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Date: 7/1/2013

GAIN Report Number: JA3050

Japan

Post: Tokyo ATO

Regional Report - HOKKAIDO

Report Categories:

Market Development Reports

Approved By:

Steve Shnitzler, Director

Prepared By:

Masayuki (Alex) Otsuka, Marketing Specialist

Report Highlights:

Hokkaido is the nation's largest agricultural producing region that boasts a food self-sufficiency ratio of 226 %, the highest in the country, and produces about a quarter of nation's agricultural products on a calorie basis. In 2008, the GDP of Hokkaido was 18.4 trillion Japanese yen (US\$183.2 billion), bigger than that of the Philippines (\$166.2 billion). Hokkaido is facing a decline in population and tourists. Therefore, the food industry in Hokkaido is locked in a fierce competition for survival. However, as a unique market mixture of both local food and imported food, the market in Hokkaido has potential for U.S. agricultural products.

This is one of a series of reports by ATO Japan to introduce potential exporters of U.S. agricultural products to regional markets in Japan. Please visit www.usdajapan.org to view other regional reports on Kyushu, Kansai, and Chugoku.

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Summary:

1. Opportunities and Constrains

Hokkaido has the below opportunities and constrains.

i) Opportunities:

- The Hokkaido market has a bigger GDP than The Philippines, Hungary or New Zealand
- People in Hokkaido tend to be Pro-U.S. due to development assistance received from the United States in the late 1800's.
- Hokkaido is a major tourist destination, hosting more than 4 million tourists a year including those from Japan, China, Australia, and Korea.

ii) Constraints:

- Hokkaido is the nation's largest agricultural producer and is food self-sufficient.
- Hokkaido has three major ports. However, there is only one liner shipment from Seattle to Tamakomai (south of the island center). Therefore, transportation costs are higher because as most imported food comes through Tokyo.
- As the biggest agricultural prefecture, there a number of small and medium size food

manufactures in Hokkaido that produce various processed foods including high-value food for gift sweets. Therefore, many of these suppliers could be considered competition to U.S. exporters.

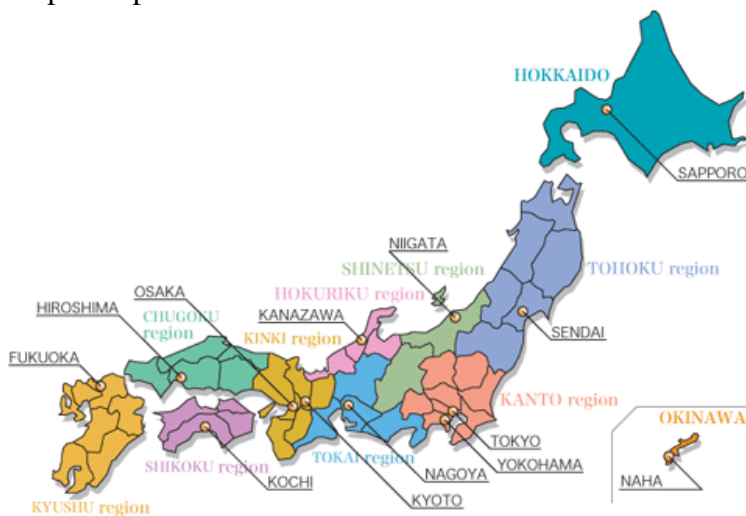
2. Overview

i) Geopolitics

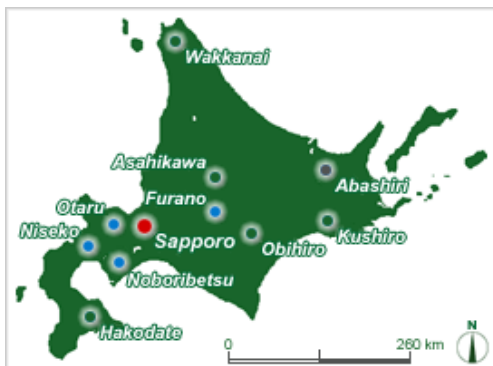
Hokkaido is the northernmost island of the Japanese archipelago. The latitude of Hokkaido center, around 44 degrees north, is about the same as that of Chicago and Boston in the United States, and comprises about 22% of the total land area of the country. Hokkaido has about 5.5 million residents, or about 4.4 % of Japan’s population, ranked the eighth in population among 47 prefectures.

