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Pet Food Market in Japan

Report Categories:
Market Development Reports

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Report Highlights:

After years of declining sales, the Japanese pet food market grew by 1.7% by volume in FY2013 to 655,082 metric tons (MT), valued at $2.18 billion. While pet ownership in general is shrinking, the Japanese pet food market is highly competitive, and so pet food products with distinguishing functions have a better chance of being accepted.

I. Executive Summary

- The number of dogs and cats kept as pets in Japan was 20.3 million in 2014, 1.5% down from the previous year. While the number of dogs was 10.3 million, down 4.8%, the number of cats was 1.0 million, up 2.2%.

- The Japanese pet food market recorded sales of 655,082 metric tons (MT) in FY2013, up 1.7% up from the previous year and valued at $2.18 billion, which is 2.0% more than the previous year.

- Pet food imports to Japan reached 342,340 MT in FY2013, accounting for 52.3% of the total pet food market in Japan. The main suppliers were Thailand, the United States, and Australia.

- The most common distribution channel for pet food products in Japan is through wholesalers specialized in food or pet products. The main outlets are home centers, supermarkets, drug stores, and pet shops. While home centers are losing their share, pet shops are gaining.

- The new Pet Food Safety Legislation, which went into force in June 2009, defines the responsibility of importers/wholesalers/retailers, the scope of the government authority, and regulates the distribution of pet food in the Japanese market.

Note:

- This report focuses on pet foods for dogs and cats sold at retail outlets (HS numbers 2309.10).
- US$1=Y122.95, the exchange rate in Dec.13 – 19, 2015, is used in this report unless otherwise mentioned.
- Note: The Japanese fiscal year starts in April and ends in March, so FY2013 runs from April 2013 to March 2014.

II. Market Overview

A. Pet Ownership

According to the latest survey conducted by Japan Pet Food Association (JPFA), the number of dogs and cats kept as pets was 20.3 million in 2014. The number of dogs is going down, while the number of cats is slowly rising. Because the decline in the dog population is bigger than the increase in the cat population, the overall number of pets in Japan is declining.

Table1. Number of Dogs and Cats Kept as Pets from 2011 to 2014

(Unit: thousand)

	2011	2012	2013	2014
Dogs	11,936	11,534	10,872	10,346
Cats	9,606	9,748	9,743	9,959
Total	21,542	21,282	20,615	20,305

Source: Japan Pet Food Association

The number of pets owned in Japan increased until 2008, due to a "pet boom" that was caused by the trendiness of certain dog breeds. It was also supported by the declining birthrate and aging population, which led to an increase in single-person households. Single urbanites, especially women, often keep pets as companions and the estimated eight million baby boomers, who were reaching retirement age, kept pets as companions after their grown children left the home.

The economic downward trend which started in 2009, in part, adversely affected the pet boom and led to the decline in the number of pets since then.

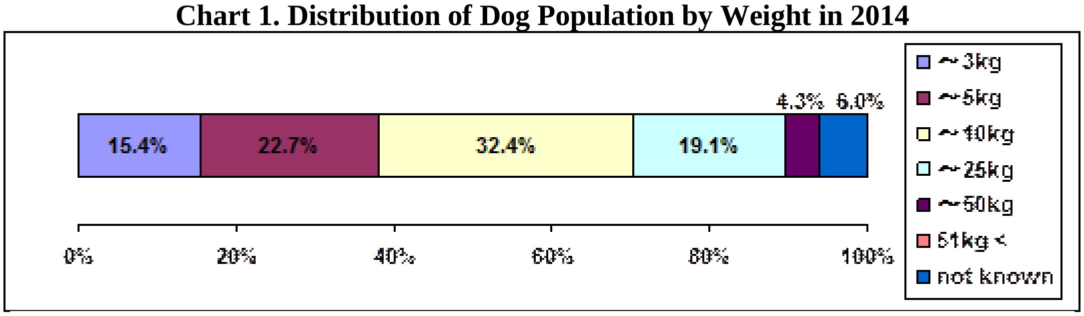
B. Pet Trends in Japan

The JPFA survey also identifies the following major pet trends in Japan.

1. Popularity of Small Dogs

Small dogs have been gaining popularity in Japan. Dogs weighing 10 kg or less account for 70.5% of the total dog population in 2014, up from 58.3% in 2003 and 68.3% in 2009. Ultra-small dogs weighing 3kg or less were 15.4% of the total populations and small dogs between 3 kg and 5kg were 22.7% in 2014.

Chart 1. Distribution of Dog Population by Weight in 2014



Source: Japan Pet Food Association

2. Advanced Aging among Pets

Dogs over 7 years old accounted for 55.1% of the total dog population in 2014, up from 45.8% in 2009.

Cats over 7 years old accounted for 44.6% of the total cat populations in 2014, up from 37.8% in 2009. Dogs and cats over 10 years old were 36.7 % and 31.5% in 2014, up from 23.0% and 25.1% in 2009 respectively.
Due to the wide availability of well-balanced pet foods as well as advanced pet medical care, pets are living longer than they used to.

