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Hort Innovation

Understanding International Consumer Demand

Japan Market Report

2023

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This project is funded through the Australian Government's Agricultural Trade and Market Access Cooperation (ATMAC) program with Hort Innovation levy contributions from the almond, apple & pear, avocado, blueberry, cherry, citrus, dried grape, fresh potato, lychee, macadamia, mango, melon, olive, onion, raspberry & blackberry, strawberry, summerfruits, sweet potato, table grape and vegetable industries.

Contents

1. Background and Objectives

The project context, objectives, approach and methodologies

Background

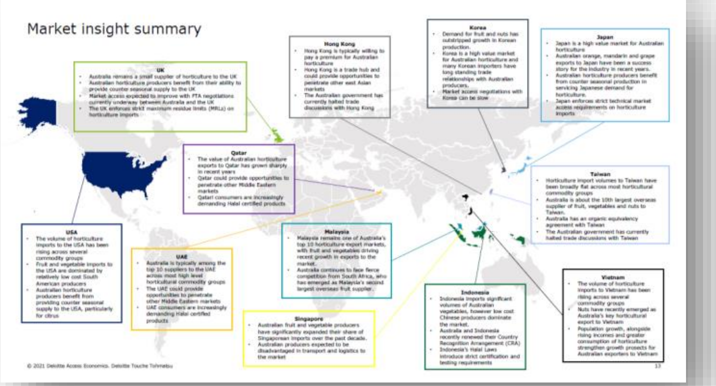
- Addressing the disruptions of COVID-19 on Australia's ability to export, Hort Innovation proactively initiated and invested in several critical projects
- One of these projects, carried out by Deloitte, was designed to assess the opportunities to rapidly diversify and expand in export markets. They identified 13 markets that offer growth potential
- This project builds on these past programmes and is designed to provide an in-depth understanding of consumers in these critical markets

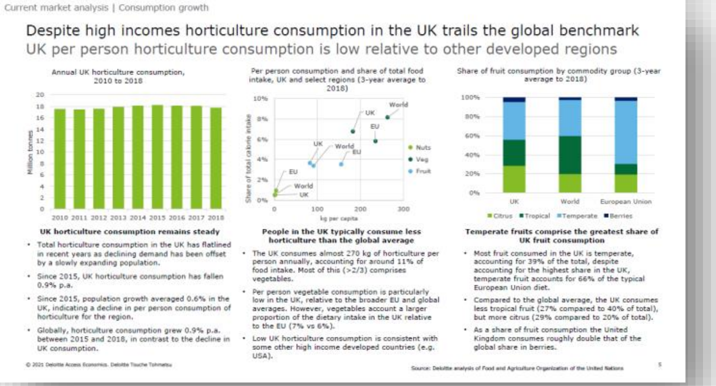
The Deloitte report

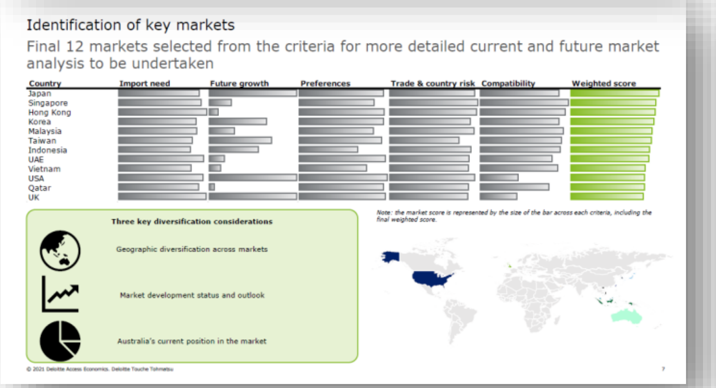
The Summary Market Analysis report identified x12 markets for Australian export and ranked the markets based on import need, future growth, preferences, trade & country risk and compatibility

