Voluntary - Public

Date: 10/30/2018
GAIN Report Number: JA8706

Japan

Post: Osaka ATO

Japanese Fresh Fruit Market Overview 2018

Report Categories:
Fresh Fruit
Market Development Reports

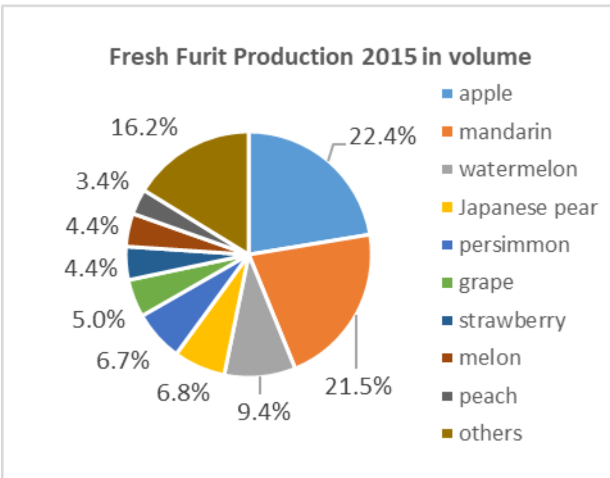
Approved By:
Jeff Zimmerman, Director of ATO Osaka
Prepared By:
Chika Motomura, marketing specialist at ATO Osaka

Report Highlights:
The Japanese fresh fruit market is estimated at around 4.71 million MT demanded as of 2015. Currently, Japan imports one third of fresh fruit demanded, approximately 1.6 million MT in 2017, led by banana, pineapple, kiwi, orange, and grape fruit. The United States ranks second (after the Philippines) in value of fresh fruit exports to Japan at US$360 million in 2017. The United States is the leading supplier of orange, lemon, grape and cherry. The Japanese fresh fruit sector is highly competitive with other countries making some inroads to the market. Opportunities for U.S. fresh fruit exports to Japan are expected to increase in the near- to medium-term due to a decrease in Japan's domestic production resulting from aging fruit farmers.

I. Domestic Fruit Production

A. Fruit Production in Japan

Japan is located in the temperate zone and it produces a wide variety of fruits suitable to the climate of each region nationwide. Japan produced 3.63 million MT* of fresh fruit in 2015, based on the latest data compiled by the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF). Fruit production was led by apple with 22.4%, followed by mandarin with 21.5%, watermelon with 9.4%, and Japanese pear with 6.8%.



Source: MAFF

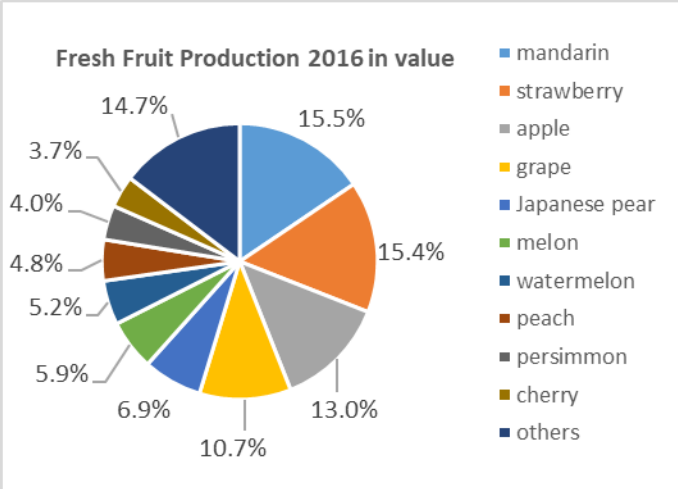
Fruit	Production	Share
apple	811,500	22.4%
mandarin	777,800	21.5%
watermelon	339,800	9.4%
Japanese pear	247,300	6.8%
persimmon	242,000	6.7%
grape	180,500	5.0%
strawberry	158,700	4.4%
melon	158,000	4.4%
peach	121,900	3.4%
others	588,000	16.2%
total	**3,625,500**	**100.0%**
		(unit: metric ton)

* MAFF defines "fruit" as fruit produced from perennial trees and plants. Therefore, MAFF's data of fruit production exclude strawberry, melon and watermelon. ATO Osaka calculated the total domestic production of fresh fruit as 3.63 million MT by adding the production of these three products (656,500 t) to the MAFF's "fruit production data" (2,969,000 t).