Chart 2. Distribution of Dog Population by Age in 2014

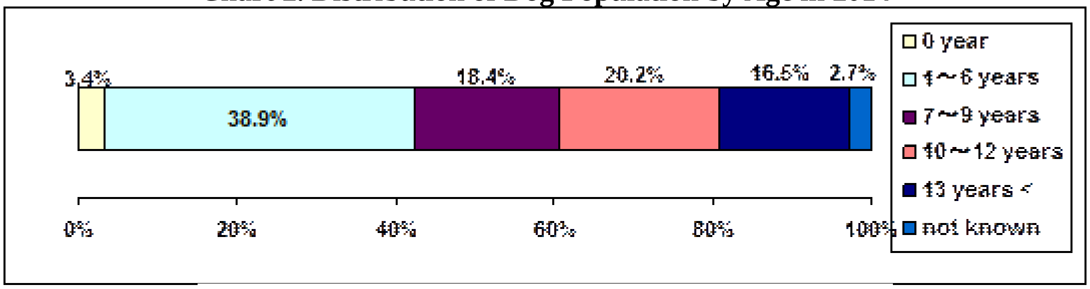
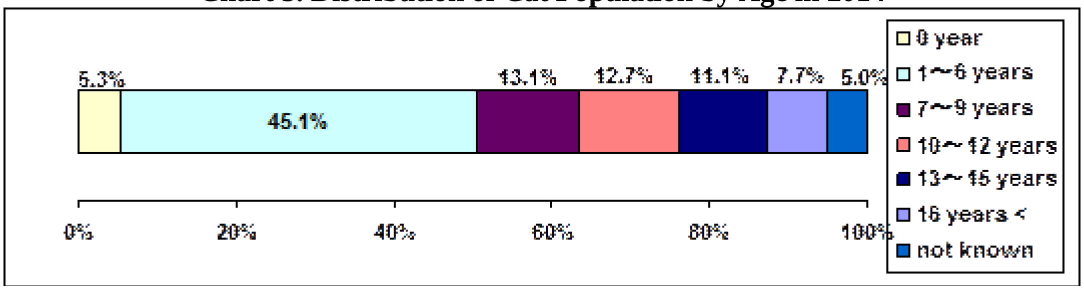


Chart 3. Distribution of Cat Population by Age in 2014



Source of Charts 2 &3: Japan Pet Food Association

3. **Increase in Indoor Pets**

Keeping pets indoors is now more common than in the past in Japan. The JPFA survey shows that over 80% of dogs and over 85% of cats are kept indoors in 2014. Pets kept indoors are less likely to become sick and live longer. This is also a driving factor to the aging of pets.

C. Pet Food Market

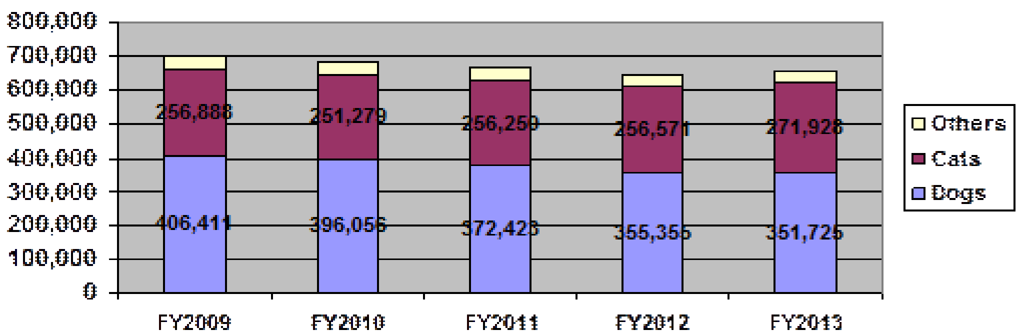
1. **Market Size**

The Japanese pet food market in FY 2013 was estimated at 655,082 metric tons (MT), up 1.7% from the previous year. The market was worth $2.18 billion, up 2.0% from the previous year. This growth, while small, was significant because the overall market had been declining for several years. Industry observers wonder whether the 2013 growth may be an indication that the market may be stabilizing.
The downtrend in the pet food market can be explained mainly by the decrease in the total number of pets, and the ongoing popularity of small dogs, which consume less food than large dogs. It is assumed that a shift toward premium high quality pet food has been partly compensating for the decline in sales by volume.

Dog and cat food is the mainstay of the pet food market in Japan. Sales of dog food reached 351,725 MT (worth $1.14 billion) with 53.7% share of the total pet food market by volume, and 52% share by value in FY2013. Sales of cat food reached 271,928 MT ($0.95 billion) with a 41.5% market share by volume and 43.6% by value.

Chart 4. Pet Food Market by Volume FY2009-FY2013

(unit: metric tons)

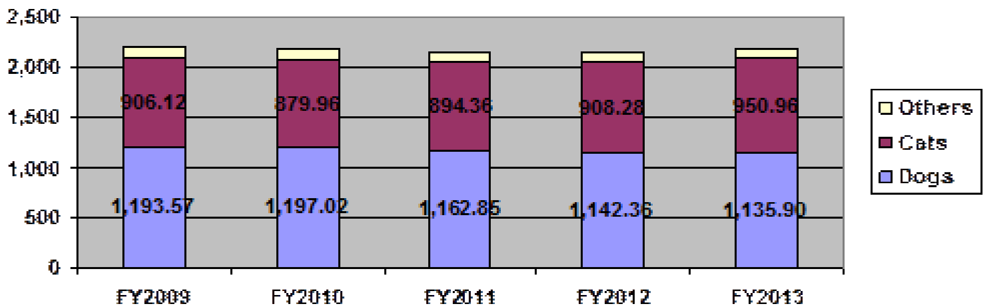


(unit: metric ton)

	FY2009	FY2010	FY2011	FY2012	FY2013
Dogs	406,411	396,056	372,423	355,355	351,725
Cats	256,888	251,279	256,250	256,571	271,928
Others	36,215	38,471	38,629	32,293	31,429
Total	699,514	685,806	667,302	644,219	655,082

Chart 5. Pet Food Market in Value FY2009-FY2013

(unit: $million)



(unit: $million)

	FY2009	FY2010	FY2011	FY2012	FY2013
Dogs	1,193.57	1,197.02	1,162.85	1,142.36	1,135.90
Cats	906.12	879.96	894.36	908.28	950.96
Others	105.98	111.32	98.96	92.79	93.96
Total	2,205.67	2,188.30	2,156.17	2,143.43	2,180.82