Key crops include rice, potatoes, and dairy farming. The prefecture is a rich agricultural area that boasts a food self-sufficiency ratio of 226 %, the highest in the country, and produces about a quarter of nation’s agricultural products on a calorie basis.

Map of Japan:



Sapporo is the biggest city with about 35 percent of Hokkaido’s population, a total of 1.9 million. The second biggest city is Asahikawa, with a population of 360,000, located in the center of the island. The third biggest city is Hakodate with about a population of 300,000, located in southern part of Hokkaido.



Map of Hokkaido:

ii) Market Size

In 2008, the GDP of Hokkaido was 18.4 trillion Japanese yen (US\$183.2 billion), bigger than the Philippines (\$166.2 bl.), Hungary (\$156.3 bl.) and New Zealand (\$131.4 bl.), and slightly smaller than Portugal (\$252.8 bl.), and Malaysia (\$222 bl.).

iii) Historical Relationships with the U.S.

Hokkaido has had a close relationship with the United States since its pioneer days. In 1871, Horace Capron, a former USDA Secretary, spent four years in Hokkaido, suggesting numerous ways that the frontier island could be developed. He introduced large-scale farming with American methods and farming implements, imported seeds for western fruits, vegetables and crops, and introduced livestock. He established experimental farms, had the land surveyed for mineral deposits and farming opportunities, and recommended water, mill, and road improvements. His recommendation that wheat and rye be planted in Hokkaido due to similarities in climate with parts of the United States also led to the establishment of Sapporo Beer, one of Japan's first breweries.

William Smith Clark was also an important agricultural advisor to Sapporo after Capron left Hokkaido. Clark served as the head of the Massachusetts Agricultural College (now UMass/Amherst). In 1876, the Japanese government hired Clark as a foreign advisor to establish the Sapporo Agricultural College (SAC), now Hokkaido University. During his eight months in Sapporo, Clark successfully organized SAC, had a significant impact on the scientific and economic development of the island of Hokkaido, and made a lasting imprint on Japanese culture. Clark's visage overlooks Sapporo from several statues and his parting words to his Japanese students, "Boys, be ambitious!" have become a nationally known motto in Japan

iv) Sister City Agreements

More than 20 cities in Hokkaido have sister city agreements or relationships with U.S. municipalities as mentioned below.

U.S.	Japan
State of Massachusetts	Hokkaido (prefecture)
Portland, Oregon	Sapporo city
Bloomington-Normal, Illinois	Aasahikawa city
Knoxville, Tennessee	Muroran city
Seward, Alaska	Obihiro city
Elizabeth, New Jersey	Kitami city
Pocatello, Idaho	Iwamizawa city
Gresham, Oregon	Ebetsu city
New Port, Oregon	Monbetsu city
Fairbanks, Alaska	Monbetsu city
Sitka, Alaska	Nemuro city
Anchorage, Alaska	Chitose city
Springfield, Massachusetts	Takigawa city
Port Lions, Alaska	Fukushima town
Hanford, California	Sedana town
Seaside, Oregon	Shakotan town
Canby, Oregon	Kurizawa town
Aspen, Colorado	Shimukappu village
Homer, Alaska	Teshio town
Parma, Alaska	Saroma town

Lexington, Kentucky	Sizunai town
Tracy, California	Memuro town

3. Agriculture

Hokkaido contains a total 1.1 million hectares of cultivated land, accounting for 25.2 percent of total farmland in Japan. Average cultivated acreage per farmer in Hokkaido is 21.4 hectares, more than 15 times larger than nationwide average of 1.4 hectares. While the average full-time to part time farmer ratio in Japan is about 27 percent, in Hokkaido, the ratio is about 62 percent, the highest in Japan. The majority of farmers in Hokkaido are large-scale and full-time homesteads which produce a total of 12 percent of domestic agricultural products by value and 22 percent by calorie basis.

