Recipe for Survival

The production value of the food industry ranks third among manufacturing industries next to the electric machinery and transport machinery industries. It consists of a great variety of products ranging from traditional Japanese items such as *miso* (soybean paste) and *shoyu* (soy sauce) to beer and meat processing which have achieved spectacular growth since World War II. Each sector is developing new products to meet changes in consumers' diets and there is keen competition among them.

The beef and citrus juice industries are expected to show most vigorous activity in 1990 as they will need to adopt a new approach to their business now that Japan has decided to liberalize beef and orange imports. Specifically, as a result of the June 1988 decision, anyone will be allowed to handle beef and orange products, in contrast with a long period during which the number of importers and import volume were restricted. The beef and citrus industries will now have to fight to secure their market shares.

Japanese general trading firms and meat processors as well as a few superstore chains have already purchased ranches in the United States and Australia, and have begun to develop products tailored to the Japanese market. The catering industry is trying to popularize new beef dishes in order to attract consumers. In this way, the entire food industry is putting effort into research and studying ways to persuade consumers to eat more beef.

A big topic in the food industry is the "dry beer" boom. The newly developed beer shook up the industry, market shares of which had seemed almost permanently fixed. Breweries raced each other to develop a series of new products to counter the dry beer boom. Because the beer industry is an equipment industry, there is a strong tendency toward oligopoly. The Japanese beer market is more or less controlled by four big breweries. As their market shares hardly changed from year to year, brewers had become cautious about developing new products. Against this background, the dry beer developed and marketed by a low-ranking brewery became an explosive hit, helped along by an aggressive advertising campaign. Dry beer was such a big hit that other breweries were compelled to follow with their own versions.

Since the beginning of 1989, however, the late-starter dry beer makers have changed their strategy and tried to crush dry beer. They have developed a great variety of new products, such as pure malt beers, perhaps a predictable move amid the diversification of consumers' tastes and preferences. Consumers have already passed judgment on some of the new products in 1989, forcing them to be withdrawn. In 1990 consumers will pass judgment on the rest of the new beers.

"Dry beer" not only expanded the beer market but inspired brewers to introduce a great variety of new products, such as pure malt beers.

Some food manufacturers are hamstrung by the Food Control Law. Japanese flour milling companies have lost international competitiveness as they are forced to purchase high-priced low-quality domestic wheat together with imported wheat. On the other hand, imports of assorted flours have been liberalized and are increasing sharply. The import volume of such products in 1989 ballooned so much that it is believed to have equaled the annual production volume of a major domestic flour producer. Many of the medium-sized flour millers are plagued by stringent business conditions, and a fundamental solution to this problem must be found quickly.

Manufacturers of precooked foods are becoming a force to be reckoned with. They enjoy continued growth amid the current tendency of family members to dine separately, the trend toward nuclear families, and housewives preferring easy and quick ways of preparing meals.

A common feature of all sectors of the Japanese food industry is their internationalization. As domestic raw materials have lost price competitiveness consequent to the liberalization of imports, food makers tend to produce foodstuffs overseas, promote tie-ups with overseas makers, and purchase overseas food makers. The time has come for the food industry to shift to globalization from heavy dependence on the domestic market in order to survive.

(Nobuo Jinnai, economist)

Schedule for Liberalization of Beef and Orange Imports

	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Beef (1,000 tons)	274	334	394	Liberalized	→	→
Tariff (%)	25	25	25	70	60	50
Oranges (1,000 tons)	148	170	192	Liberalized	→	→
Condensed orange juice (1,000 tons)	15	19	23	40	Liberalized	→
Category A	2.9	11.4	Mixture restrictions to be abolished			
Category B	4.9	1.9				
Category C	7.2	5.7				
Fresh orange juice (1,000 kl)	15	21	27	N.B.	Liberalized	→

Notes: 1. Category A denotes orange juice not required to contain *mikan* (Japanese mandarin orange) juice; in category B, at least 10% of contents must be *mikan* juice; in category C, at least 50% of contents must be *mikan* juice.
2. N.B.: Framework will be set up according to demand.
Source: Japan External Trade Organization