Source of Chart 4 & 5: Japan Pet Food Association

2. Sub Sectors by Product Type

Dog and cat foods are categorized into the following five types based on its water content:

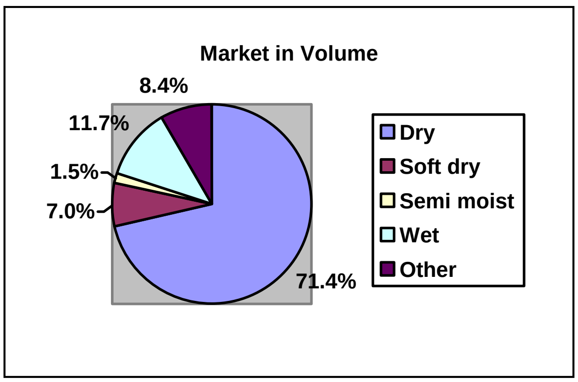
Table 2. Pet Food Product Type

Type	Definition
Dry	Water content of around 10%, produced by an expander (foamed)
Soft dry	Water content of around 10-30%, produced by an expander (foamed)
Semi-moist	Water content of around 25-35%, produced by an extruder (not foamed)
Wet	Water content of around 75%, (canned, retort-pouched, or other containers such as aluminum tray.)
Other (snack)	Other than above, including biscuits, gum, jerky, dry meat and bone products.

Source: Japan Pet Food Association

In the dog food market, dry food is dominant with over a 70% share in volume and over a 50% share in value. In the cat food market, dry food and wet food are the main categories. Dry is the largest category followed by wet food.

Chart 6. Dog Food Market by Type in FY2013



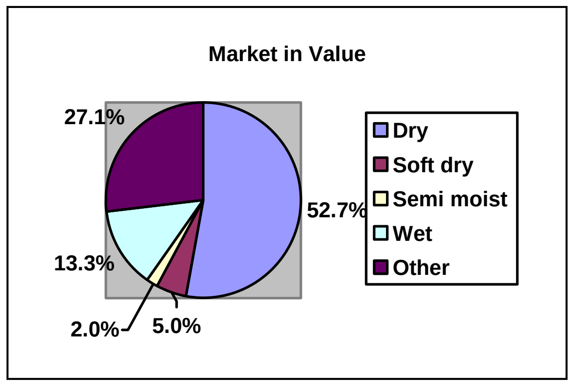
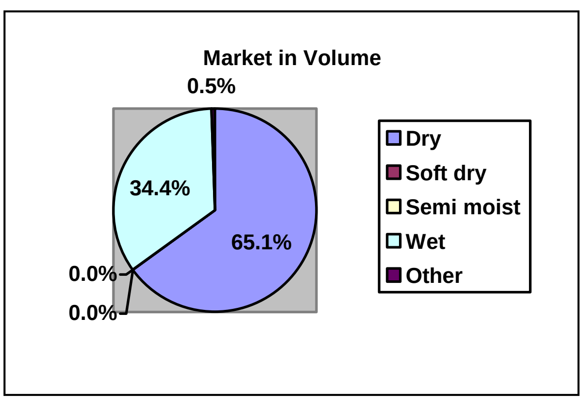
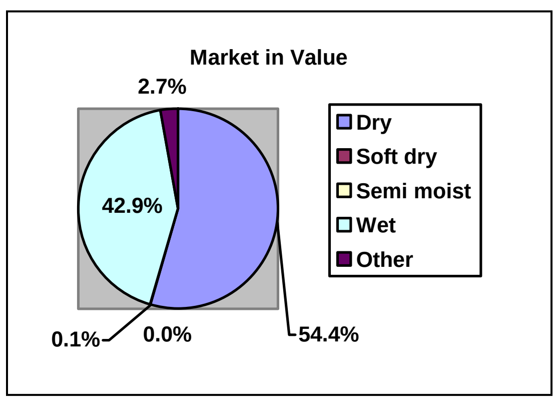


Chart 7. Cat Food Market by Type in Fy2013





Source of Charts 6 &7 : Japan Pet Food Association

3. Major Manufacturers

The major pet food manufacturers are listed in the following table. Foreign companies, such as Mars Japan Inc. and Hill's-Colgate (Japan) Ltd. are leading the market, while competing with domestic companies.

Table 3. Share by Major Pet Food Manufacturers in Japan in FY2013

Manufacturers	Share	Major Brands	
		Dogs	Cats
Mars Japan Inc.	13.7%	Pedigree, Cesar,	Kalkan Perfect Fit
Unicharm PetCare Corp.	12.9%	Aiken-Genki, Best Balance, Gin-no-sara	Neko-Genki, Gin-no-spoon
Hill's-Colgate (Japan) Ltd.	9.6%	Science Diet	Science Diet
Nestle Purina Japan	9.3%	Purina One, Purina, Pro Plan	Purina One, Mon Petit
Doggy Man H.A. Co., Ltd.	5.1%	Saya	Neko-Saya
Nisshin Pet Food Inc.	4.7%	Run, JP Style	Carat
Nihon Pet Food	4.5%	Vita One	Mio
INABA-PETFOOD Co., Ltd.	4.4%	Twins, Gran	Kin-no-dashi, CIAO, Maruuo, White-Fuji
PETLINE	4.3%	Dog Pit	Cannet
P&G Japan	3.6%	I AMS, Eukanuba More Soft, Petio	IAMS, Eukanuba, Petio
Others	28.9%		
Total	100%		