Hokkaido produces a number of agricultural products; such as rice, wheat, soy beans, potatoes, sugar beets, sweet corn, buckwheat, salmon, scallops, and milk. Hokkaido boasts the largest production of all these products in Japan.

Agricultural Facts about Hokkaido:

Description	Unit	Hokkaido	National Total	Hokkaido's Share %
Total Cultivated Acreage	1000 hectares	1,156	4,593	25.2
Average acreage per farm	hectare	21.4	1.4*	15.3**
Total Number of Farms	1000	44	1,631	2.7
Full-time farmers		27	451	6.0
Part-time farmers		17	1,180	1.4
Number of Farmers	1000	111	2,605	4.3
Agricultural Production	JPY billion	1,011.1	8,262.5	12.2
Cultivated		488.2	5,625.4	8.7
Livestock		522.9	2,637.1	19.8
Average Income per Farm	JPY thousand	5,858	904*	6.5**
Total Supply Calorie Base	Kcal/day/head	226.0	1,012.0	22.3

* Average except Hokkaido

** Difference: Hokkaido/other prefectures

Source: Hokkaido Agricultural Policy Planning Department

4. Food Manufacture

As the largest agricultural prefecture, there are number of small and middle sized food manufactures in Hokkaido that produce various processed foods including cut vegetables and processed meat for food service industry and high-value food for gifts, including sweets.

Meantime, food manufactures in Hokkaido use considerable amount of imported food products for filling their off-season. For instance, cut vegetable manufacturers for the food service industry use both domestic and imported onions for cooked vegetables and/or cut salads in bags. They utilize imported fresh onions during off-harvest-season for year round supply. Seafood processors also use local fish during season but import to fill gaps.

5. Unique Food Habits

i) Food Habits - Mutton

In contrast to consumers in the mainland and other part of Japan, Hokkaido consumers have several unique food habits. Mutton consumption in Hokkaido is the largest in Japan, and Hokkaido consumers regularly eat mutton and lamb throughout the year. The total annual consumption of sheep meat is about 20,000 tons, almost of all of the nation's total consumption. This means annual per capita consumption of sheep meat in Japan is around 0.17 kilograms, or 0.37 pounds, per person. The amount of domestic mutton production is around several hundred tons annually. (Self-sufficiency of about 3.5 percent) Most imported mutton comes from Australia, New Zealand and Iceland.

Japan Import Statistic: Mutton – Meat of Sheep

Year Ending: December (previous year) – November						
Partner Country	2010		2011		2012	
	USD	Quantity	USD	Quantity	USD	Quantity
World	79,909,066	11,855	100,897,669	12,562	84,483,487	10,694
Australia	51,959,981	6,422	61,421,048	6,574	58,040,543	6,927
New Zealand	26,735,468	5,287	38,953,696	5,936	25,989,562	3,733
Iceland	1,015,918	137	387,056	47	299,926	27
Hungary	197,700	9	135,869	6	153,455	6

Unit in quantity: Metric Ton

Source of Data: Japan Customs

ii) Food Habits – Dairy Products and Butter

Butter consumption in Hokkaido is also the highest in Japan at 705 grams, or 1.55 pounds, per capita per year in contrast with a nation's average of 483 grams, or 1.07 pounds, per capita per year. For comparison, the second biggest prefecture in butter consumption is Nara (in Western Japan) which consumes a total of 674 grams (1.48 pounds) per capita, 30 grams, or 5 percent, smaller than in Hokkaido.