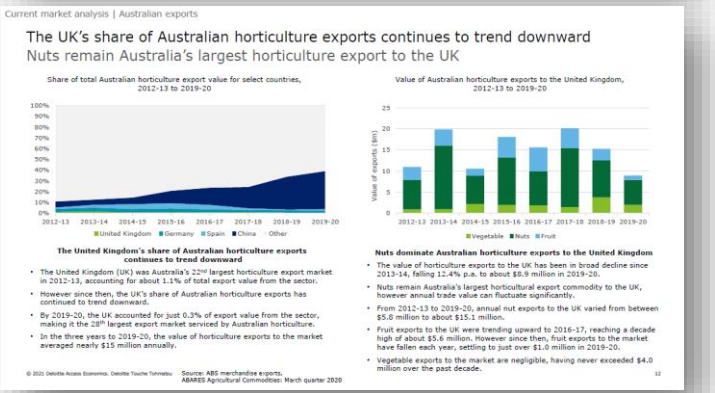
The Market Analysis then dove into each markets' import potential, based on existing market sizes, trajectory and the competitive landscape

This Kantar report builds on this analysis and provides the crucial consumer lens for the x12 markets. Furthermore, India has been included as a 13th additional market.



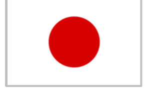






Central research question:

“How can Australian Horticultural Industries unlock growth by generating consumer demand for different categories across different international markets for today and tomorrow?”



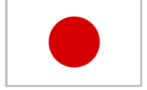
Objectives

- The objective of this study is to provide a consumer-led perspective on the export opportunity of Australian horticulture
- It will unpack consumers attitudes and values, as well as their fresh produce shopping behaviour and how they consume fruits, vegetables and nuts in each of the 13 markets
- It will provide a strategic lens on which markets represents the most attractive opportunity for each of the priority commodities
- Plus, identify commodities that have the strongest right to play within each market
- This is about optimising export & product positioning today and in to the future in order to drive growth against prioritised industries and facilitating the deployment of effective & coordinated trade marketing resources

Therefore, the focus of this report is understanding the consumer.

We will get under the skin of peoples' attitudes towards food, how they shop for produce and why, when and how they consume fruits, vegetables and nuts.

Through analysing their propensity to spend more on premium, plus their appetite for Australian, we will reveal the strongest commodity consumer export opportunities.



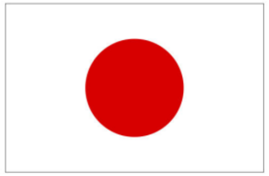
The 13 markets included in the study

USA

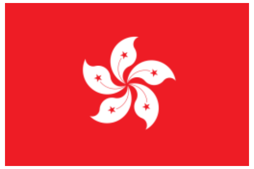
UK

Singapore

India

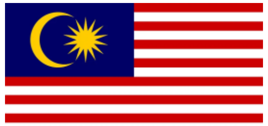


Japan



Hong Kong

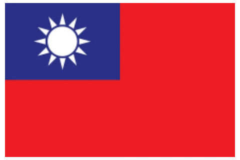
South Korea



Malaysia

UAE

Qatar



Taiwan

Vietnam

Indonesia

The 20 industries of interest in the study


Almond


Apple & Pear


Avocado


Blueberries


Cherry


Citrus


Dried Grapes


Lychees


Macadamia


Mango


Melons


Olives/Olive Oil


Onion


Potatoes


Raspberries
& Blackberries


Strawberries


Summer fruit


Sweet Potato


Table Grapes


Hard Veg,
Fruiting Veg & Leafy Veg

The approach

1. Audit & Discovery

What we will do
- Project kick off
- Knowledge audit
- Stakeholder alignment

The outcome
Clear understanding of key hypotheses and inputs into later stages of work and alignment on the knowledge gaps

2. Localise & Enrich

What we will do
- In-depth culture, category & consumer understanding
- Expert interviews (x3 per market)

The outcome
In-depth local market understanding of the cultural forces driving & shaping consumer demand in the market today and where it is moving to in the future

3. Develop Growth Plan

What we will do
- Identify & quantify
- Growth opportunities

The outcome
Consumer profiling based on demographics, occasions and needs. Defined & quantified opportunity spaces and clear recommendations on prioritized opportunities

4. Align & Embed

What we will do
- Create & embed roadmap for growth

The outcome
Aligned team trained, engaged and ready to activate clear missions & jobs to be done against prioritized horizons. A unified growth narrative tailored and fit for purpose for key stakeholder groups.