The production of fresh fruits in value terms was estimated at US$10.42 billion** (1,134 billion yen) in 2016. This represents only 12% of the value of total Japanese agricultural production, estimated at US$84.56 billion (9,203 billion yen) in the same year. The production of fresh fruits in value was led by mandarin (15.5%), followed by strawberry (15.4%), apple (13.0%), and grape (10.7%).

** US$1=Y108.84, the average exchange rate of 2016 was used for calculations. *(Source: Statistics Bureau, Ministry of Internal Affairs and Communications)*

Fruit	value (billion yen)	share
mandarin	176.1	15.5%
strawberry	174.9	15.4%
apple	147.7	13.0%

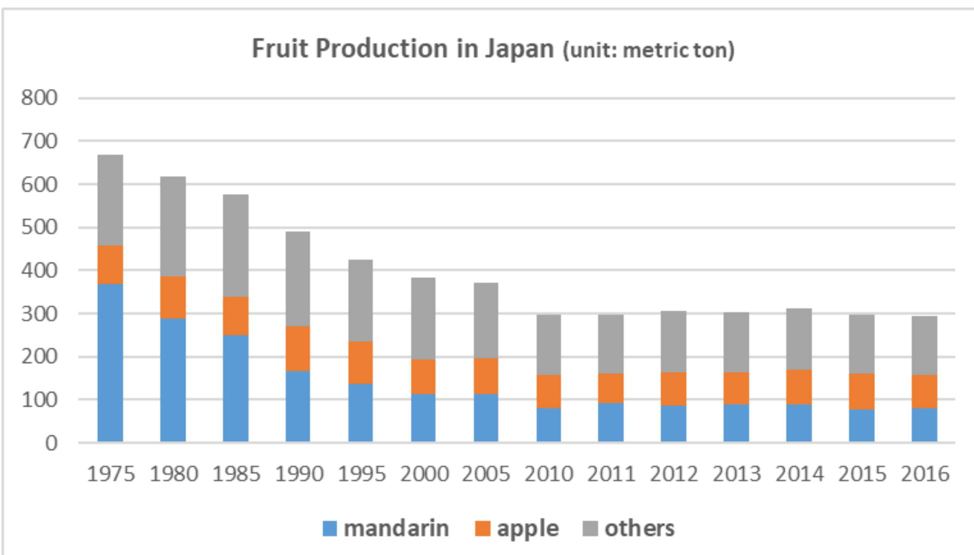


Source: MAFF

grape	121.8	10.7%
Japanese pear	78.6	6.9%
melon	66.9	5.9%
watermelon	58.8	5.2%
peach	54.7	4.8%
persimmon	45.8	4.0%
cherry	42.3	3.7%
others	166.3	14.7%
total	**1,133.9**	**100.0%**

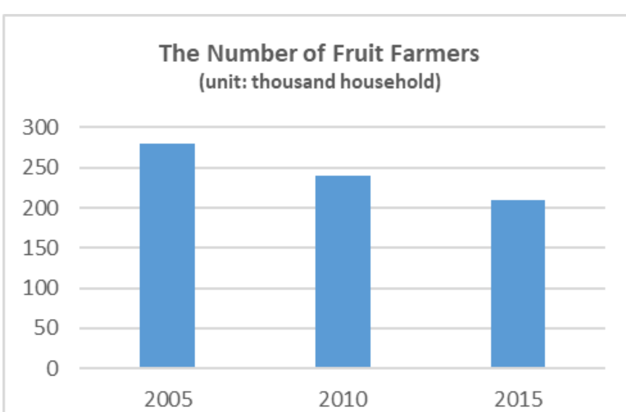
B. Fruit Production Trend

The fruit production in Japan has been in decline since its peak in the 1970s. This decline was a result of Japan's industrial structure transformation that occurred in the latter half of the 20th century, during which the primary industry, as a whole, lost its share of the Japanese economy to the secondary and the tertiary service industries.