Hokkaido produces 90 percent of the raw milk for butter production in Japan. In 2011, the nuclear accident in Fukusima prefecture created nationwide milk shortage as many dairies located in the Northeastern part of Honshu were shut down due to radioactivity concerns. As a result, Hokkaido diverted fresh milk production for processing to drinking milk in order to satisfy demand in other prefectures, and milk shipments out of Hokkaido increased by 15 percent in 2012 from the previous year. By contrast, butter production plunged, leading to an expansion of industrial butter imports.

Due to the decreased production and Japan's tariff rate quota system on butter, prices have been high, even though a total butter import to Japan has jumped up 3.8 times from 2010 to 2012. Industrial butter

export from the U.S. to Japan also increased 4.7 times in the same period.

Japan Import Statistics: Butter – HS Code 040510

Japan Butter Import Statistics								
Commodity: 040510, Butter								
Year Ending: December (Previous year) – November								
Partner Country	2010		2011		2012			Dfr.
	USD	Qty.	USD	Qty.	USD	Qty.	Share %	%
World	9,522,639	1,994	77,948,938	14,044	33,639,566	9,597	100.0	381.3
New Zealand	1,793,302	457	25,011,252	4,974	15,280,955	4,751	45.4	939.6
Netherlands	3,772,036	860	12,469,911	2,037	6,496,152	1,814	19.3	110.9
Australia	1,171,212	247	4,977,540	952	6,339,053	1,845	18.8	647.0
United States	754,538	173	27,743,082	5,014	3,561,072	989	10.6	471.7
France	1,486,119	136	3,213,036	358	1,716,937	143	5.1	5.1
Germany	473,439	111	4,484,851	702	165,896	45	0.5	-59.5
Denmark	19,473	3	34,921	5	40,574	6	0.1	100.0

Qty.: Quantity = Metric Ton

Dfr.: Difference = In quantity, 2012/2010, %

Source of Data: Japan Customs

In addition to butter, consumers in Hokkaido eat more cheese, fruit preserves, and jams than in other regions. Hokkaido has greater influence from the development done by the U.S. advisors in the late 1800's than the rest of Japan, and Hokkaido tends to have more westernized food habits than people in other prefectures. Seafood products also are popular food in Hokkaido, especially local salmon and crab. According to comments from a salmon processor in Hokkaido, Hokkaido people consume and process more salmon than they catch. Per capita consumption of the all seafood in Hokkaido is also the highest in the nation.

6. Retail Industry

i) Retail – Supermarkets

The pioneer spirit of Hokkaido has fostered tenacious regional retailers.

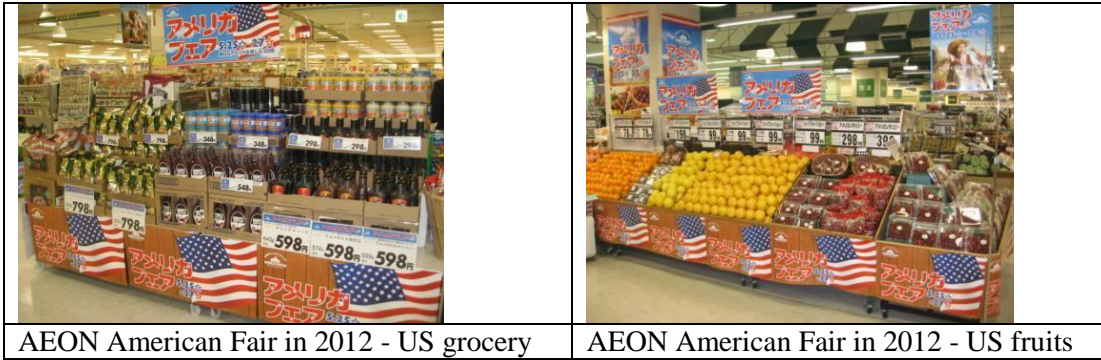
In 2012, total revenue of the top 50 food supermarkets in Hokkaido was 1.93 trillion Japanese Yen

(US\$21.5 billion), increasing by 1.3 percent from 2011. Similarly to rest of Japan, Hokkaido is facing a decline in population and number of tourists. Therefore, food retailers in Hokkaido are locked in fierce competition for survival. As a result there has been consolidation between companies to achieve economies of scale. This has widened the gap between Large-scale retailers and small and medium sized retailers.