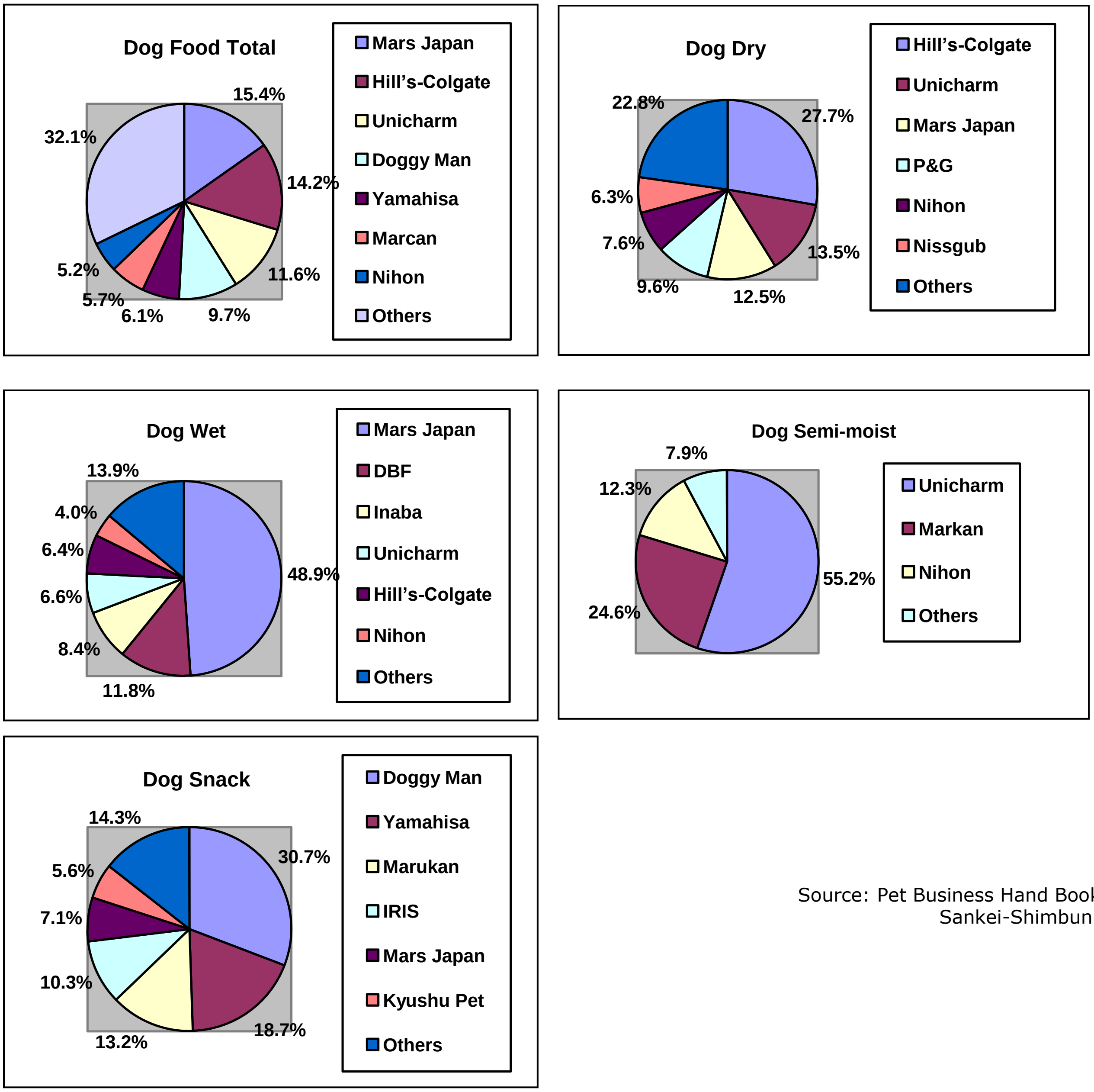
Source: Source: Japan Pet Food Association

a) Dog Food

Mars Japan Inc. and Hill's-Colgate (Japan) Ltd. are the leading manufacturers in the dog food category. When looking into each food type, Hill's-Colgate leads away others in the dry-food segment, while

Mars Japan Inc. is by far the dominant player in wet food. In semi-moist and snack, the major suppliers are Japanese companies.

