

## Organic Foods / Health-oriented Foods

October 5, 2018

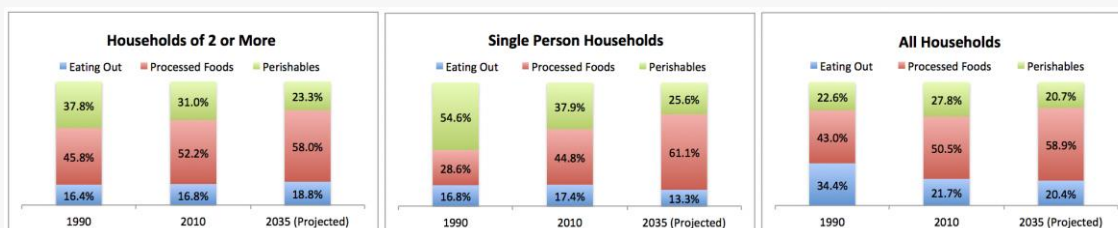
~ Domestic Demand for Processed Foods and Organic Processed Foods ~

### Domestic Demand for Processed Foods

According to a market report by Fuji Keizai “Analysis of Japanese Domestic Food Product Market and Outlooks for 2022) released in April 2018, the 2017 estimated market size for Japan’s 27 categories (411 items) of domestic processed food products was 22.5498 trillion yen (a 0.7 percent increase from 2016). In 2022, it is predicted to reach 22.8626 trillion yen.

In Japan, more and more people are using diet to maintain and improve health, prevent aging, and prolong lifespan. As a result, there is a movement among manufacturers to expand product lines that emphasize healthy components. It is expected that in many categories, there will be increased investments in products that meet the health needs of consumers. The demand for products with a “healthy” appeal is also increasing in retail. As high hopes for market growth increases, the share for “healthy” products in the processed foods market is likely to go up as well.

The three charts below show food expenditure data by household size. The three food categories measured were “eating out”, “processed foods”, and “perishables”. The data shows that domestic demand for processed foods is expanding, a trend projected to grow even stronger.



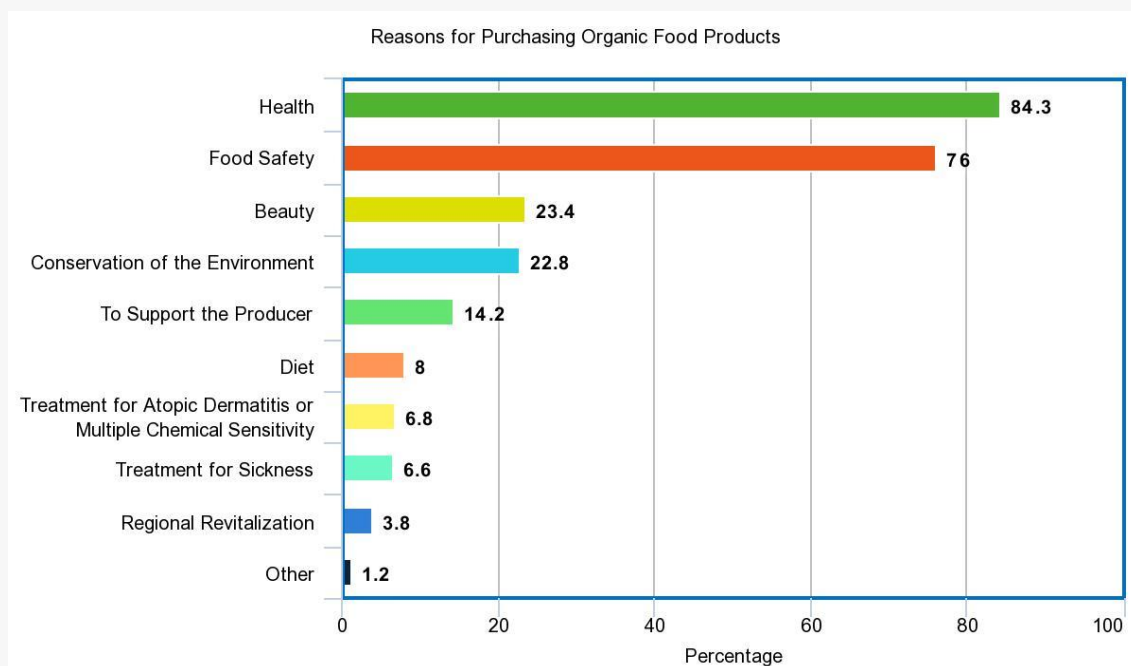
Source: Ministry of Agriculture, Forestry and Fisheries “Trends in Food Expenditure Percentages by Household Type”