Ranking: Supermarkets in Hokkaido 2011/12

Rank	Group/Company Name	Company/Store Name	# of Outlet	Revenue '11 JPY million	Revenue '11 US\$ million
1	ARKS Group	Group Total	202	300,862	3,539.6
		Ralse	62	118,174	1,390.3
		Toko Store	28	46,370	545.5
		Fukuhara	47	45,785	538.6
		Fuji	24	30,928	363.9
		Donan Ralse	16	21,475	252.6
		Dohoku Ralse	12	17,407	204.8
		Doto Ralse	13	16,060	188.9
		Shinohara Shoten	3	4,663	54.9
2	Coop Sapporo	Group Total	127	275,654	3,243.0
		Coop-Sapporo	107	261,860	3,080.7
		Uocho	20	13,794	162.3
3	AEON Group	Group Total	108	248,012	2,917.8
		AEON Hokkaido	34	167,273	1,967.9
		MaxValue Hokkaido	74	80,739	949.9
4	Hokuren Shoji	Hokuren Shop	71	63,307	744.8
5	Hokuyu Lucky	"Lucky"	34	44,568	524.3
6	Dai-ichi	Dai-ichi	20	27,888	328.1
7	Hogetsu	"Food D" and other	13	19,896	234.1
8	JR Fresh Retails	"JR Seisen Ichiba"	8	16,000	188.2
9	Ringo House Gr	Oroshiuri-super	8	11,500	135.3
10	Ichimaru	Ichimaru	14	10,314	121.3

Hokkaido based retailers dominate the region, including number one ARKS Group, and the second biggest chain retailer, Coop Sapporo. AEON, Japan's largest retailer is the only national retailer ranked in top 10 supermarkets in Hokkaido, and is the 3rd largest retailer in the region.



AEON American Fair in 2012 - US grocery

AEON American Fair in 2012 - US fruits

ii) Retail – Convenience Stores

Hokkaido is known as the battlefield for convenience store (CVS) chains due to number of remote towns and the importance of those chains to local people. Hokkaido has the biggest number of CVS per capita in the country. In 2011, there were 45.7 CVS stores per 100,000 people in Hokkaido which ranked the region as the top in the nation, with the second being Tokyo with 42.4 stores per 100,000. The below chart shows the distribution of CVS chain stores in Hokkaido and Japan.

The largest convenience store chain in the region, SeicoMart with 1,160 outlets, is also a Hokkaido specific company.

Number of outlets in Hokkaido – Major Convenience Store Chains:

Company Name	Total # of Outlet		# of outlet per a population of 1000,000	
	Hokkaido	Total in Japan	In Hokkaido	In Tokyo Metropolitan
Seico Mart	1,051	1,157	19.16	0
Seven-Eleven	878	14,807	16.00	14.85
Lawson	579	11,151	10.55	11.78
Circle K Sankus	191	6,316	3.48	4.65
Family Mart`	55	9,182	1.00	12.61



The biggest convenience store chain in Hokkaido, “Seico-mart”



The biggest supermarket chain in Hokkaido, Ralse’s newest outlet “ARCS”

7. Hotel, Restaurant and Institution (HRI) Industry

i) Food Service – Western Style Hotel

Tourism in Hokkaido is one of the most important industries. Compared with other tourist areas in Japan, Hokkaido has more western style hotels than Japanese style hotels. Generally, western style

hotels in Hokkaido have more rooms and restaurants than Japanese style hotels. These western style hotels are located in Sapporo city center, Hakodate city center and various resort areas in Hokkaido.