1. Audit and Discovery
Interview programmes methodology

Internal stakeholder interviews

- 30 x 1 hour interviews with key stakeholders identified by Hort Innovation

Knowledge audit

- Thorough review of the existing resources within Hort Innovation to ensure we build on existing body of knowledge rather than repeat it

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2. Localise and enrich
Enriched market understanding

External expert interviews

- 3 x 1 hour interviews per market with local market experts
- Experts were either direct importers of priority commodities or fresh produce retail experts
- The 39 interviews totalled nearly 70 hours of shared knowledge and insight across the 13 markets and 25 commodities

3. Develop Growth Plan
Quantitative research methodology

Local Market Research

- 25-minute online survey conducted in each of the x13 markets
- Demographically national representative sample of N=4,000 per market
- Respondents are medium & high income consumers only
- Survey design included:
  - Category usage across fruit, veg and nuts
  - General attitudes, values and produce shopping behaviours
  - In-depth occasion understanding of their own recent consumption of up to two of the priority commodities consumed frequently
  - Surveyed perceptions of Australia, perceptions of premium and the right for Australia to command a premium

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3. Develop Growth Plan
Outputs & reporting structure

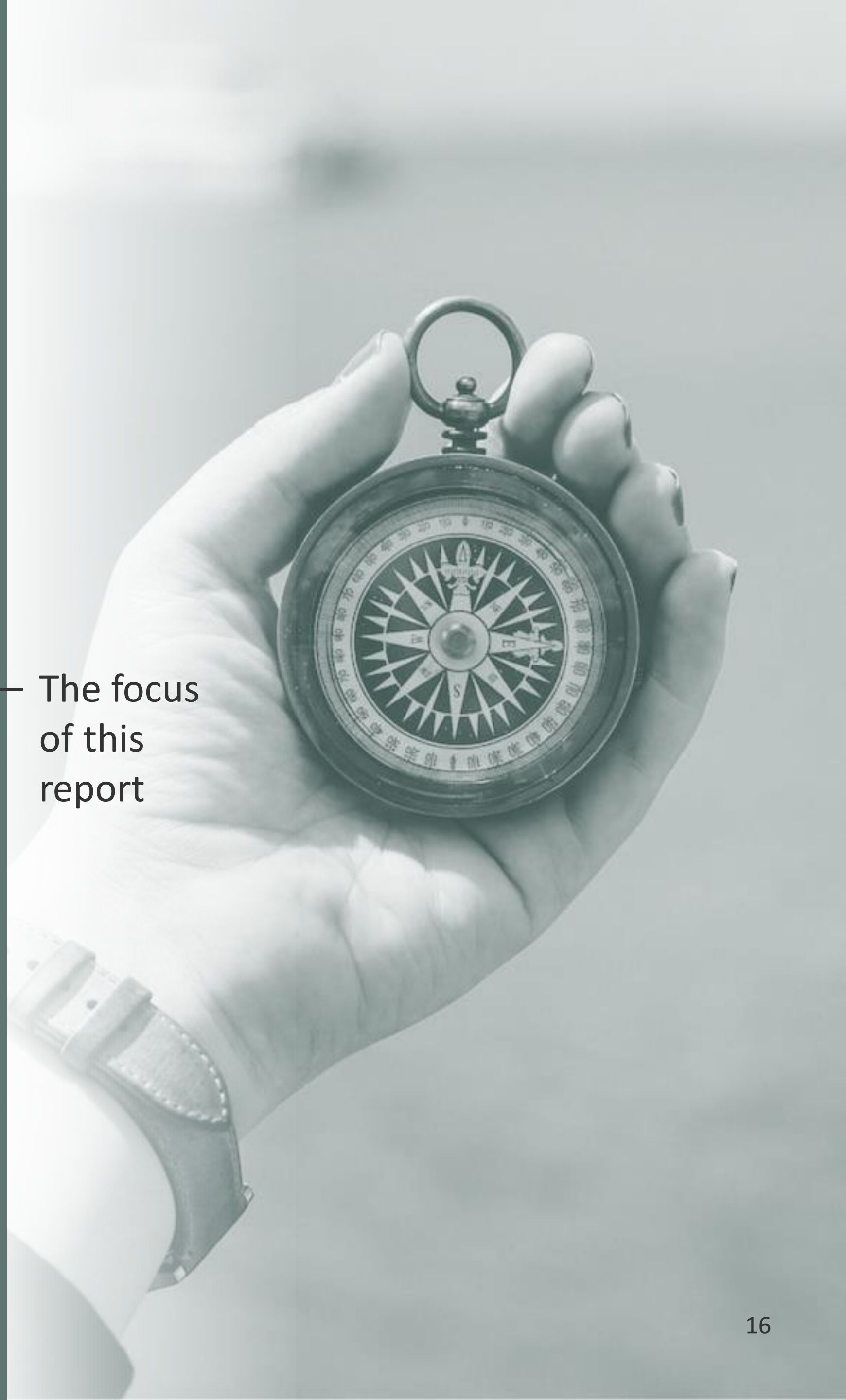
Market reports

- The **x13 market reports** take the lens of the priority country. The purpose is to provide a holistic picture of consumers within that market, including their attitudes, shopping behaviours and horticulture consumption.
- The strategic lens will identify which priority commodities are most attractive and have the greatest appeal for consumers in that market.

Category reports

- The **x3 category reports** will include detailed profiling of each of the priority commodities. The purpose is to provide in depth analysis on how each fruit, vegetable or nut is consumed around the world.
- The strategic lens will provide a perspective on which markets represent the strongest consumer opportunity for export.

The focus of this report



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3. Develop Growth Plan
Market report contents

	CHAPTER	CONTENT
1	**Key insights**	Headline report findings
2	**Introduction**	Project context, research question, objectives and methodologies
3	**Market foundations**	Key fresh produce market dynamics, drivers of consumer behaviour and essential 'need to knows' straight from the in-country retail and import experts
4	**The Consumer**	Consumer values and attitudes to food and fresh produce, plus, shopping preferences and typical behaviours
