

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

The Kyushu region lies in the far southwest of Japan with a population totaling 13.2 million and a regional GDP recording well over \$500 billion, greater than that of Indonesia and Switzerland. The region presents an attractive market for U.S. food exporters that has rarely been tapped. ATO Osaka is actively promoting U.S. agricultural products in the western part of Japan and would like to invite U.S. companies to explore their business opportunities in the region.

General Information:

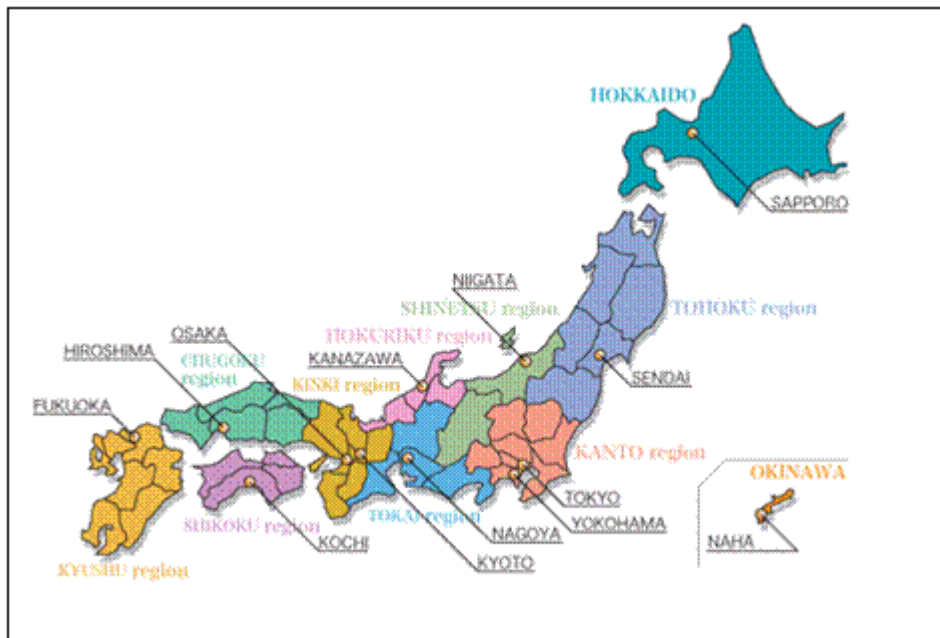
I. Kyushu Region

1. Regional Overview

Kyushu is located in the southwest of Japan. The population of the region amounts to 13.2 million, which accounts for 10.3% of the total population of Japan. In 2008, its GDP totaled \$501.8 billion, representing 8.8% of the national figure, which is comparable to the size of economies such as Indonesia (18th in the world) and Switzerland (19th)*. The region consists of 7 prefectures: Fukuoka, Oita, Saga, Nagasaki, Kumamoto, Miyazaki, and Kagoshima.

*sources: World Bank

- Map of Japan



As Kyushu is located in the far southern part of Japan and close to the other Asian countries, it has been historically playing an important role in the exchange with these countries. Its proximity to Asia has been affecting the development of the region. It has a unique food culture characterized with local cuisine.

Table 1 Regional Comparison

	Nominal GDP (\$ million)		Population (thousand)		Food wholesale (\$ million)		Food Retail Sale (\$ million)	
Hokkaido/Tohoku	673,888	11.8%	17,270	13.5%	53,961	11.68%	67,316	14.53%
Kanto (inc Tokyo)	2,258,827	39.4%	45,090	35.4%	191,196	41.38%	163,786	35.35%