Chart 8. Dog Food Manufacturer Share by Type in FY2013

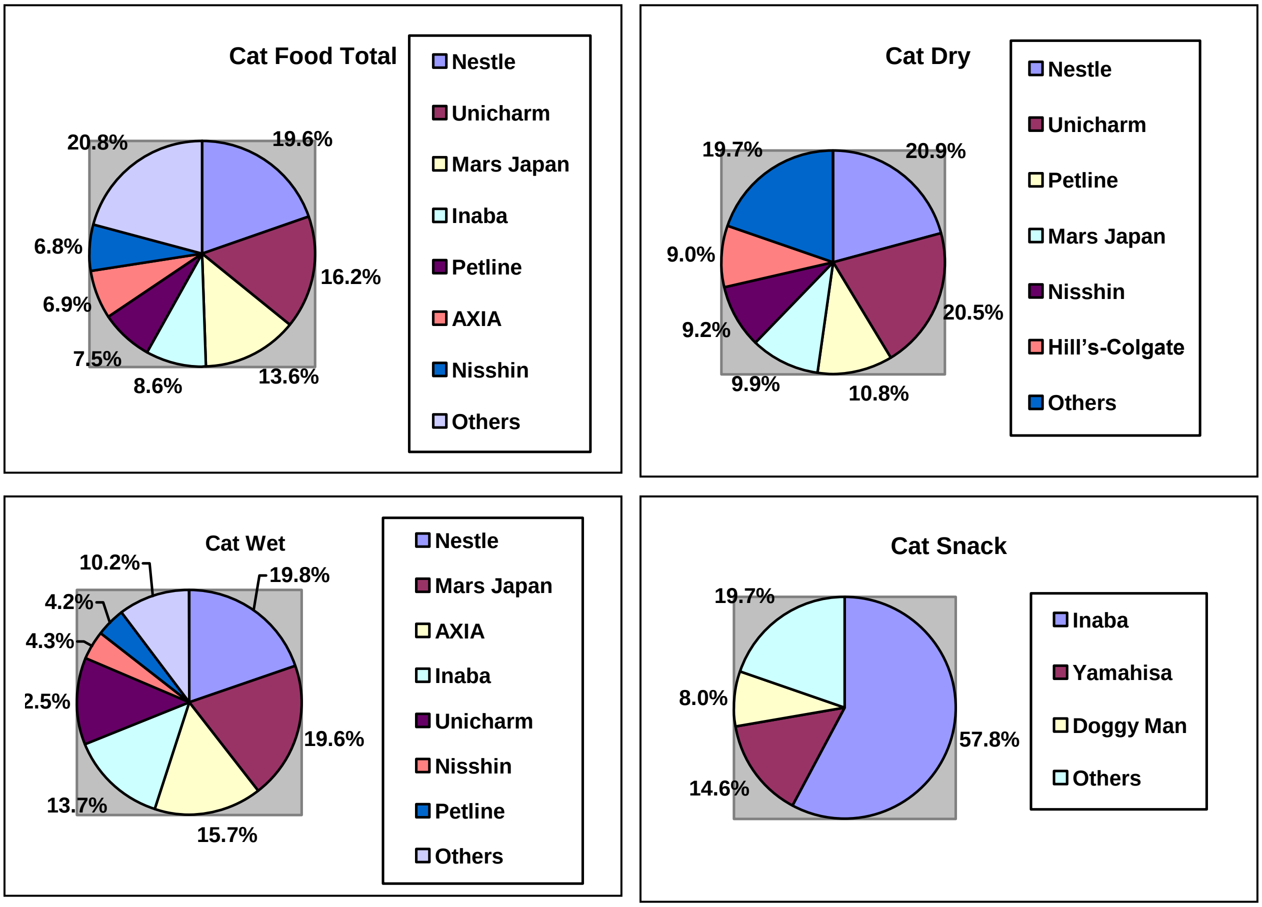


Source: Pet Business Hand Book 2015, Sankei-Shimbun Medics

b) Cat Food

Nestle Purina Petcare is the leading supplier in the cat food market, followed by Unicharm PetCare Corp. and Mars Japan Ltd. In dry cat food, Nestle Purina Petcare and Unicharm PetCare Corp. are competing for the top share of the segment. The major suppliers in the snack segment are Japanese companies with Inaba dominating the segment with over a 55% share.

Chart 9. Cat Food Manufacturer Share by Type



Source: Pet Business Hand Book 2015, Sankei-Shimbun Medics

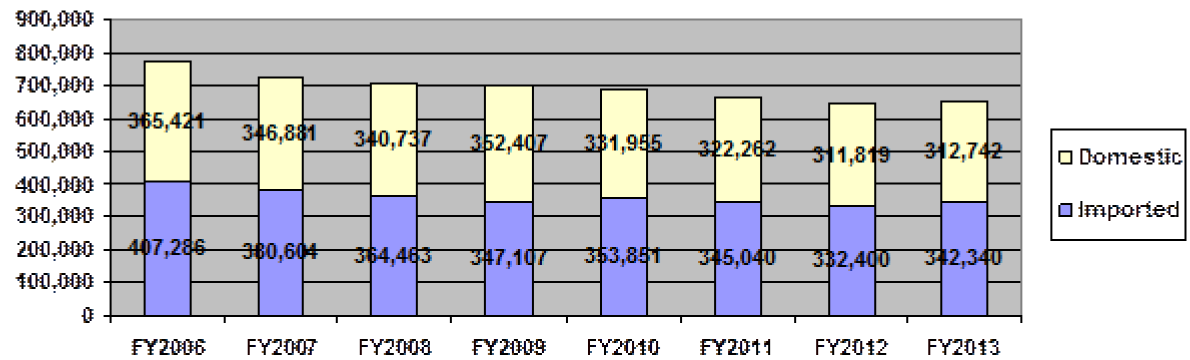
III. Market Opportunities

A. Pet Food Import

The total shipment of pet food in the Japanese market amounted to 655,082 MT in FY2013, out of which the import was 342,340 MT with 52.3% of the total market. The import in general accounts for about a half of the market.

Chart 10. Japanese Pet Food Market (Domestic/Import) FY2006-FY2013

(unit: metric ton)



(unit: metric tons)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Imports	407,286	380,604	364,463	347,107	353,851	345,040	332,400	342,340
Share	52.7%	52.3%	51.7%	49.6%	51.6%	51.7%	51.6%	52.3%
Domestic	365,421	346,881	340,737	352,407	331,955	322,262	311,819	312,742
Share	47.3%	47.7%	48.3%	50.4%	48.4%	48.3%	48.4%	47.7%
Total	772,707	727,485	705,200	699,514	685,806	667,302	644,219	655,082

Source: Japan Pet Food Association

The leading exporters to the Japanese market are Thailand, the U.S. and Australia, with the three countries collectively accounting for 70% of the total imports in CY 2014.

Thailand is the main supplier of wet cat food packaged in airtight containers due partly to the availability of abundant low-cost seafood ingredients in the country. Both Domestic and overseas pet food manufacturers have key cat food production facilities in Thailand. Other major foreign manufacturers have production facilities in the U.S. and Australia and export their outputs to Japan as well.