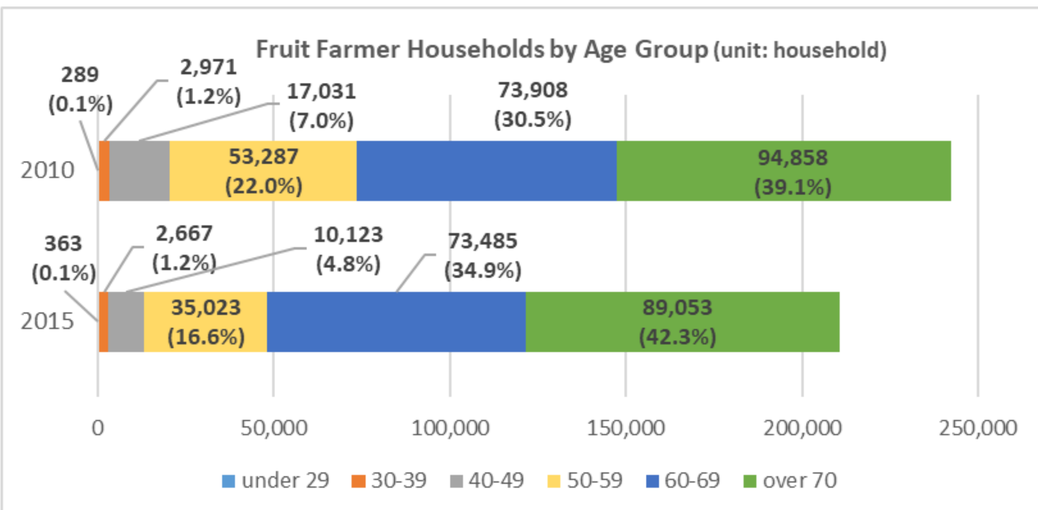
Source: MAFF / The data exclude strawberry, melon, and watermelon.

The decline in the fresh fruit production slowed in 2000, with small ups and downs year on year afterwards. The decline in recent years has been caused by a decrease in the number of fruit farmers, due to the aging farmer population.



Source: MAFF

The number of fruit farmer households decreased from 242,344 in 2010 to 210,714 in 2015, which represents a 13% decrease over 5 years. The fruit farmer households led by those in their sixties and over seventy accounted for 31% and 39% of the total fruit farmers in Japan in 2010. In just 5 years, this combined 70% jumped up even further to 77% of fruit farmer households in 2015.



