliance by clearly indicating the history of food production, distribution, etc., it is important to introduce a traceability system allowing checks back on food history information. On the other hand, however, consumers have a low awareness of traceability systems, and future dissemination activities are required.

Given that consumers are now demanding various kinds of information about foods, they now hope the use of traceability systems. Presently, the main players in the traceability systems are food manufacturers and distributors, which indicate the need to foster common understanding and cross-sectional collaboration among all relevant stakeholders in order to establish a system that covers the whole food chain, from production to consumption.

Production approach for food safety

Efforts aimed at ensuring food safety at the production stage, though sometimes causing additional burdens of cost or manpower may hold the key to awareness reform and differentiation of producers. In future, as well as trying these issues, it is important that we promote efforts to define hazard countermeasures at the production stage, as well as rules for the use and management of production equipment in cultivation processes (GAP: Good Agricultural Practices).

In Japan, GAP just has started to develop and implement. Ministry of Agriculture, Forestry and Fisheries (MAFF) Japan issued “GAP for Food Safety:

Manual -Developing and Spreading-” in 2005. Another trial the point of view from producers to establish GAP in Japan was started by the Japan Good Agriculture Initiative (JGAI).

Fig-3. Traceability and GAP for food safety

4. Marketing Strategy for Agricultural Co-operatives

Establish to Regional Brands

Brands have a major impact on consumer confidence in quality when selecting merchandise. As such, it is now important that we establish regional brands, so that individual agricultural products and products processed from them have merchandise value as brands and the various producing areas can raise their market competitiveness. This will serve to distinguish these brands from imported products as well as competitive products from other producing areas or countries, and ensure that they are purchased by consumers.

The basic rationale of establishing regional brands is thought to lie in using independent systems to raise awareness and confidence among consumers, by certifying brands of merchandise produced from natural, historical, cultural and uniquely rural resources, and imposing rigorous quality control. Around the country, there are various examples of efforts being made to establish regional brands by growing new products from unique local strains, maintaining quality through unique production methods and standards, and developing sales routes and markets.

In future, we will need to gain consumer confidence by establishing systems of certification and quality control, management methods and others for regional brands, and clarifying the responsibility of local producers towards the quality and value of agricultural products as well as products processed from them.

Fig-4. Establish to Regional Brand

Promoting strategic exports of agricultural products

In Asian countries, in particular, purchasing power has risen in line with economic growth in recent years, and high-class department stores and supermarkets aimed at higher bracket earners have been opening in major cities in each country. In China, where economic growth is particularly pronounced, the income levels of city dwellers have improved vastly. As such, there is potential for these markets to become export destinations for Japanese agricultural products, with their high quality and high level of

safety.

Given this situation, some commodities are steadily increasing in export volume. Exports of apples to Taiwan, for example, are increasing sharply in value following Taiwan's scrapping of import quotas accompanying its membership of WTO. In response to these developments, astute export-oriented initiatives are becoming more prominent in producing areas all over Japan, such as targeting higher bracket earners and the gift market.

While economic factors affect exports of agricultural products, legal systems and commercial practices also have a major influence. Since these entail many issues that are impossible to resolve by producing areas and exporting companies alone, it is imported that the private and public sectors join forces in tackling them.

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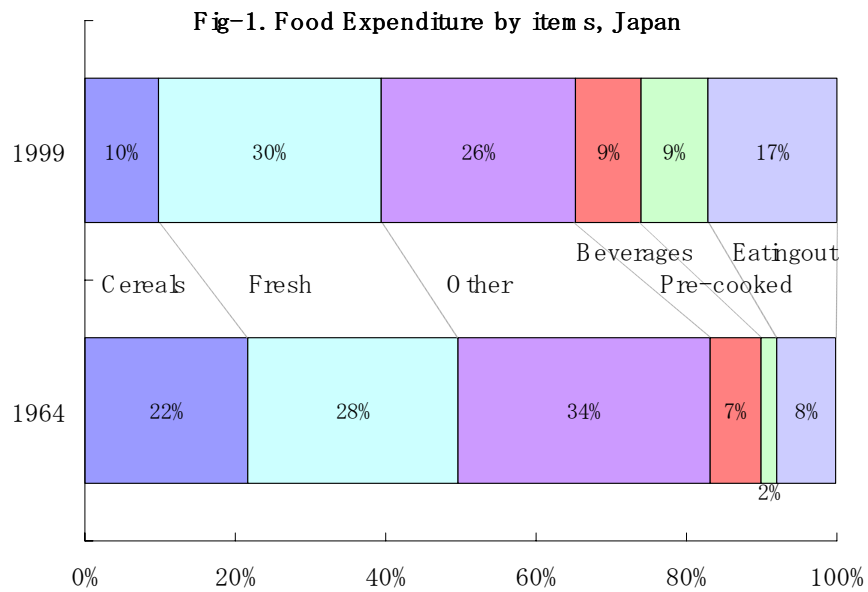
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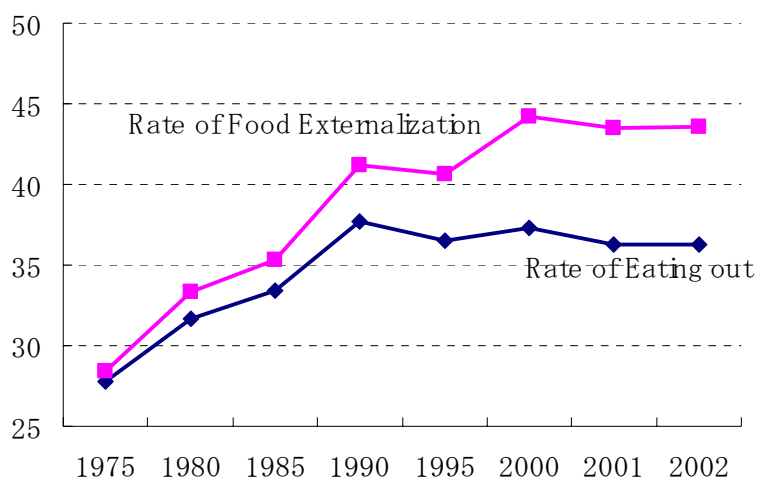


