

## Grains

September 25, 2013

### SPECIAL FEATURE ON CEREAL MAIN REASON FOR PURCHASE IS FROM BREAKFAST DEMAND

The cereal market is continuing to expand. The value on a retail basis almost reached a record high at 28.7 billion yen in FY2012. The cereal market made a significant growth because more people are eating at home from the recession, have a higher consciousness towards health and beauty, and the influence of the organic boom. Granola types including fruits and nuts are especially increasing its popularity. In 2012, products targeting adults did well. Products targeting children varied depending the maker, but it still made a steady growth. Cereals had been categorized along with snacks for a long time, but the market became more stabilized last year when a majority of the cereal consumers bought it for breakfast.

The domestic supply volume (domestic production volume + import volume) of 2012 was up 15.6% from the previous year to 38,486 t. This was caused by granola making a drastic increase of a year on year 49.4%, in addition to the firmness of corn flakes (sugar), which has high sales composition rate.

#### Production Volume and Value of Cereal by Category

		2010		2011		2012		Volume	Value
		Volume	Value	Volume	Value	Volume	Value		
Corn flakes	Sugar	13,529	109	13,442	106	13,978	109	104.0	102.2
	Sugar free	1,513	11	1,561	11	1,565	10	100.3	95.9
	Total	15,042	120	15,003	117	15,543	119	103.6	101.6
Brown rice flakes		1,182	14	1,407	17	1,343	16	95.4	96.0
Granola		6,942	49	8,206	61	12,259	94	149.4	155.1
Other cereals	Bran	2,772	27	2,663	26	2,906	29	109.1	112.9
	Rice / wheat	2,919	41	2,629	37	2,749	36	104.6	96.9
	Others	282	5	391	7	186	3	47.5	42.9
	Total	5,973	72	5,683	70	5,841	68	102.8	97.5
Total		29,139	255	30,300	264	34,986	297	115.5	112.4
Year on year (%)		100.0	98.3	104.0	103.7	115.5	112.4	-	-

Sources: Shokuhin Sangyo Shimbun

#### Import Trends

The import volume of breakfast cereal in 2012 was 3500 t (up year on year 16.5%) and import value was 840 million yen (up year on year 10.9%). Both import volume and value made a double-digit growth showing a steady movement along with the domestic market. As for imported cereal, there were some cases where imported goods followed a new distribution route as an alternative for domestic products after 3.11 East Japan

Earthquake and became fixed as a regular item from its high turnover.

Each company handling imported cereals is continuing to work to gain fixed fans and for brand development. But there are some companies that attempt to "dig up new demands that are different from domestic products" (major importer) at variety stores and specialty stores other than food. In addition, they are making active engagement to gather new customers by promoting cereals at specialty stores to make potential consumers recall the image of breakfast. These types of strategies that provide an eating scene that is close to daily life functions effectively as promotion.

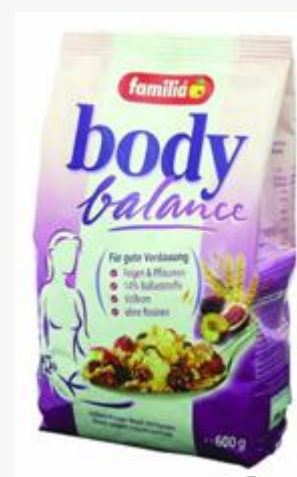
According to Japanese national nutrition survey announced last year, a record high of 14.4% males and 11.1% females skip breakfast. By sex and age, males in their 20s are 34.1%, 30s are 31.5%, and females in their 20s are 28.8%, 30s are 18.1%. It is clear that for both males and females, those in their 20s-30s had a high rate to skip breakfast.

Therefore, stimulating potential breakfast demand will lead to future expansion of the cereal market. But there are problems. According to a cereal industry dealer, "cereal shelves are fixed especially in volume sellers, and there are no signs of expansion." In addition, cereals are placed on shelves of biscuits and cookies at some stores, and it is difficult to say that the cereal culture has been fixed and stabilized in Japan. There are needs for measures that will review the cereal culture and create a firm market base.

## Trends of Each Importing Company The case of Suzusho Ltd.:

Suzusho handles "familia" (Switzerland) with predominant reliance in Europe, "weetabix" (England) that is familiar in over 70 countries and a purveyor to the Royal Household in England, and "crunchnola" (Canada) that is popular for its traditional design and taste. As for sales, "familia" and "weetabix" each account for 40%, totaling 80%. The products were distributed widely to import specialty stores or general volume sellers.

There are 18 items, but Suzusho sells "body balance" and "a.c.e balance" (food with health claims) that are rich in fiber and vitamins, in self-explanatory packages. Both products have clear functions of beauty and health that "can be differentiated from other companies and are getting positive feedbacks from distributors." There are hopes for larger growth in the future.



## The case of Yutaka Trading Company Limited:

Yutaka Trading Company handles dorset cereals (England) that uses high quality materials and Quaker (US, Canada) that has a number one oat meal share in the US. Deep-rooted repeaters support the sales. By using a special package that contains nitrogen, Quaker preserves the products freshness and quality and has a reputation for its taste. Yutaka Trading will continue to put effort into brand development, aim to get the product fixed in the market, and stimulate new demand. Yutaka Trading will also consider giving out samples in small bags to import specialty stores and others.



"Quick oat meal" that began selling last summer is the current center of focus. It uses a cylinder package that is used in the US. It has a high visibility in the stores and Yutaka Trading comments that there are expectations for high sales.

## Case of Kitanoya:

Kitanoya handles Alara's (England) Muesli that uses organic materials. To prevent insects and heighten the safety of the product, the top 5 popular items are repacked in Japan. Last year, both regular and new products were sold in more stores from the high health consciousness of the people and the natural foods boom.



Also, they are planning to "fortify the proposal of how to show the selling area" by lining up cereals with other related products and creating a breakfast scene to gain new customers.

In addition, as a way of opening up the customer's view towards products in order to widen up their consumption, Kitanoya is thinking of making an approach to specialty stores other than food such as general goods stores or book stores.