Source: MAFF

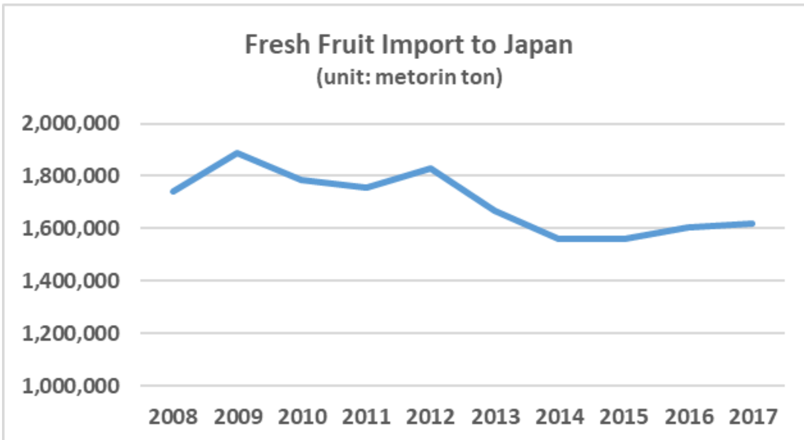
II. Fresh Fruit Exports & Imports

A. Japan - Fresh Fruit Exports

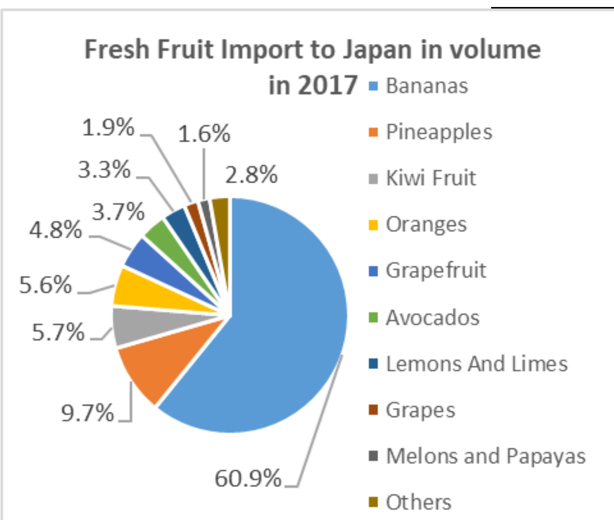
Japanese fruits are known for their high quality. They are quite popular, in particular, among Asian countries. As part of its efforts to support domestic fruit production, the Government of Japan (GOJ) has been encouraging the export of domestically produced fruits with various programs. However, the export volume is still limited. Fresh fruit exports from Japan were estimated at 37,419 MT in 2017. Taiwan is the largest buyer with 60% of Japan's fresh fruit exports destined for the country, followed by Hong Kong with 31%. The major fruits exported from Japan were apple (76.8%), Japanese pear (5.0%), peach (4.6%) and mandarin (3.9%).

B. Japan - Fresh Fruit Imports

Fresh fruit import to Japan was reported at 1.62 million MT in 2017. The annual fresh fruit import to Japan ranged from 1.55 million MT to 1.65 million MT for the last five years. The leading imported product was banana with over 60.9% share, followed by pineapple with 9.7%, kiwi with 5.7%, orange with 5.6% and grapefruit with 4.8% in 2017. The major suppliers of fresh fruit to Japan were led by the Philippines with 57.9%, the United States with 9.4%, Ecuador with 9.1% and Mexico with 6.7%.



Source: Global Trade Atlas



Imported Products	volume (MT)	share (%)	yoy growth
	985,634	60.9%	3.06
	156,992	9.7%	9.65
	92,981	5.7%	-0.23
	90,593	5.6%	-10.78
:	78,069	4.8%	-6.43
	60,635	3.7%	-17.97
nd Lime	53,099	3.3%	3.04
	31,319	1.9%	-6.99
Papaya	25,893	1.6%	-9.44
	44,427	2.8%	n/a
	1,619,642	**100.0%**	**0.92**

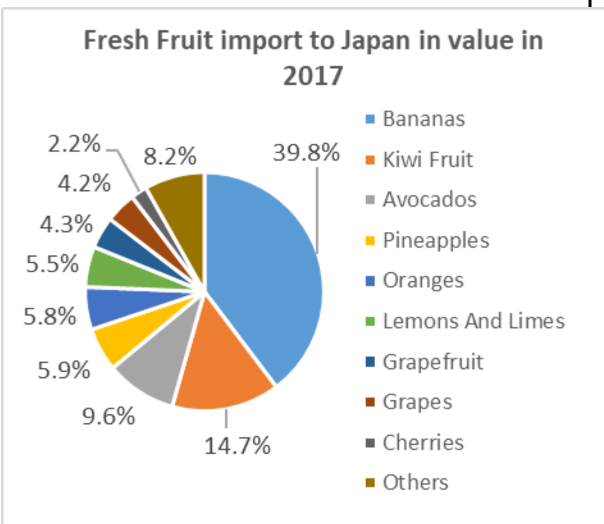
Source: Global Trade Atlas

In 2017, total imports of fresh fruit to Japan was valued at US$ 2.14 billion. The leading exporters to Japan were the Philippines with 37.7%, followed by the United States (16.8%), New Zealand (14.4%), and Mexico (12.6%). The main fruits imported to Japan were banana with 39.8%, followed by kiwi (14.7%), avocado (9.6%) and pineapple (5.9%).

Imported products	value (US$)	share (%)	yoy growth (%)

Banana	850,409,535	39.8%	-8.55
Kiwi Fruit	313,481,414	14.7%	6.93
Avocado	205,402,038	9.6%	-3.42
Pineapple	125,635,194	5.9%	-1.64
Orange	123,270,867	5.8%	-5.35
Lemons And Lime	116,566,532	5.5%	7.23
Grapefruit	91,619,354	4.3%	-12.26
Grape	89,304,445	4.2%	-9.16
Cherry	47,013,817	2.2%	2.43
Other	175,199,548	8.2%	n/a
Total	2,137,902,744	100.0%	-3.65

Source: Global Trade Atlas



The Philippines is the dominant supplier of both banana and pineapple to Japan with over 80% and 90% import share, respectively, both in volume and value terms. The United States is the leading supplier of orange, lemon, and grape and has the dominant position in cherry supply with over 95% of the import share both in volume and value. New Zealand has gained the predominant position as a supplier of kiwi with over 90% of import share (in volume and value). Mexico is the primary supplier of avocado with over 90% import share (in volume and value) and the leading supplier of melon with 70% of the market share (in volume).