5	**Commodity consumption**	Deep dive into data profiling the priority fruits, vegetables and nuts consumption moments to illuminate how the fresh produce is typically consumed in market
6	**Commodity prioritisation**	Leverage the strategic framework to prioritize commodities based on consumer behaviour and perception
7	**Strategic consumer recommendation**	Recommendations on how to go after growth opportunities, based on consumer needs, triggers & barriers
8	**Appendix**	Commodity groupings & market Demand Space framework

2. Market foundations

Key fresh produce market dynamics, drivers of consumer behaviour and essential ‘need to knows’ straight from the in-country retail and import experts

Japan expert interviewees

Satoshi Yoshida

Satoshi Yoshida has worked for Dole Japan, the world's largest producer of fruits and vegetables, for 15 years. Currently Manager of Tropical Fruits (2011 – present)

15+ years industry experience

As Manager of Tropical Fruits Management from October 2011, Satoshi is responsible for business planning, PL management, acquiring overseas suppliers, partners and new clients, quality management, and negotiation. Prior to it he was the Sales Manager of West area of Japan (2006 – 2011). His product experience covers a wide range of fruits and vegetables he had been in charge of sales of imported fruits since he joined the company in Tokyo office (1999 – 2002)

Daniel Kass

Vice President of Sales, Marketing and Business Development at AC Foods- Suntreat Packing (2017 – present)

10+ years industry experience

Suntreat Packing & Shipping Co., A Limited Partnership packs and sells citrus fruits for customers in the United States and Canada. Previous to this, Daniel was the Managing Director of International Sales at Wonderful Citrus, LLC. (2006 – 2017). Daniel launched the independent export sales organization with global distribution to 30+ markets spread between Asia, Europe, Latin America, Oceania. Whilst working in the industry, Daniel lived in Japan for several years has a in-depth understanding of the import-export of fresh produce to this market.

Katsuhito Inakubo

Trade and Engagement Manager at Tridge (2021 – present) which helps businesses safely and reliably source food & agricultural products globally

20 years industry experience

At Tridge, Katsuhito helps buyers around the globe import food and agricultural product efficiently by supplying products directly to coustomers in addition to taking care of everything from production to shipment. Held several previous roles at AEON Global, including; Buyer, Logistics and Documentation Operator at AEON Global Merchandising (2020 – 2021), International Sales and Export Operator in the Export Business Department (2015 – 2020) and Coordinator at Intermediary Trade Promotion (2014 – 2015).