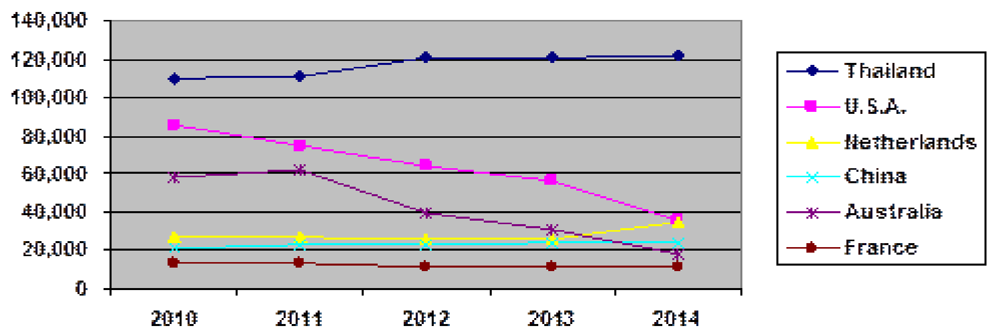
Table 4. Principal Exporters of Dog/Cat Food to Japan 2010 – 2014

	CY2011		CY2012		CY2013		CY2014			
	volume	value	volume	value	volume	value	volume	share	value	share
Thailand	111,042	278,980	120,562	308,934	120,670	294,693	121,819	44.62%	293,417	40.12%
U.S.A.	74,965	204,139	64,241	132,000	56,302	128,014	35,497	13.00%	116,529	15.93%
Australia	26,901	40,154	24,626	186,287	26,257	155,236	35,403	12.97%	96,566	13.20%
China	23,603	125,527	23,241	38,414	23,868	55,675	24,366	8.92%	79,126	10.82%
France	62,296	118,655	39,896	84,615	30,750	66,166	18,649	6.83%	39,352	5.38%
Netherlands	13,613	42,507	11,857	32,139	11,892	31,265	11,605	4.25%	32,733	4.48%
Others	14,	40,202	16,348	47,66	17,743	51,128	25,696	9.41%	73,65	10.07

	17 2			3					0	%
Total	32 6,5 92	850,16 5	300,77 1	830,0 53	287,482	782,17 6	273,03 5	100%	731,3 72	100%

Source: Global Trade Atlas (GTA)
Unit: volume=metric tons, value: $ thousand

Chart 11. Import Trends by Leading Exporters (Volume)
(unit: metric tons)



Source: Global Trade Atlas (GTA)*

*Note: The import figures in the table and the chart above are from Global Trade Atlas (Source: Japanese Finance Ministry). There are some discrepancies between the figures from GTA and those from the Industry Survey by Japan Pet Food Association.

As the table above shows, imports have been declining lately along with the total pet food market.

When looking at imports of the respective dog and cat food categories, imports were 180,972 MT with a 51.45% share in the total dog food market, and 158,176 MT with a 58.16% share of the total cat market. Imported cat food products enjoy a larger market share compared to dog food.

Chart 12. Imported vs. Domestic Dog Food in FY2013
(unit: metric tons)

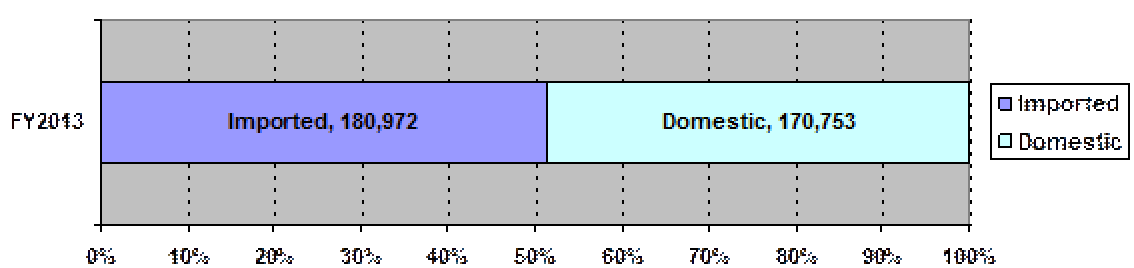
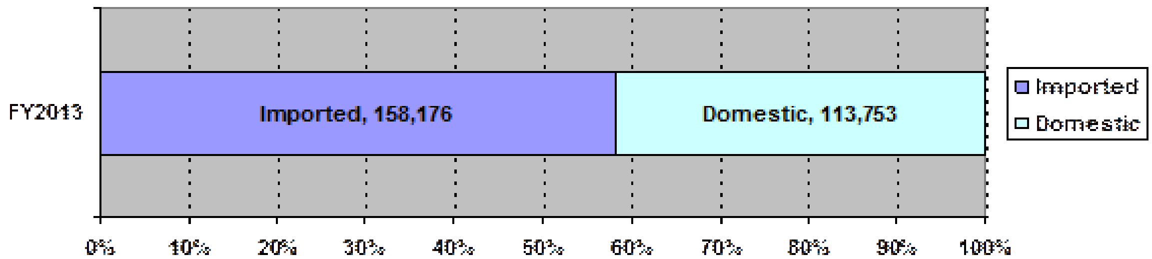


Chart 13. Imported vs. Domestic Cat Food in FY2013
(unit: metric tons)



Source of Chart 12 &13: Japan Pet Food Association

B. **Key Market Issues and Trends**

1. **Highly competitive market**

The Japanese market is a highly competitive market with fierce price competition. Home centers, the largest outlet or pet food products in Japan, often sells pet food as a loss leader to draw customers to the stores. This has been exacerbating already severe price competition in the whole industry.

2. **Bipolarization**

There has been a bipolarization in the market between those who buy large-bag economical type products and those who search for highly value-added premium type products with health benefits for their pets.