Country	Import volume (MT)	share (%)
Philippines	937,858	57.9%
United States	**151,835**	**9.4%**
Ecuador	147,078	9.1%
Mexico	108,141	6.7%
New Zealand	91,135	5.6%
Australia	50,671	9.1%
South Africa	42,263	2.6%
Chile	33,040	2.0%
Other	57,621	-2.4%
Total	**1,619,642**	**100.0%**

Source: Global Trade Atlas

Japan – Main Imported Fruits

Country	import value (US$)	share (%)
Philippines	806,219,494	37.7%
United States	**358,451,388**	**16.8%**
New Zealand	308,666,586	14.4%
Mexico	269,222,390	12.6%
Ecuador	121,547,565	5.7%
Australia	82,618,576	3.9%
Chile	62,895,452	2.9%
South Africa	41,373,340	1.9%
others	86,907,953	4.1%
Total	**2,137,902,744**	**100.0%**

❖ Banana

Banana has been the dominant item among the imported fruits. The leading supplier to Japan is the Philippines with a dominant share of over 80% of the value followed by Ecuador with 15% in 2017. Banana has been a popular fruit among Japanese consumers. It is easy-to-peel, sweet, and relatively low-priced, therefore it stays as the top favored imported fruit in Japan.

❖ Pineapple

Pineapple remains popular and is enjoyed by many Japanese consumers. The Philippines is the dominant supplier to Japan with over 90% share in volume terms, followed by Costa Rica with less than 5%. Domestic production is very limited as it is only occurs in Okinawa, a southern island of Japan.

- ❖ Kiwi

Kiwi has been rapidly increasing its popularity. Imports used to be valued at less than US$100 million in 1990s and then started to grow rapidly, tripling to over US$300 million in 2017. Zespri from New Zealand conducted a massive promotional campaign that included TV advertisement as well as sampling/tasting at retail stores to succeed in making kiwi a popular fruit among Japanese consumers.

- ❖ Orange

Orange imports have been in decline since peaking at over 190,000 MT in mid-1990s. This is mainly due to the advent of a wide range of new citrus varieties to the market that have successfully competed for the tastes of the Japanese consumer.
The United States is the leading supplier of orange to Japan with over 50% import share in volume and value terms in 2017 but is ceding market share to Australia and South Africa. U.S. oranges do not compete directly against those from the Southern Hemisphere. Still, the timing to switch from U.S. products to those from the South Hemisphere in the Japanese market has been moved up in favor for the latter. Also, oranges from the Southern Hemisphere mainly arrive during Japan's domestic off-season, whereas the U.S. competes against domestic Japanese in-season citrus varieties.

- ❖ Grapefruit

Grapefruit was the second major imported fresh fruit into the Japanese market during early 2000s reaching over 280,000 MT. Nonetheless, grapefruit imports started to decline in 2005 and recorded only 78,069 MT in 2017.
The consumption of grapefruit has declined in Japan due to sweet fruit preference among younger consumers coupled with the reported incompatibility of grapefruit with hypertension medicine, which has led the majority of older Japanese consumers to refrain from consuming grapefruits.
The United States used to be the largest supplier of grapefruit to Japan over the years but it yielded its number one positon in volume to South African for the first time in 2017, due to a short supply caused by the damage from Hurricane Irma and greening disease.

- ❖ Lemon

Lemon has a steady demand in the Japanese market. Domestic production is limited, recording only 11,500 MT in MT2016/2017. The United States is the leading supplier to Japan with about 60% of the import market share, followed by Chile.

- ❖ Table Grape

Imported table grapes have been getting popular among Japanese consumers. Crispy and sweet varieties edible with skin have been well accepted as a new type of grapes, different from Japanese original grapes.
The United States is the leading supplier to Japan with 35.3% import share followed by Chile and Australia with 33.4% and 27.2% in volume terms. As the U.S. enjoys the higher unit price, it has 40.4% import share in value terms while Australia and Chile presented only 29.7% and 25.1% respectively. Still, Australia and Chile, who enjoy advantage of the seasonal difference, have been expanding their share in the Japanese market.