Japan expert interviews: Key observations

Imports are seasonal and stronger for fruits vs. veg

Imports of fresh produce depends heavily on the specific commodity, as well as the time of year. There's significant domestic production from July to November, but either side of this, much fresh produce is imported. This is especially true of fruits, whereas more vegetables are grown locally

Distributors – not retail – control imports

Retailers in Japan rarely import products directly, instead they rely on distributors to import fresh produce. The 300+ different supermarkets buy from these distributors and other wholesalers

Challenging market access

There are restrictions on fresh produce imports, in part because the government wants to protect domestic production. It can be especially challenging for new markets to gain access for new commodities and anecdotally our experts reported that it can take 5+ years to gain market access

Heavy on the packaging

Fresh produce is typically thoroughly packaged and wrapped in plastic. In part this is driven by food safety, but is also a merchandising tool used by retailers to sell more produce and command a higher price point

Consumers are also concerned with chemical residue on fresh produce and all chemicals used post-harvest are listed on packaging. Low pesticide use is a key driver of demand for produce

Phenomenal flavour from Japan

Fresh produce in Japan is known to be very good quality, flavoursome and very sweet. Consumers are knowledgeable and open to trying new types and flavours of produce. Department stores stock really high-end produce that consumers would be willing to pay a huge premium for during off-seasons or for special occasions

Imports dependent heavily on seasonality and vary by commodity based on domestic production

"It depends on season. We do have a lot of domestic production, especially after summertime, from July to November. We do have the local shelf space from February to early May when we don't have domestic fruits as much.

Regarding imported fruits, from February to June, it can be a high season. In other parts of the year, you need to compete with domestic fruits.

When the domestic production is not as good and the prices get high, imported fruits have an opportunity to sell more. If you bring something different, something unique, there is the possibility to get it on shelf.

- Satoshi Yoshida

"There are some key items like citrus, kiwi, bananas, pineapple, that are a higher percentage of imports versus domestic production. Veg, melons, things like that are probably a much higher domestic production for various reasons.

- Daniel Kass

"Depending on how much volume is domestically grown will determine how to open the market is to overseas

- Katsuhito Inakubo

Retailers acquire imports indirectly via distributors who are responsible for import of produce

"The distribution system is such that the retailers tend not to import directly. There is a third party, typically an importer that's also a wholesaler, and they provide that function for the retailer.

- Daniel Kass

"I would say there are very few cases where retailers imports products by themselves. There is nuance with the supermarket or retail chains in Japan. We have more than 300 supermarkets or grocery store chains. So it means some of them are quite small and even the big one like AEON, pretty much all use the importers and distributors. So exporters normally deal with importers and distributors.

- Satoshi Yoshida

Japan is a challenging market to access particularly for new players due to safety regulations and domestic protections

What they tend to do with their domestic production is what's known as low-chem or it's post-harvest-free chemicals. Australia has a good following in Japan. The protocols are a little difficult. You have to cold treat a lot of the fruit that goes to Japan. That limits what you can do there really from a risk standpoint.

It's a challenging market to gain access to. If you don't have access, that can be a long process. The access is mainly due to some past disease issues, and those things can take 5, 10, 20 years to sort themselves out between government studies etc.

The protocol, maybe you have to fumigate your product to ship to Japan. Well, that's going to reduce the shelf life. The protocol can impact that. The duty rate in Japan for an item can also have an impact on the importer.

- Daniel Kass

The Japanese government are imposing a lot of regulation quality wise because of insects that can be very harmful to the domestic produce. So for example, citrus is domestically grown a lot, particularly mandarins. They are very sensitive to insects.. There is a the risk of those insects existing in other countries where citrus is cultivated. So the government are imposing very strict rules or regulations for this.

- Katsuhito Inakubo

Sometimes it takes 5 years. Sometimes it takes more than 30 years to get approved for imports

- Satoshi Yoshida

Produce is heavily packaged in store as it signals food safety and allows retailers to influence the quantity purchased

“They're heavy in the packaging. You see almost everything in the produce section is packaged. Oranges are four or six to a little tray or a cellophane bag. The broccoli is wrapped. Given their hypersensitivity to chemical resides, they use a lot of packaging.

