PROCESSED FOOD PRODUCTS

Japan is the world's largest net importer of agriculture and food products. Food imports (excluding fish and marine products) reached US$33.9 billion in 1995. Not only was this a significant 9 per cent increase over the US$31.1 billion registered in 1994, it was the fourth consecutive annual record.

In 1995, Canadian agri-food exports to Japan exceeded $2 billion for the first time, surging 26 per cent above 1994 levels. Commodity and semi-processed products continue to dominate our exports: oilseed exports reached $864 million, grains $433 million, and meat $310 million (with greatest gains in fresh, chilled exports). However, the growing Japanese demand for semi-processed and consumer-ready foods and beverages of all kinds is fueling value-added exports.

Although Japan is Canada's second-largest export market after the United States, Canada's share of Japanese agri-food imports is small. While Canada's exports to Japan have increased significantly, the increase has not kept pace with the rate of growth in the import market. Canada's 5.6 per cent market share makes Canada Japan's fifth-largest supplier of agriculture and processed food products, but is below the 5.8 per cent share held in 1993.

Market Opportunities

Market potential is immense. From the 1995 reference point, each 1 per cent increase in future Japanese purchases of agri-food products from abroad will result in a US$339 million incremental growth of imports. While basic agricultural commodities such as grains, oilseeds, genetic material and livestock feed will remain in demand, the future growth lies in the untapped potential for an almost limitless range of value-added food items, including cereal-based products, meats, fresh and processed fruits and vegetables, and both alcoholic and non-alcoholic beverages. Key growth areas are expected to be oven-ready and convenience foods, health foods, private-label products, and food ingredients.

The Japanese agri-food market is evolving rapidly. Fully 54 per cent of food requirements are met by imports, since domestic food production is severely hampered by structural challenges. Japanese farms are small, averaging only 1.3 hectares. High input costs and land costs are hurdles to land amalgamation. Only 12 per cent of Japanese farmers are full-time farmers. In addition, more than 60 per cent of Japanese farmers are over 55 years of age. Their successors are neither obvious nor plentiful.

In addition to the internal structural difficulties, the Japanese agri-food sector must cope with the competitive disadvantage of a domestic currency that has risen in value by 240 per cent during the last decade, while also preparing for the implementation of trade agreement obligations that will further erode border protection during the next five years.

Other factors fueling agri-food imports are changing consumer behaviour and the resulting modification in distribution patterns. Compared with only five years ago, Japan's affluent and aging consumers have become increasingly global in their tastes, value conscious in their purchasing, and health conscious in their selections. While maintaining their world-renowned high expectations for product quality, uniformity and presentation, they are increasingly patronizing retailers and food-