- ❖ Cherry

The United States possesses the dominant share of over 98% of imported cherry market, followed far behind by Chile and Australia with less than 1%. Still, the import volume used to be over 10,000 MT early 2010s but it dropped to the level of 5,000 MT lately.

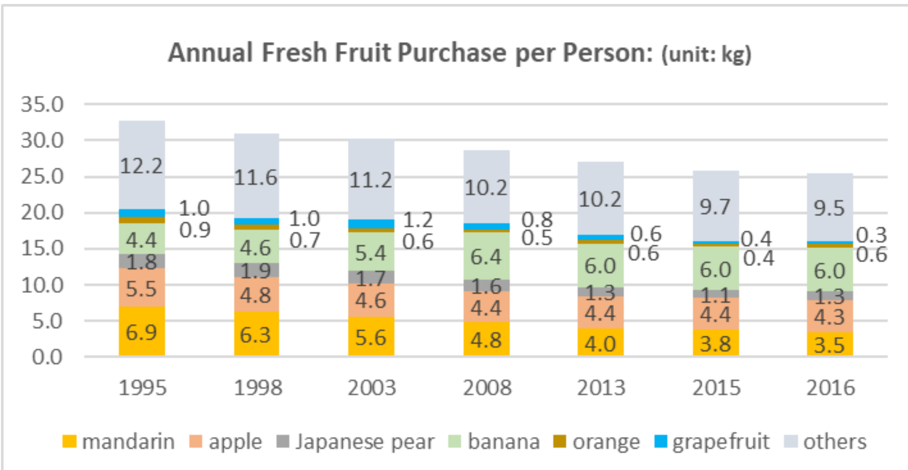
III. Fresh Fruit Market and Trends

A. Fresh Fruit Market In Japan

The Japanese fresh fruit market is estimated at 4.71 million MT*** as of 2015, which was 3.1% down from the previous year. It has been in a downward trend over the years.

The Fresh fruit market contraction is considered to be caused by several factors. First, the Japanese population is declining. It recorded a decline for the first time in 2005 and then it has been continuously decreasing gradually since 2010 due to its low birth rate. The Japanese food market in general is in a downward trend with the lower population and the fresh fruit market is no exception.

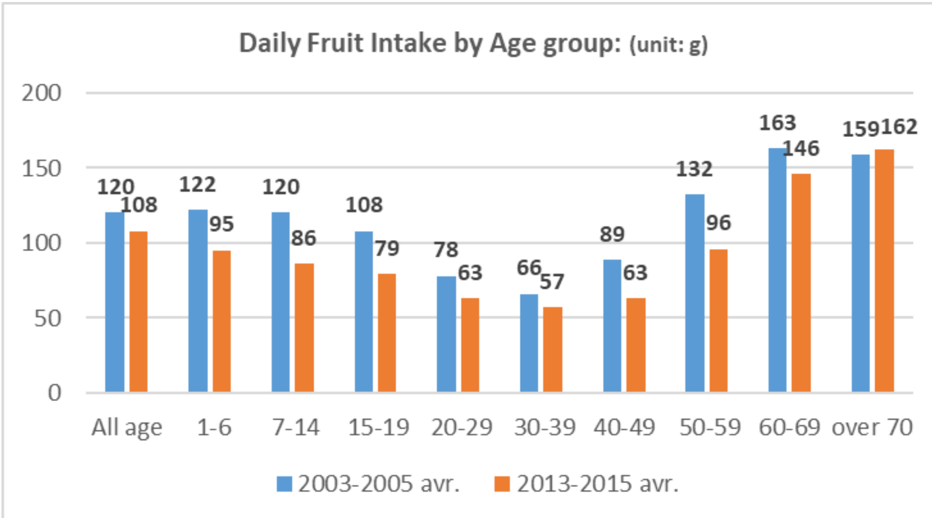
Secondly, when we look at the fresh fruit consumption in detail, we see that fresh fruit consumption per person is decreasing as well. The chart below shows that fresh fruit purchase per person has continuously declined over the years.



