

MARKET ACCESS

GENERAL DISTRIBUTION SYSTEM

The distribution system for fishery products in Japan, although changing due to market pressures, is quite complex. The traditional seafood distribution system can be divided into two main areas: 1) the producing area market, concerned mainly with the assembling and shipping of fresh products; and 2) the consumer area market, which is involved primarily with receiving and wholesaling fresh product from the producing area market.

Producing area markets, which have close ties with fish producers, are located adjacent to fishing ports and are established on the basis of licenses granted by the prefectural governor. Consumer area markets, on the other hand, have close ties with consumers, and are located in urban areas. They are established and operated as public corporations under the control of the prefectural government.

Due to seafood's rapid potential for deterioration, the quality of the product is checked at every stage between the landing port and the consumer market. The pricing at the various distribution stages corresponds directly to product quality. Pricing is determined on the basis of the interaction of numerous conditions, primarily freshness, quality and the availability of competing species.

The producing area market deals with seafood landings and imports which are handled by consignees and wholesalers, many of which are organized by local fishery cooperatives. The number of wholesalers, in both producing and consuming area markets, is regulated based on the market size. The wholesalers sort the products by type and size. Then through intermediary traders, who further sub-divide the products, they are forwarded to consumer area markets, fish processors, local retailers and cold storage companies. Intermediary traders, in the port area market, ship their purchases to a consuming area market at their own risk. Their profit margins amount to the difference between the selling price to the consumer area market and the sum of the purchase price in the port area market, transport, and other handling costs.

Wholesalers in the consumer area markets receive their product from the various producing area markets in the local landing ports. The wholesaler in the consumer area market further sub-divides the fishery products by size, and in so doing adds an additional margin onto their prices. The key function of the primary wholesaler is to assemble and ship product.

Intermediary traders, through auction and tender, purchase product from the wholesalers, since it is physically impossible for the consumer area wholesaler, within a short time span, to market to retail and institutional buyers the large and varied mix of products flowing into the consuming area market. It is necessary and vital that an intermediate trader again subdivide these shipments into appropriate lots.

Fresh fish is sold wholesale mainly by auction or bid. Frozen or processed products are sold by direct negotiation between the wholesaler and the buyer -- i.e., the intermediate trader or authorized dealer. Throughout Japan, there are 53 central wholesale markets and 74 local wholesale markets that handle seafood. Distribution routes that go through these markets, outlined above, are described as "in-market", while other routes are referred to as "out-market".