Total number of hotels and rooms in Hokkaido:

Western Style Hotel		Japanese Style – Ryokan	
# Hotels	# rooms	# Hotels	# rooms
677	63,177	2,715	51,500

Western style hotels usually boast up-scale restaurants, and occasionally offer seasonal menu fairs to both hotel guests and local consumer.

<p>A party plan featuring U.S. beef and pork menus at the KKR Hotel Sapporo</p>	<p>American menu fair featuring lemonade using California lemon, at Hotel Okura Sapporo</p>

ii) Food Service – Chain Restaurant

As a popular tourism destination, food service and restaurant business in Hokkaido are very important industries for the region. Tourists destined for Hokkaido have a usually imagine eating regional foods that include crabs, fresh seafood, lamb, beer, and a variety of sweets. In response, Hokkaido has variety of eating places that feature its own unique food habits to both tourists and residents. Almost all of the major chain restaurants in Hokkaido are Japanese-style (Washoku) restaurants and/or pub dining restaurants (Izakaya) that feature fresh seafood and locally grown agricultural products.

Even though these Japanese –style restaurants mainly serve domestically grown food, they utilize various imported foods from the U.S., such as frozen french fries, canned corn, seafood, vegetables/fruits, and meats.

There are two noteworthy major chain restaurants in Hokkaido. Aleph Company is the region’s biggest restaurant chain operating Bikkuri Donkey, a family style restaurant chain with about 330 outlets throughout the country. Dokyu Co., Ltd. is one of the region’s largest institutional meal service companies, and also operates a Tonkatsu (pork cutlet) restaurant chain featuring 100 % U.S. pork.



A typical set meal with hamburger (meatloaf), "Berg Dish," of Bikkuri Donkey, operated by Aleph Company



A typical Japanese dish, Tonkatsu (pork cutlet) of restaurant name "Tamafuji" of Dokyu company, featuring 100% U.S. pork

8. Conclusion

As is true throughout Japan, Hokkaido is facing a decline in population. Therefore, the food industry in Hokkaido is also locked in fierce competition for survival. However, as a unique market that mixes both local food and imported food, Hokkaido still presents itself as a good potential market for U.S. agricultural products.

Local supermarket companies and hotels/restaurants in Hokkaido continue to be partners for U.S. food products. Relationship building is the key element to develop this market.

To ensure that U.S. food exporters have access to the market information, assistance and expertise available to successfully enter new and expand in this prospective market in support of the company business objectives, ATO Japan works together with the U.S. Consulate in Sapporo. Sapporo Consulate has a trade representative in the Department of State who can support on-site marketing activities.



Counsel-General, John Lease, in Hokkaido, participated in one of American Food Fairs in Hokkaido,

introducing new arrival of U.S. food products through a local TV program

9. Point of Contact

i) Post Contacts

Agricultural Trade Office (ATO) Japan, Foreign Agricultural Service, USDA

In Tokyo:

ATO Tokyo

1-10-5 Akasaka

Minato-ku, Tokyo 107-8420

email: ATOTokyo@fas.usda.gov

Tel: 81 (3*) 3224-5115

Fax: 81 (3*) 3582-6429

In Osaka-Kobe:

ATO Osaka

American Consulate General

11-5, Nishitenma 2-chome

Kita-ku, Osaka 530-8543

email: ATOOsaka@fas.usda.gov

Tel: 81 (6*) 6315-5904

Fax: 81 (6*) 6315-5906

**Please add a zero before this number if dialing from within Japan.*

The following homepages and reports can provide useful information to interested exporters.

ii) Agricultural Trade Office's homepages

<http://www.usdajapan.org/> (FAS Japan, English)

<http://www.us-ato.jp/> (ATO Japan, B2B web site, English & Japanese)

<http://www.myfood.jp/> (ATO Tokyo, Japanese)

iii) Local Government

International Division of Hokkaido Government

General information about Hokkaido in English

<http://www.pref.hokkaido.lg.jp/ss/tsk/en.htm>