

November 2013

Industry Report

Japanese Agricultural Market



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Weak Point - Low Self-Efficiency Rate

The Japanese market for fresh fruit and vegetables has traditionally been supplied locally, with imports limited to a narrow range of products. However, due to decreasing competitiveness in the domestic farm sector, global climate change, natural disasters, and the opening up of the import market, Japan has steadily increased import volumes in order to secure sufficient supply to meet the country's demand.

Self-sufficiency of food production in Japan remains relatively low - the rate on a calorific basis in 2012 was 39 per cent. According to Japanese Ministry of Agriculture, Forestry, and Fisheries (MAFF), total supply on a calorific value per capita per day in 2012 was 73kcal (domestic supply, 55kcal) for vegetables and 63kcal (domestic supply, 21kcal) for fruit. This presents long-term business opportunities for South African suppliers and, possibly Japanese suppliers (which will be based in South Africa.)

The Great East Japan Earthquake and subsequent tsunami of 11 March 2011 caused production and supply shortages of fresh vegetables in the Tohoku area (a northern part of the Honshu, Japan), and due to rising food safety concerns and possible longer-term radiation threats to food production, this increased the need for food imports. Production capacity in the Tohoku area has recently improved through reconstruction efforts, but high prices and a negative perception of fruit and vegetables grown in the Tohoku area remain.

Overall, the price of domestic fresh produce remains higher than imported produce, as Japanese farming efficiency is lower than other countries due to small production yields and high labour costs. Japanese demand for imported produce remains high, although there is still a niche market where consumers are willing to pay a higher price to support the domestic industry. Additionally, some Japanese consumers consider domestic produce to be safer and of a higher quality. Quality produce that is fresh and safe is absolutely essential to Japanese consumers. Japanese growers have spent considerable time and energy in consistently improving their products based on taste and appearance. However, South Africa and countries in the Southern Hemisphere is well positioned to deliver alternative products at a much lower price and supply out-of-season fresh produce.

OECD working paper (May 2013) warns the Japanese agriculture sector as follows:

The problems of Japanese agriculture – in particular low productivity and the prevalence of part-time farmers and small plots have been evident for the past 50 years. The high level and distortionary nature of agriculture support imposes burdens on consumers and taxpayers, undermines the dynamism of the farming sector and complicates Japan's participation in comprehensive bilateral and regional trade agreements that would boost its growth potential. The priority is to shift to measures decoupled from production and gradually reduce border measures. Continued failure to implement necessary reforms threatens the future of the agricultural sector. In the absence of fundamental reform, the Japanese agriculture will continue to wither, trapped in a cycle of low productivity, low earnings and dependence on subsidies and import protection. The time for reform is now. A more open and market-oriented sector would also facilitate participation in comprehensive regional and bilateral trade agreements.

Fresh Vegetables

The total volume of fresh vegetables (excluding only fresh fruit items within HS code 08) imported into Japan in 2012 was **JPY98.1 billion (about ZAR 9.81 billion)** – an increase of 11 per cent compared to the previous year. The main imported fresh vegetables were:

- Onions
- Pumpkins
- Carrots
- Leeks
- Broccoli
- Burdock

(These above are also grown in Japan)

China and the USA were the top two countries exporting fresh vegetables to Japan, accounting for about 50 per cent of Japan's total fresh vegetable imports. **What it means is that the sustainable securement is very very fragile unless the supplier source is diversified.**

Fresh Fruits

The total volume of imported fresh fruit (HS code 08) in 2012 was 1,685,573 tons, valued at **JPY162 billion (About ZAR 16.2 billion)**. This was a decrease of approximately 6 per cent in both volume and value compared with the previous year. The main fresh fruit imports were:

- Bananas
- Grapefruits
- Pineapples
- Oranges
- Kiwifruit
- Lemons

While these types of fruit are grown in Japan, supply does not equal demand. Ninety per cent (90%) of pineapples and bananas imported by Japan are from the Philippines; 95 per cent of kiwifruit from New Zealand; **over 96 per cent of grapefruit is from the USA and South Africa**; and 90 per cent of oranges from the USA and Australia. **Fresh fruit imports to Japan are predominantly supplied by only a few countries.**

Again what it means is that the sustainable securement is very very fragile unless the supplier source is diversified.

Current Hot Topic

Japan is now at Trans-Pacific Partnership (TPP) negotiation table. Once the TPP is actualised, Japanese agriculture sector will expose to fierce completion. To stay above water, they should be more competitive by becoming more efficient despite of small production yields and high labour costs. 'Protected Japanese agriculture sector' will be a thing of the past soon.

To that end, The Dutch government proposed 'Information Technology (IT)' as one of solutions:

Application of IT such as sensing, communications and biotechnology is attracting much attention as a trump card to not only revitalise the Japanese agriculture but also

help farmers cope with trade liberalisation of agricultural products. Field management monitoring, growth condition monitoring/control, GPS guidance, agricultural robots, weather information and other agriculture-related services are being developed jointly by the government, private companies and academics, and they are still in the field test stage. Farmers are paying much attention to IT as an indispensable tool to deal with free trade and aging farming population without younger successors. Japanese farmers and others have keen interests to learn from the Netherlands due to the high unit-area yield of its protected horticulture and many Japanese are visiting the country to directly see what is going on there.

(Source: the Embassy of the Kingdom of the Netherlands in Tokyo in collaboration with Seed Planning Inc.)

Rising IT Use in Agriculture in Japan

(JPY million)

	2010	2015	2020
IT use in Agriculture	6 000	10 000	60 000
➤ Production	600	3 000	21 000
➤ Collection/Distribution	3 000	3 600	18 000
➤ Sales/Consumption	2 400	3 400	20 000

Source: Seed Planning Inc.

Major Trade Shows

- Foodex 2014 (4 - 7 March 2014)
<http://www3.jma.or.jp/foodex/en/>
- South Africa will have National Pavilion.
- Wine and Gourmet Japan (2 – 4 April 2014)
<http://www.wineandgourmetjapan.com/>
- Wine of South Africa (WOSA) will have a National Pavilion.
- Health Food Exposition & Conference 2014 (21 - 23 May 2014)
<http://www.ifiajapan.com/2014/en/index.html>
- Supermarket Trade Show (12 - 14 February 2014)
<http://smts.jp/english/>

Reference:

- Austrade
- OECD paper
- The Embassy of the Kingdom of the Netherlands in Tokyo

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