Source: GOJ, Ministry of Internal Affairs and Communications

*** According to MAFF, about 88% of the domestic fruit production goes to fresh fruit market and the remaining 12% is for the use for processed products. ATO Osaka used this rate and calculated the market size as follows: 3.63 million MT (the total fruit production) x 88% + 1.56 million MT (fresh fruit import) – 0.04 million MT (fresh fruit export) = 4.71 million MT

In addition, when we look at daily fruit intake per person by age group, the data show that all the age groups showed a decline over the 10-year period, from the 2003-2005 average to the 2013-2015 average, with only one exception, the over-seventy age group. We can also see that those who consume the fruit most tend to be elderly people in their sixties and over seventy and those in their twenties, thirties and forties consume the least.



Source: GOJ, Ministry of Health, labor and Welfare

This general downward trend of fresh fruit consumption per person is partially due to intensified competition in the snack and dessert sector. Fruit is considered as dessert or snack among Japanese consumers. This tendency has been accelerated further by changes in taste preference among Japanese consumers, particularly among younger generations. More recently, Japanese prefer sweet taste to sour taste. Consumers also prefer easy-to-peel or easy-to-prepare options. Therefore, they tend to opt for sweet and easy-to-peel fruits such as bananas among fruit options, or go for other non-fruit dessert and snack options.

B. Industry Efforts to Promote Fresh Fruit Demand

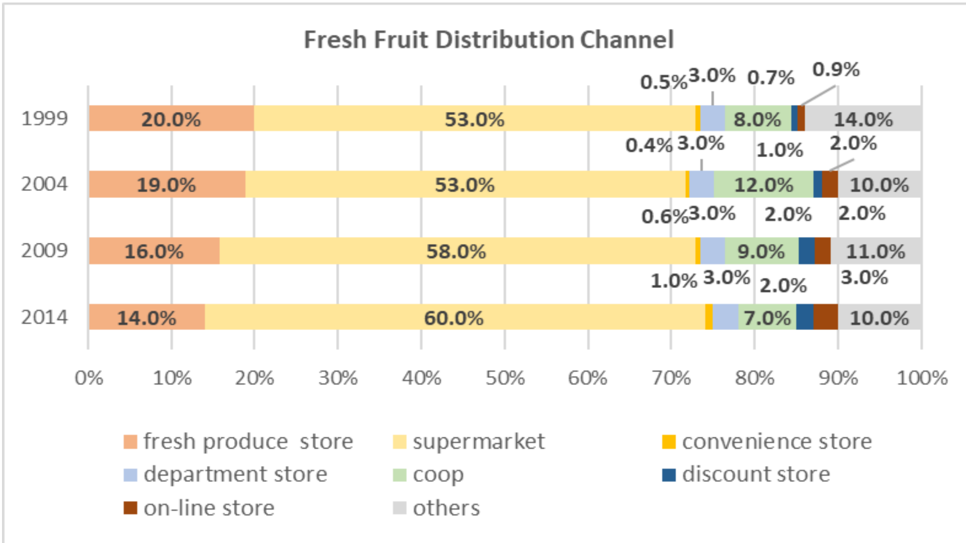
In order to sustain and expand fresh fruit consumption in Japan, the fruit industry has been making extensive efforts in a variety of ways. Research has been conducted to create new varieties of fruits with attributes that can appeal to consumers' preferences including being sweet, easy-to-peel or east-to-prepare, and healthy etc.

Brokers and distributors are also making efforts to introduce prepared and cut fruits at retail stores as well as even setting up vending machines for cut fruit in the metropolitan areas in order to offer fruit as easy-to-prepare snack option.

IV. Distribution channels

Distribution channel for fresh fruit goes basically through importers, wholesale markets, and retailers before reaching out to consumers. However, the distribution channel has been changing over the years. These days, direct purchase by retailers to skip intermediaries is also occurring.

The retail channels to consumers have been traditionally through supermarkets followed by small independent fresh produce retailers, cooperatives and department stores. Supermarkets remain the dominant venue and have even expanded their share over fresh produce retailers. Other small channels including convenience stores, discount stores, and on-line stores are gradually increasing their presence over the years.



Source: GOJ, Ministry of Internal Affairs and Communications

V. Opportunities for American suppliers

A. SWOT analysis

The United States enjoys the position of the import market leader for some varieties of fruits in the Japanese market. However, its position has been weakening over the years amid severe competition from other suppliers. Here is a SWOT analysis of the U.S. position in the Japanese market.