It’s also a merchandising tool for the retailers that sell four small mandarins in a bag as opposed to trying to sell them each individually. Then the consumer views it too as used for safety reasons.

- Daniel Kass

“There are other alternatives like fresh fruit juice or jellies or those kind of processed fruits. It’s about convenience. Not having to cut or pit or peel.

People aren’t wanting to buy whole melons. They want already cut ones. Consumption behaviour is shifting toward lighter or smaller processed fruits.

- Katsuhito Inakubo

Japanese consumers are knowledgeable and adventurous and have high expectations from produce

"A lot of the domestic product tends to have a great flavour profile no matter what they grow compared to the rest of the world.

In Japan, at the retail shelf, they'll put all the post-harvest chemicals that are used on a fruit or vegetable. The retailers want as little on that list as possible, and the consumers have grown accustomed to that. That's a big driver for demand in Japan.

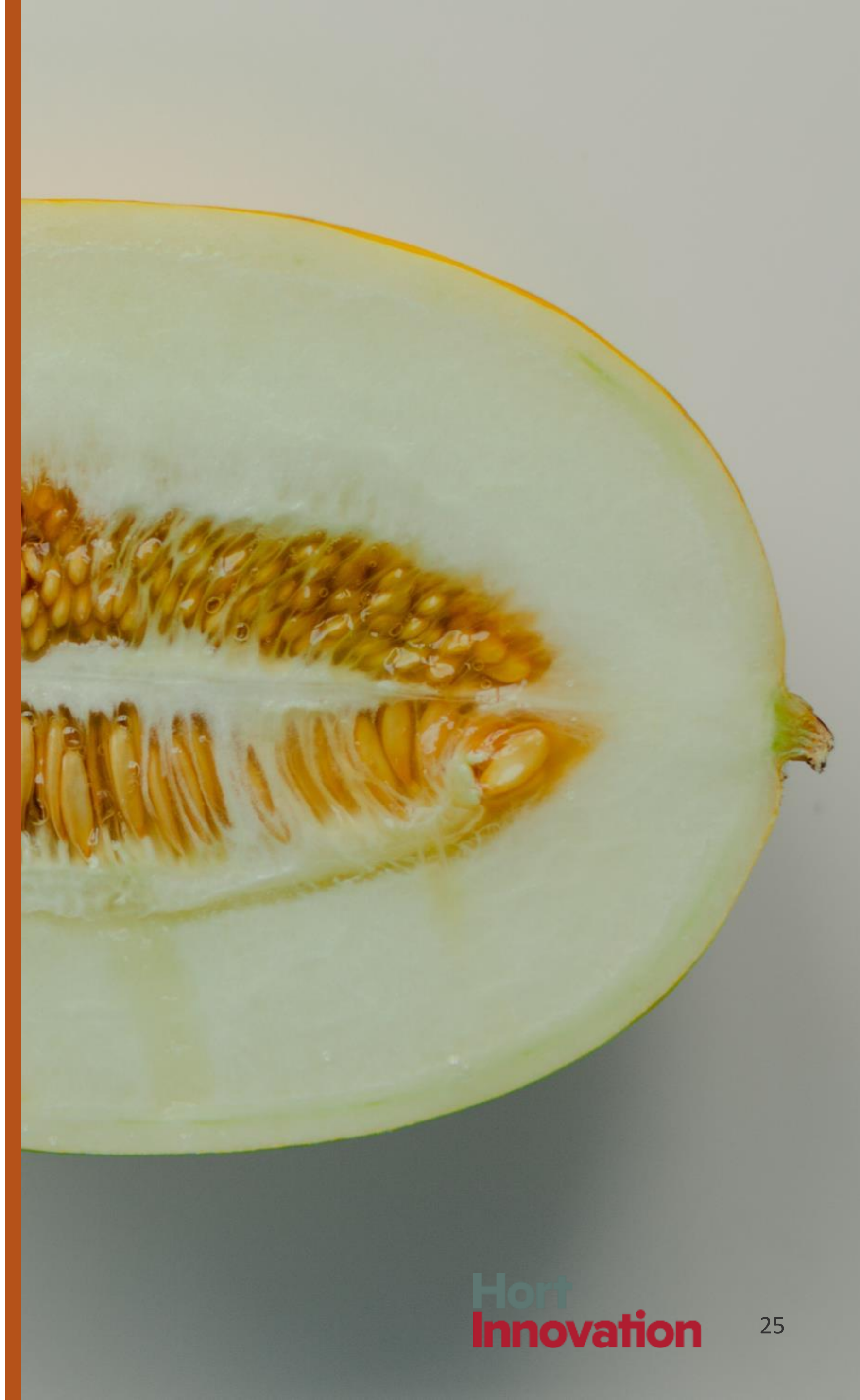
Consumers are pretty knowledgeable. When it comes to fruit and veg they are very open to trying anything. They'd want quality, of course. They'll be looking for something new and that good eating experience or high vitamin, vegetable or something.