3. **Premium Food Segment**

While the severe price competition is under way especially among low-end products, manufacturers have been trying to shift their product lines toward premium pet food, a segment in which a larger profit is attainable. As more and more pet owners are concerned about the quality of pet foods, a wide variety of premium pet food, including organic pet food, has been introduced to meet the new and diverse needs of these pet owners.

4. **Mounting Concern Over Product Safety**

Due in part to the cases of pet food with Chinese ingredients being contaminated with melamine in 2007, and to other imported food-related safety problems, some Japanese consumers are concerned about the safety of imported products and tend to prefer domestic products over imports. Amid this environment, domestic companies that own production facilities in Japan have been touting “made in Japan” as their sales pitch.

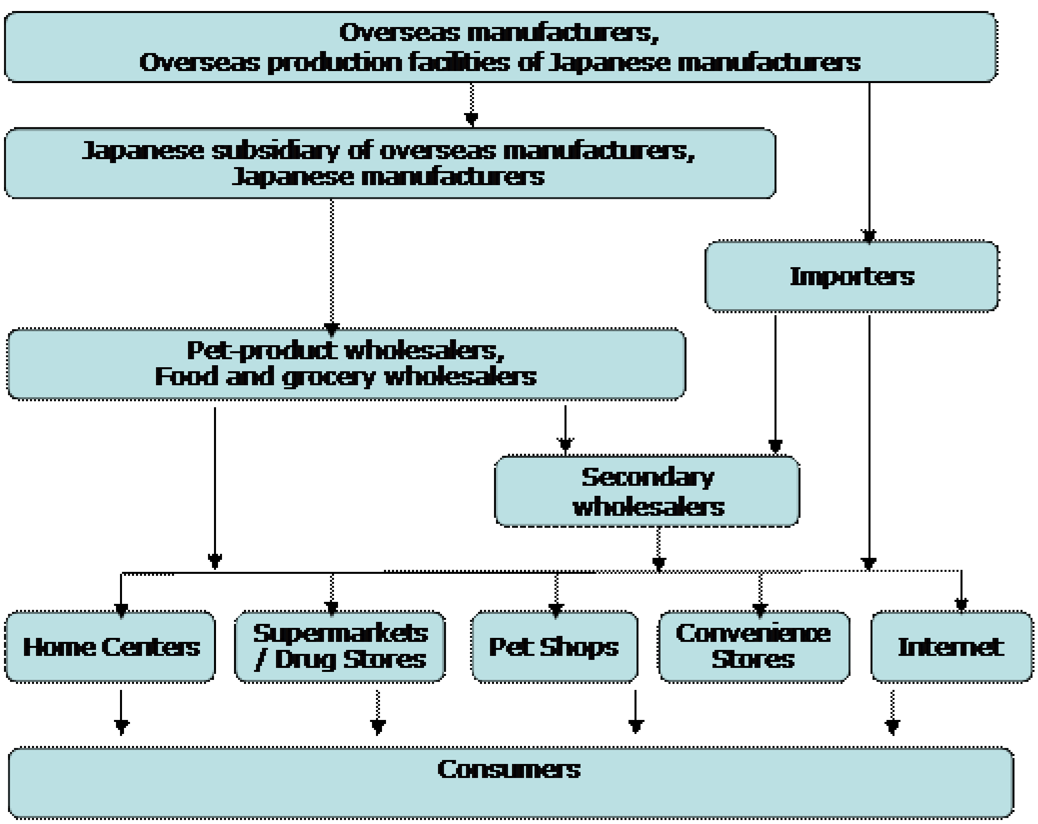
Still, imported pet foods, especially from the U.S. and European countries, are usually recognized as being high-quality products. High quality pet food with specialty functions, tastes, or merits have a high chance of being accepted in the market.

C. **Distribution System**

1. Distribution Channels

The most common distribution channel for pet foods in Japan is through importers, wholesalers specialized in pet food or food/grocery and in some cases secondary wholesalers to retailers. In the case of Japanese manufacturers that own production facilities abroad, products are imported directly inside the company or through their subsidiaries and then distributed to the retailers through wholesalers as described above. Although there are cases in which retailers buy directly from importers, these cases are limited.

Chart 14. Distribution Channel for Imported Pet Food Products



Source: ATO modified the chart from “Pet Care Products and Pet Foods 2005” by JETRO

2. Major Wholesalers
There are about 20 major wholesalers that deal with pet food products in Japan. The top 10 listed below account for 83.3% of the wholesale pet food market. Among them, two companies, Japell Co., Ltd. and Echo Trading Co., Ltd., are the most significant.

Table 5. List of Top 10 Pet Food Wholesalers

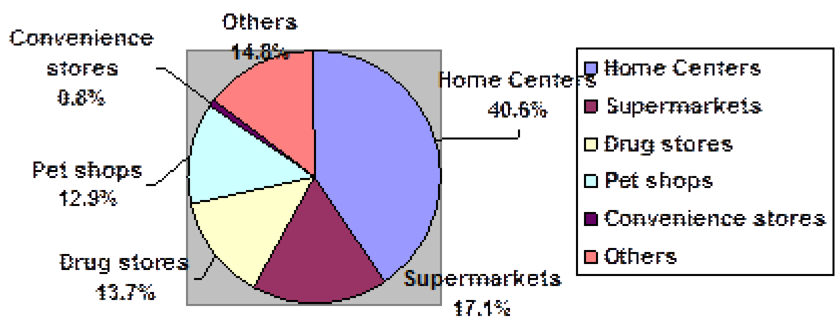
	FY2013	
	Sales ($million)	Share (%)
Japell Co., Ltd.	526.90	23.20%
Echo Trading Co., LTd.	434.34	22.50%
Mitsui Foods	206.22	7.00%
Lovely Pet Trading Co.	120.85	5.90%
Glocal Petcare	103.15	5.50%
Alata Corp.	89.34	4.60%
O-shim Ono Shoji Corp.	76.07	4.20%
Morimitsu Shouten	67.03	3.70%
Kokubu	50.18	3.40%
Paltac Co. Ltd.	20.77	3.30%
Industry Total	1731.24	100.00%

Source: Pet Business Hand Book 2015, Sankei-Shimbun Medics

3. **Retailers**

The main retail outlets for pet food products are categorized into the following six types: 1) home centers 2) supermarkets 3) drug stores 4) pet stores 5) convenience stores and 6) others, including the internet.