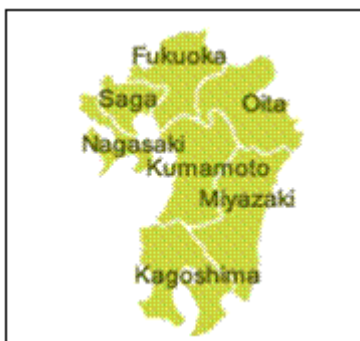
Chubu (Nagoya)	875,053	15.3%	18,240	14.3%	58,251	12.61%	63,881	13.79%
Kansai (Osaka/Kobe)	904,779	15.8%	20,810	16.3%	75,711	16.39%	74,208	16.02%
Chugoku	327,255	5.7%	7,560	5.9%	23,695	5.13%	27,195	5.87%
Shikoku	149,408	2.6%	4,000	3.1%	11,438	2.48%	14,204	3.07%
Kyushu	501,775	8.8%	13,170	10.3%	43,773	9.47%	47,717	10.30%
Okinawa	41,972	0.7%	1,380	1.1%	3,977	0.9%	5,006	1.1%
Japan Total	5,732,958	100%	127,520	100%	462,001	100%	463,314	100%

Source: Cabinet Office, government of Japan

Note: GDP: 2008, Population: 2009, Food wholesales: 2007, Food Retail Sales: 2007

The exchange rate of \$1=88.09 yen, the average exchange rate in 2010 is used as the conversion rate in this report.

2. Regional center: Fukuoka



Fukuoka is the commercial and economic center of the Kyushu region with roughly 40% of the regional population and GDP concentrated in the prefecture. The presence of Fukuoka as the commercial center of the region is also shown by its food wholesale amount, which stands out with \$26.8 billion and represents 61.3% of the total regional wholesales amount.

Table 2. Prefectures in Kyushu

	Nominal GDP (\$ million)		Population (thousand)		Food wholesale (\$ million)		Food Retail Sale (\$ million)	
Fukuoka	204,563	40.77%	5,050	38.34%	26,828	61.29%	19,159	40.15%
Oita	50,771	10.12%	1,190	9.04%	2,046	4.67%	4,279	8.97%
Saga	33,192	6.61%	850	6.45%	1,490	3.40%	2,920	6.12%
Nagasaki	48,938	9.75%	1,430	10.86%	2,661	6.08%	4,946	10.37%
Kumamoto	63,627	12.68%	1,810	13.74%	3,763	8.60%	6,022	12.62%
Miyazaki	40,308	8.03%	1,130	8.58%	2,255	5.15%	4,072	8.53%
Kagoshima	60,376	12.03%	1,710	12.98%	4,729	10.80%	6,320	13.24%
Kyushu region Total	501,775	100%	13,170	100%	43,773	100%	47,717	100%

Source: Cabinet Office, government of Japan

Note: GDP: 2008, Population: 2009, Food wholesales: 2007, Food Retail Sales: 2007

3. Kyushu market

1) Local orientation

Consumers in Kyushu are, in general, locally-oriented and show strong interest in the idea of “local production for local consumption.” This local orientation is, in particular, intensified by the fact that Kyushu is a major agricultural producing area. A variety of fresh fruits and vegetables are harvested in Kyushu and shipped out to major consumption areas such as Osaka. Kyushu produced 16.8% of the national agricultural product in 2009.

Down in the south of Kyushu, Miyazaki and Kagoshima prefectures thrive with livestock farming and produce high quality beef and pork. The regional livestock production totaled 24.7% of the national production in the same year. Surrounded by the sea, the region is also dependent on fishing, producing 13.1% of the national fish catch. As locally grown fresh foods are available with low prices, consumers in Kyushu are quite demanding both in quality and price.

2) Imported produce and products

However, consumers in the region are willing to accept imported products and produce as well, when they are not available from local or domestic production. Bananas, pineapples, and grapefruits are among them. U.S. grapefruits in particular have recorded a remarkable increase in sales, in the last few years, according to local importers. It is widely known that grapefruit consumption in the region is significantly lower than other regions in Japan. However, by changing its shipping and delivery route, local importers succeeded in providing fresh delicious grapefruits to the southern part of Kyushu, where fresh grapefruit had not been available.

Consumers in Kyushu also respond quite positively to imported products which they find suit their palate, even when there are domestic substitutes available. A case in point is U.S. celery. According to industry sources in Kyushu, U.S. celery, which is distinguishable with their long stems from domestic celery, recorded a double digit increase in sales due to affordable prices and free sample promotions at stores in which pickled celery were offered.