A lot of the high-end department stores where they sell clothing and perfume and all sorts of things. The basement floor is typically grocery and produce and there are real high-end products there.

- Daniel Kass

"There is certain demand for the consumption of the higher-quality fruits or vegetables in the market. Generally, they are open to trying new things if the price is right and they expect great taste. It is a kind of speciality store that does that kind of marketing.

- Katsuhito Inakubo



3. The Consumer

Consumer values and attitudes to food and fresh produce, plus, shopping preferences and typical behaviours

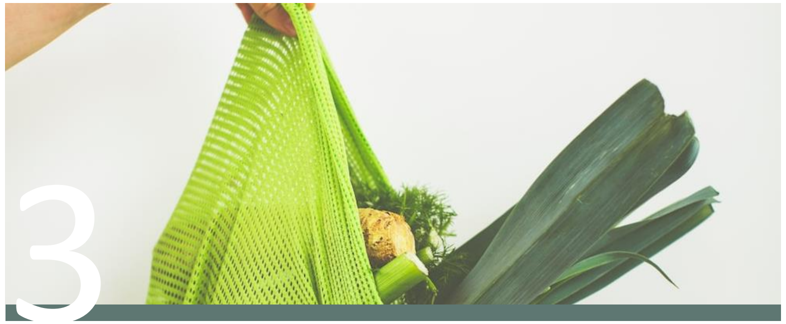
We will unpack 3 key themes to unpack consumers in Japan

Demographics

- Population, life expectancy
- GDP per capita and key wealth metrics
- Age breakdown
- Religious identity and background

Attitudes & values

- Attitudes & values relating to: food & cooking…
- Safety & sustainability
- Premium & value
- Local vs. imported
- Health & wellbeing



Shopping behaviour

- Grocery and fresh produce shopping behaviour
- Shopping preferences, including triggers and barriers
- Imported vs. local shopping behaviour