Chart 15. Share by Retail Outlets in Value in FY2013



Source: Pet Business Hand Book 2015, Sankei-Shimbun Medics
Note: the shares are based on the sales of pet food and pet-care products combined.

a. Home centers:
Home centers are the leading outlets for pet foods/pet-related products. They are characterized by

having a wide sales space filled with a full-range of pet-related products. As they stock a large amount of low-end pet food products and often put them on sale as a loss leader, home centers are highly price competitive.

b. **Supermarket / Drug store**

Supermarkets and drug stores are also major players in the distribution of pet food. They meet the regular needs of customers who purchase pet food while shopping for other items.

c. Pet Shop:

Pet shops are characterized by having a wide range of products, especially a variety of premium foods, as well as the expertise of store staff. Customers tend to buy pet foods and pet-care products when they buy animals at pet shops. They tend to rely on advice from the store staff. As more and more pet owners seek quality pet food for their pets, pet shops are gaining popularity as a major pet food supplier.

d. Convenience store:

Convenience stores are not major outlets for pet-related products, as their sales space is extremely limited and only a couple of pet food brands are exhibited. Still, they meet the steady needs of occasional and new pet food buyers. Due to limited sales space, cat foods sold in small packages are most suitable for these outlets.

e. Others (including the internet):

Although there is no data available on pet food sales through the Internet, pet food sales through this channel is assumed to be growing in line with increasing online sales of other product categories.

III. Market Access

A. Regulation

The Pet Food Safety Law (http://www.famic.go.jp/ffis/pet/obj/sub1e_houritu.pdf) came into force on June 1, 2009 in order to ensure the safety of pet food. Prior to this law, there was no legislation to regulate the production and distribution of pet food in the Japanese market, except that some pet foods with medical claims were subject to the Pharmaceutical Affairs Law.

The unfortunate problems that caused U.S. dogs and cats to became sick or die from eating pet foods with Chinese ingredients contaminated with melamine in 2007 shed light on the lack of laws to regulate pet food in Japan. The Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Environment (MOE) examined the issue and realized the necessity of a new law to secure the safety of pet food in the Japanese market.

The Pet Food Safety Law defines the responsibilities of pet food manufacturers, importers, wholesalers and retailers, the scope of the government authority to regulate the market and the specifications and standards for pet food products to be distributed in the market. The law defines the minimum criteria for labeling as well, while a voluntary labeling code is being maintained as an industry-wide self-imposed requirement in addition to the law.

For more detail on Pet Food Safety Law and Ministerial Ordinances, please visit:
http://www.famic.go.jp/ffis/aboutPetfood.html

B. Tariffs

The duties on pet food are presented below.

Table 6. Tariff duties on pet foods (2015)

HS No.	Description	Duty		
		General	WTO	LDC
2309.10 -010	Dog or Cat food, put up for retail sale 1. Containing not less than 10% of lactose by weight	Per each kg, ¥70 plus ¥7 for every 1% exceeding 10% by weight of lactose contained	Per each kg, ¥59.5 plus ¥6 for every 1% exceeding 10% by weight of lactose contained	0
		0	0	
-091	2. Other (1) In airtight containers not more than 10kg each including container	0	0	
-092	(2) Other A. More than 70yen/kg in value for customs duty, excluding those containing 35% or more by weight of crude protein	0	0	
-093	B. Other (a) In powders, meals, flakes, pellets, cubes or similar forms	¥60/kg	¥36/kg	
-099	(b) Other			0/ ¥18/kg
2309.90 -297	Other For dogs, cats and other similar kind of ornamental animals and pet animals	0	0	

Source: Customs Tariff Schedules of Japan 2015

IV. Key Contacts and further information

A. Post Contacts

For further information, please contact the U.S. Agricultural Trade Offices in Japan at the following addresses:

Tokyo	Osaka
U.S. Agricultural Trade Office U.S. Embassy, Tokyo 1-10-5 Akasaka, Minato-ku	U.S. Agricultural Trade Office U.S. Consulate General, Osaka-Kobe 2-11-5, Nishi-tenma, Kita-ku,

Tokyo 107-8420 Tel: 81-3-3505-5115 Fax: 81-3-3582-6429 E-mail: atotokyo@fas.usda.gov	Osaka 530-8543 Tel: 81-6-6315-5904 Fax: 81-6-6315-5906 E-mail: atoosaka@fas.usda.gov

B. Websites of Foreign Agricultural Service / Agricultural Trade Office in Japan
http://www.fas.usda.gov/ (FAS, English)
http://www.usdajapan.org/ (FAS Japan, English)

C. Regulations & Standards
Regulations and Standards on pet foods can be found on the following web sites:

Pet Food Safety Law and related Ministerial Ordinances
http://www.famic.go.jp/ffis/aboutPetfood.html (in English)

D. Other information Sources

Japan Pet Food Association
http://www.petfood.or.jp/ (in Japanese)
http://www.petfood.or.jp/English/message/index.html (in English)

Japan Pet Food Fair Trade Association
http://www.pffta.org/ (Japanese only)

Japan Customs
http://www.customs.go.jp/english/tariff/2015_115/data/e_23.htm (in English)