

## 1 Introduction

The Japanese market for imported bread, biscuit and cake mix products has expanded rapidly over the past six years and is expected to continue to grow in 1990. From virtually nil in 1983, the volume of imports of these products in 1988 reached approximately 78 750 metric tons, valued at C\$50 million, of which about 8 300 metric tons were of Canadian origin, according to Japanese statistics. This report will outline the market opportunity which exists in Japan for these bakery mix products.

## 2 Market Characteristics

There are hundreds of commercial bakeries in Japan, producing a wide range of bread, cookie and cake products. Over the years, large commercial bakeries have developed close relationships with their flour suppliers, some of which have installed mixing equipment to produce ready-to-use bakery mixes, eliminating the need to prepare such mixes on-site in the bakeries.

The smaller bakeries tend to organize into associations which may offer additional opportunities for containerised bakery mix sales.

Individual companies often have their own unique specifications for mixes which prescribe gluten and ash content of the flour component, sugar content, skim milk powder, salt, etc. according to the specific requirements and type of the end product.

The market for bread products in Japan has been very stable in recent years and is not showing much growth, apart from one to two per cent per year due to population growth. Bakeries are continuously striving to improve their cost efficiency and by using imported bakery mixes they can save considerably.

## 3 The Japanese Milling Industry

Japan has some 200 flour mills which operate at about 60 per cent capacity to process 6 million metric tons of wheat annually. The four largest milling companies (Nisshin, Nippon, Showa and Nitto) account for some 65 per cent of Japanese flour production. Most of the milling wheat is imported from Canada, the U.S. and Australia.

Japanese wheat production amounts to less than 1 million metric tons annually and is inferior to imported wheat in terms of milling and baking quality. However, Japanese flour mills are required to purchase this wheat at approximately C\$1 800 per metric ton, which is about six times the current world price. All imported wheat is purchased by the Japanese Food Agency at the world price (around C\$300 per metric ton) and resold to Japanese millers at approximately C\$800 per metric ton. The Food Agency utilizes the profit in part to subsidize Japanese wheat and rice producers through government price supports. The overall result is that Japanese-produced flour prices are significantly higher than world flour prices and while flour imports are controlled by the Food Agency (and effectively prohibited), imports of bread, biscuit and cake mixes are allowed, provided that the wheat flour content of these preparations does not exceed 85 per cent by weight. This offers an excellent opportunity for the Canadian flour milling industry to export these mixes to Japan in competition with locally produced mixes and those from other countries including South Korea, the U.S. and Australia.