With a bit of promotional effort, imported products are finding a way to overcome the region’s local and domestic orientation.

4. Kyushu economy prospects

Kyushu’s economy is picking up. With the recent opening of Kyushu Shinkansen (High speed bullet train) and the renovation of the commercial facilities connected to Shinkansen station (Hakata sta.), the number of travelers to and within the region is going up, bringing significant benefits to the local economy. Tourism is up and the regional distribution network has been significantly renovated. The food industry is definitely among those benefited by these projects.

New projects in Fukuoka:

1) Opening of Kyushu Shinkansen

The Kagoshima route of the Kyushu Shinkansen, super-express train (257 km) opened on March 12 2011. The completion of the route connects Hakata, the main north city of the region and Kagoshima, the south main city of the region, with one hour and 19 minutes, thus enabling the direct trip from Osaka to Kagoshima with 3

hours and 45 minutes.

The opening of the Kyushu Shinkansen is expected to stimulate the regional economy with an increase in travelers to and within the region. So far, it is reported that the users of the railroad went up by 38% in its first six-month operation from a year ago, slightly lower than the railroad company’s expectation of 40%. In the first four months, the number of the users was low due to the aftermath of the March 11th Great Earthquake in Tohoku. However, the numbers started to pick up in July and it is currently expected to attain the target of 40% increase in the first year of the operation.

2) Commercial developments in Fukuoka

Hankyu Department store, one of the major prestigious department stores in Japan, opened a store in Fukuoka as the main tenant of “JR Hakata City,” a commercial building connected to the Hakata Station, which was newly renovated to coincide with the opening of Kyushu Shinkansen. It is the first store that Hankyu opened in Kyushu. It is reported that the response from customers are quite positive with 30.8 million visitors and \$227 million in sales in the first six-months of operation, which was 8 % higher than the company’s target. To vie with JR Hakata City, other commercial developments in Fukuoka are striving to attract more customers to the city with the opening of new stores, and the introduction of new services.

II Food Market in Kyushu

With the region’s economy equivalent to the size of countries such as Indonesia or Switzerland, the region by itself is a large attractive market. The region’s retail food market amounted to \$47.7 billion in 2007. Although the competition seems to be tough, the sheer scale of the market indicates that it is worth exploring.

1. Major supermarkets in Kyushu

The retail food market in Kyushu is consisted of well over 2,000 food supermarket stores, around 200 general supermarket stores, over 4,500 convenience stores, over 20,000 food specialty stores and about 20 department stores.

Among them, supermarket chains, both regional and national, are definitely the key player. Main supermarket chains, along with key department stores and others, are described below.

Table3 National and regional supermarket chains in Kyushu

Name	No. of Stores in Kyushu	Prefectures	Annual Sales (\$million)	Note
Regional chain				
Sunlive, Marushoku	128	Region wide	2,729.0	Regional supermarket chain, operating in the Chugoku region and Kyushu. They run a total of 153 stores in these regions.