## Organic Processed Foods

Japanese organic foods have often been described as an area that will not reach even one percent of the national food product market. However, movements in recent years suggest that big changes are to come. Some examples are the increase in specialty stores for organic foods, and newly established “organic” areas at food product exhibitions. Keywords include “health”, “safety”, and “environmentally friendly”.

Aeon, a Japanese general merchandising chain with 645 stores domestic and abroad, adopted and developed a sub brand called “Gurinai” as part of its “TOPVALU” series. In addition to agricultural products, Gurinai is proactive in stressing “safety and trust” and “concern for the natural environment” in its development of processed foods. Furthermore, the “TOPVALU Grinai Organic” brand develops and sells processed food products with JAS (Japan Agricultural Standard) Organic certification. As of June 18th, 2018, TOPVALU Grinai Organic boasts 130 unique, certified-organic items.

According to Dentsu CDC “The Organic White Paper (October 2016)” targeting 10,000 consumers, reasons for buying organic food products included “health” (83.4%), “food safety” (76%) at the top, followed by “beauty” (23.4%) and “conservation of the environment” (22.8%).



Source: Dentsu CDC “The Organic White Paper (October 2016)”

## Popular Japanese Processed Foods

Looking at the sales growth rates for domestic processed foods in Japan, salad chicken (a steamed chicken breast product often used in salad) is ranked 1st, followed by amazake (sweet fermented rice drink) in 2nd, tomato drinks in 3rd, and rice snacks in 4th.

### Sales Growth Rankings of Processed Food Products

Rank	Products	2017 Estimated Sales (yen)	Growth from Previous Year
1	Salad Chicken	26.9 billion	144.6%
2	Amazake	24 billion	134.8%
3	Tomato Drinks	36.6 billion	133.6%
4	Rice Snacks	3.9 billion	125.8%
5	Jelly Sweets	20.7 billion	123.2%
6	Tea Drinks	36.3 billion	118.6%
7	Sugar Free Soda Drinks	42.7 billion	118.6%
8	Cheese Fondue	2 billion	117.6%
9	Kenkocha (healthy tea)	12.1 billion	116.3%
10	Liquid Coffee	181.1 billion	116%

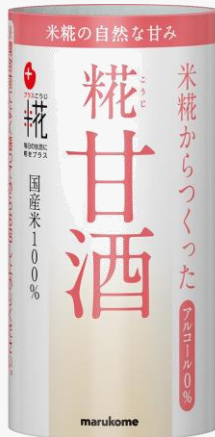
Source: Fuji Keizai

Salad chicken is made from high-protein, low-calorie chicken breast and processed for a softer texture. Seven & i Holdings helped to spark its popularity and expand the market by teaming up with Prima Meat Packers Ltd. to develop salad chicken sold in Seven Eleven stores.



Salad chicken (from left: plain, herb and citrus lemon) Photo by Ito-Yokado

Another fast-growing product is amazake, a fermented and sugar free traditional Japanese beverage. Amazake has been featured on television and other media as helpful in preventing heat stroke. Tomato drinks have become increasingly popular as health and beauty products due to lycopene found in tomatoes and ease of consumption.



Amazake

(Photo by Marukome)



Tomato juice

(Photo by Kagome)



Rice snacks

(Photo by Glico)

Rice snacks are comparatively healthier than other grain-based snacks. And with demand for gluten free foods on the rise, the market is expanding. Among processed foods with increasing demand, many products have a “healthy” reputation. Key words like “high-protein”, “low-calorie”, “low-carb”, “sugar-free”, and “gluten-free” are likely to spur even higher demand in the processed food market.

- END -