- Strengths:
  - Established position in the Japanese market
  - Predominant position of some specific fruits
- Weaknesses:
  - Phytosanitary requirement for U.S. fruits coming into Japan
  - Direct competition against domestic fruits due to the same production season
- Opportunities:
  - Decrease in domestic fruit production
  - Demand for quality fruits in the Japanese market
- Threats:
  - Strong competitors such as Mexico, Australia, New Zealand, Chile etc.

B. Recommendation

The current fresh fruit market in Japan is getting highly competitive due to a decline both in the size of the Japanese population as well as in fruit consumption per capita. The fresh fruit also needs to compete with other options within the dessert and snack sector. While other countries make inroads into the Japanese fresh fruit market backed by tariff advantage through Economic Partnership Agreements with Japan, the Unites States is facing even tougher competition.
One the other hand, as the domestic production of fresh fruit is expected to decline further down the road, an increase in the demand for imported fruits is expected, offering great opportunities to U.S. fresh fruit suppliers.
Under this situation, the key is to promote U.S. products as high-quality products and differentiate them from ones from the other exporting countries by educating Japanese trade and consumers. Japanese consumers' demand for fruits of high quality is considered to remain strong.
U.S. cooperators and trade associations have been working actively to differentiate U.S. fruits from those from other countries by advocating the safety and high-quality of U.S. fruits. ATO Japan supports these efforts and is available to assist in exploring new opportunities for U.S. fruits in the Japanese market.

VI. 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
U.S. Embassy, Japan
atotokyo@fas.usda.gov
tel +81 3.3224.5115
fax +81 3.3582.6429

ATO Osaka
U.S. Consulate General Osaka-Kobe
atoosaka@fas.usda.gov
tel +81 6.6315.5904
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. U.S. fresh fruit Cooperator representatives in Japan

Organization Name	Telephone/Fax URL	Address
California Blueberry Commission	Tel: 81(0)3-3584-7019 Fax: 81(0)3-3582-5076 http://calblueberry.org/	Residence Viscountess, Suite 310 1-11-36 Akasaka Minato-ku, Tokyo 107-0052
Florida Department of Citrus	Tel: 81(0)3-3584-7019 Fax: 81(0)3-3582-5076	Residence Viscountess, Suite 310 1-11-36 Akasaka

	www.floridajuice.com	Minato-ku, Tokyo 107-0052
Hawaii Papaya Industry Association	Tel: 81(0)467-81-3921 Fax: 81(0)467-23-6987 www.hawaiipapaya.com/	Otani Bldg. #12. 2-11-11 Komachi Kamakura, Kanagawa 248-0006
National Watermelon Promotion Board	Tel: 81(0)3-3584-7019 Fax: 81(0)3-3582-5076 www.watermelon.org/	Residence Viscountess, Suite 310 1-11-36 Akasaka Minato-ku Tokyo 107-0052
Northwest Cherry Growers	Tel: 81(0)3-4578-9389 Fax: 81(0)50-3488-4172 www.nwcherries.com	9F UCF Win Aoyama Bldg. 2-2-15 Minami Aoyama, Minato-ku, Tokyo 107-0062
Pomegranate Council Public Relations Japan Office	Tel: 81(0)3-5269-2301 Fax: 81(0)3-5269-2305 www.pomegranates.jp/	Harajuku OM Bldg. 3-13-7 Sendagaya, Shinjuku-ku, Tokyo 151-0051
Sunkist Pacific Ltd.	Tel: 81(0)3-3523-0717 Fax: 81(0)3-3523-0710 www.sunkist.com	New River Tower, 8F 1-6-11, Shinkawa Chuo-ku, Tokyo 104-0033
U.S. Highbush Blueberry Council	Tel: 81(0)3-5574-7890 Fax: 81(0)3-5574-7887 http://www.usdrybeans.com/	33F ARK Mori Bldg. 1-12-32 Akasaka, Minato-kku, Tokyo 107-6033

c. 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 "Stone Fruit Annual," "Citrus Annual," and other sector reports such as "Exporter Guide," "Japan Retail Food," "Food Service Sector Report," "The Japanese Processed Fruit Market-Opportunities and Challenges" and "FAIRS report."
For Reports on the Japanese markets: http://www.usdajapan.org/reports/

d. 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)