				http://www.sunlive.co.jp/
Taiyo	92	Kagoshima, Miyazaki	1,448.5	Regional supermarket chain, operating mainly in the southern part of Kyushu. http://www.taiyonet.com/company/index.html
Marukyo	93	Fukuoka, Saga, Nagasaki	1,019.4	Regional supermarket chain, operating mainly in Fukuoka. It targets low-end customers. http://www.marukyo-web.co.jp
HalloDay	40	Fukuoka	700.4	A regional supermarket chain targeting medium class. With its unique concept of "Amusement Food Hole", it attracts customers to its stores. Its subsidiary, "Bon Repas" targets upper-end customers with a special selection of food items. http://www.halloday.co.jp/ http://www.bonrepas.co.jp/
Izumi	21	Region wide	-	Supermarket chain based in Hiroshima with 87 stores operating in the western part of Japan. http://www.izumi.co.jp
<i>National chain or part of national chain</i>				
MaxValu Kyushu (AEON Group)	111	Region wide	1,331.6	It is part of AEON Group, the largest supermarket chain in Japan. MaxValu operates over 100 stores in Kyushu. http://www.mv-kyushu.co.jp/
Seiyu Group (Sunny/Seiyu)	78	Mainly Fukuoka, Kumamoto	-	Sunny used to be an independent supermarket chain but was absorbed by Seiyu Group. It retains its original store brand "Sunny" but it is part of Seiyu Group, which is owned by WallMart. http://www.seiyu.co.jp/
AEON Kyushu	49	Region wide	-	It is part of the AEON group, the largest supermarket chain in Japan, and operates about 50 stores in Kyushu. http://www.aeon-kyushu.info/index.html
Daiei	41	Region wide but mostly in Fukuoka	-	A national supermarket chain based in Tokyo with 211 stores operating nationwide. http://www.daiei.co.jp/index.php

Sources: Companies' websites

2. Department stores

Iwataya (<http://www.i.iwataya-mitsukoshi.co.jp/index.html>)

It is a major regional department store in Fukuoka. It is under Mitsukoshi-Isetan Group, one of the major department stores in Japan. Although it is not well known in the other regions in Japan, it holds high status as

the prestigious store in Fukuoka. Its food floor, especially fruits section run by Nangoku Fruits Co., is well known with its high quality produce.

3. Food wholesaler

Yamae Hisano Co., Ltd. (<http://www.yamaehisano.co.jp/index.html>)

It is the 10th largest food wholesaler in Japan with its sales amounting to \$3.13 billion in 2010. It is based in Fukuoka and it has a strong distribution network in convenience stores as well as food service sectors (hotels, restaurants, and institutions) in Kyushu.

4. Home Meal Replacement Sector (HMR)

Plenus Co., Ltd. (<http://www.plenus.co.jp/index.php>)

It is the largest company in the home meal replacement sector in Japan. Its sales recorded \$1.78 billion with well over 2700 stores nationwide.

III. Post Contact and Further Information

1. ATO Osaka as a gateway to Western Japan

ATO Osaka, located in Osaka city is actively promoting U.S. agricultural products in the western part of Japan. Along with ATO Tokyo, it offers a series of services to assist U.S. food companies who are interested in exporting their products into the country.

ATO provides relevant information on the Japanese food market and facilitates U.S. companies to find business partners in Japan. For this purpose, ATO runs a bilingual business website (www.us-ato.jp) targeting both U.S. traders as well as their Japanese counterparts. It also reaches out consumers with another website tailored for general public (www.myfood.jp). In addition, under the newly developed "Trade Lead System" which connects all the 50 states in the U.S. on line, ATO Osaka is actively approaching food companies in western Japan in order to seek trade leads and present business chances to U.S. food exporters.

ATO Osaka serves as a gateway to Kyushu for U.S. exporters and would like to invite U.S. companies to explore their opportunities in the region.

Please contact us at:

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2. USDA'S Global Agriculture Information Network (GAIN) Reports

- Japan Retail Food Sector 2008
(<http://www.fas.usda.gov/gainfiles/200811/146306425.pdf>)
- Japan HRI Food Service Sector 2009
(<http://www.fas.usda.gov/gainfiles/200903/146327420.pdf>)
- Japan Food Processing Ingredients Sector 2010
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients_Tokyo%20ATO_Japan_11-19-2010.pdf
- Japan Exporters Guide 2010
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Tokyo%20ATO_Japan_12-21-2010.pdf
- Regional Report – Kansai 2010
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Regional%20Report%20-%20Kansai_Osaka%20ATO_Japan_6-23-2010.pdf
- Regional Report – Hiroshima-Chugoku Retail market 2011
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Regional%20Report%20-%20Hiroshima-Chugoku%20Retail%20Market_Osaka%20ATO_Japan_4-18-2011.pdf
- Other USDA'S Global Agriculture Information Network (GAIN) reports are available at
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