Tab-1. PFC share supplied calorie in countries (2001)

	PFC share (%)			Kcal/capita
	Proteins	Fats	Carbohydrates	
France	13.6	43.8	42.5	3,457
UK	12.5	40.0	47.5	3,185
USA	12.6	38.0	49.4	3,613
Japan	13.2	29.0	57.8	2,599
China	11.8	26.3	61.9	2,891
India	9.4	18.8	71.8	2,476
Thailand	9.4	18.7	71.9	2,354
Vietnam	9.7	14.3	76.0	2,515

Source: "Food Balance Sheet" MAFF, Japan

Fig-2. Trends in Food Externalization



Tab-2. Food Self-sufficiency rate based on calorie in countries

	1970	1980	1990	2000	2002
Australia	206	212	233	280	230
Canada	109	156	187	161	120
France	104	131	142	132	130
Germany	68	76	93	96	91
Italy	79	80	72	73	71
Netherlands	65	72	78	70	67
Spain	93	102	96	96	90
Sweden	81	94	113	89	87
Swiss	46	55	62	61	54
UK	46	65	75	74	74
USA	112	151	129	125	119
Japan	60	53	48	40	40

Source: "Food Balance Sheet" MAFF, Japan

Tab-3. Food Self-sufficiency rate on each item in countries

	Cereals	Roots	Pulses	Vege - tabes	Fruits	Meat	Eggs	Milk produ	Fish	Sugar	Oils Fats
Australia	198	97	164	100	101	168	100	223	44	567	143
Canada	120	136	129	58	16	134	95	100	90	4	118
France	186	110	87	89	74	106	99	115	40	225	70
Germany	111	137	10	43	41	97	80	104	21	144	69
Italy	84	74	29	133	109	80	100	71	28	87	50
Netherlands	25	112	0	239	23	193	187	142	65	135	18
Spain	78	53	12	154	140	109	107	88	55	87	73
Sweden	120	82	85	37	3	87	95	99	108	122	48
Swiss	59	73	23	39	79	84	50	108	2	52	26
UK	109	80	49	47	5	70	93	95	38	64	35
USA	119	96	146	96	83	108	102	98	77	79	116
Japan	28	84	7	83	44	53	96	69	47	34	13

Source: "Food Balance Sheet" MAFF, Japan

Tab-4. Main recent events relating to food safety in Japan

1999	Strong public concerns over a report on dioxin contents
2000	Large scale food poisoning caused by reconstituted low-fat milk product
2001	Occurrence of BSE
2002	Recall of imported frozen vegetables due to the residual pesticides; Use of unregistered agricultural chemicals
2003	Occurrence of BSE in the USA, ;
2004	Outbreaks of highly pathogenic avian influenza

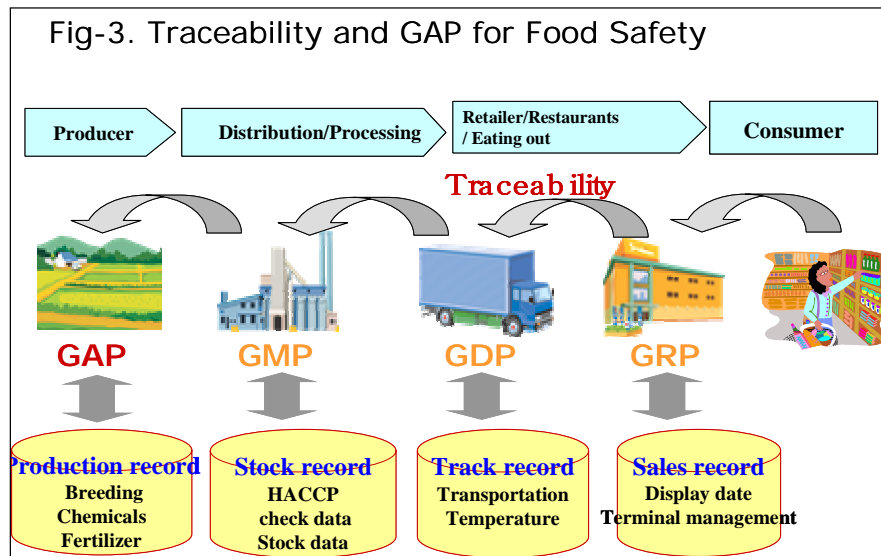


Fig-4. Processes in Establishing a Regional Brand