The population size & consumer wealth in the Japan

POPULATION

126million

Japanese population[1]
vs. 25.7m Australians

51% 49%

female/male population split
vs. 50/50 globally

85y/o

Life Expectancy[1]
vs. 72 y/o globally

-0.5%

Japanese population per annum growth (2021)[1] vs. 0.8% globally

WEALTH

$4.9t

Japanese GDP (USD)[1] vs. $1.6t in Australia

$39,312

Japanese GDP/Capita (USD)[1]
vs. $60k in Australia

[1]Source: the World Bank, 2021

Unpacking the Japanese background & survey sample

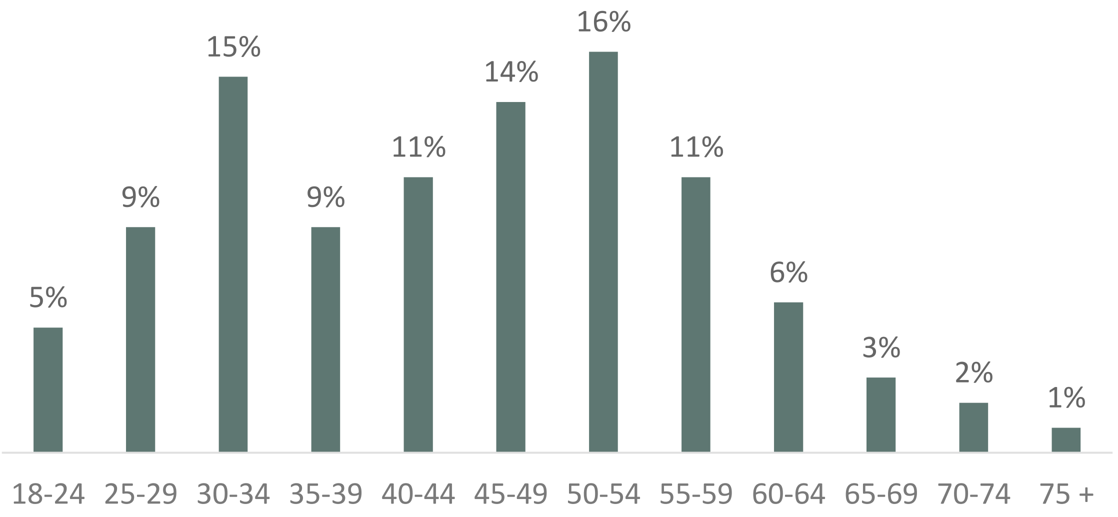
BACKGROUND

97.9%

‘Japanese’ population[1]

AGE

How old are you?



[1]e-stat Census data, 2019
Kantar HIA International Demand Study 2022; n=4018
*NB Low-income consumers screened out of survey & questions about nationality/ background and religious identity not asked in Japan

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Key attitudes & values of Japan consumers

Japan consumers love traditional food

80%

Think that food is a pleasure

66%

I prefer traditional foods

Can afford to eat out but are price sensitive

54%

Can afford to eat out frequently

14%

Often pay extra for premium quality food

There’s a sustainability value-action gap

70%

Worry about the impact of climate change

51%

Product packaging does not influence what I buy

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Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4176

> "I love food and sometimes eat more than I should. I have traditional food tastes and buy produce in-season.
>
> I enjoy shopping in-store for ingredients"

Attitudes & values related to

Food & Cooking

Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4176

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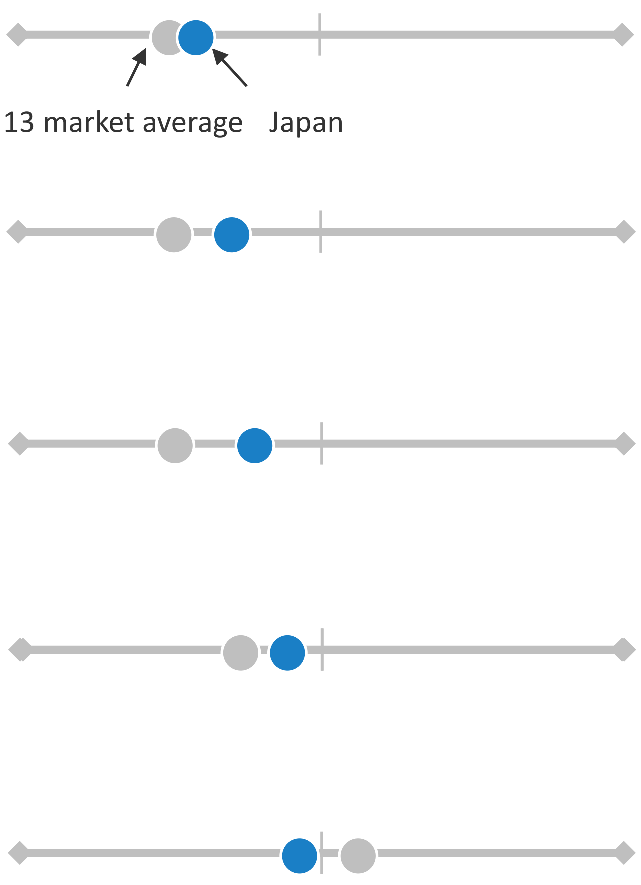
“Although I worry about the impact of climate change, I don’t always buy ‘eco’ products

I do worry about food safety, including avoiding genetically modified foods”

Attitudes & values related to

Safety & Sustainability



I worry about the impact of climate change	I am not concerned about climate change
I frequently worry about my exposure to poor quality, toxic or contaminated food sources	I do not worry about poor quality, toxic or contaminated foods
I tend to buy products that are better for the environment	I do not buy eco-friendly products
I avoid foods that are genetically modified or lab-grown	I would be comfortable consuming genetically modified or lab-grown foods
I buy disposable products because they are more convenient	I avoid using disposable products, even if it is less convenient for me

Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4176

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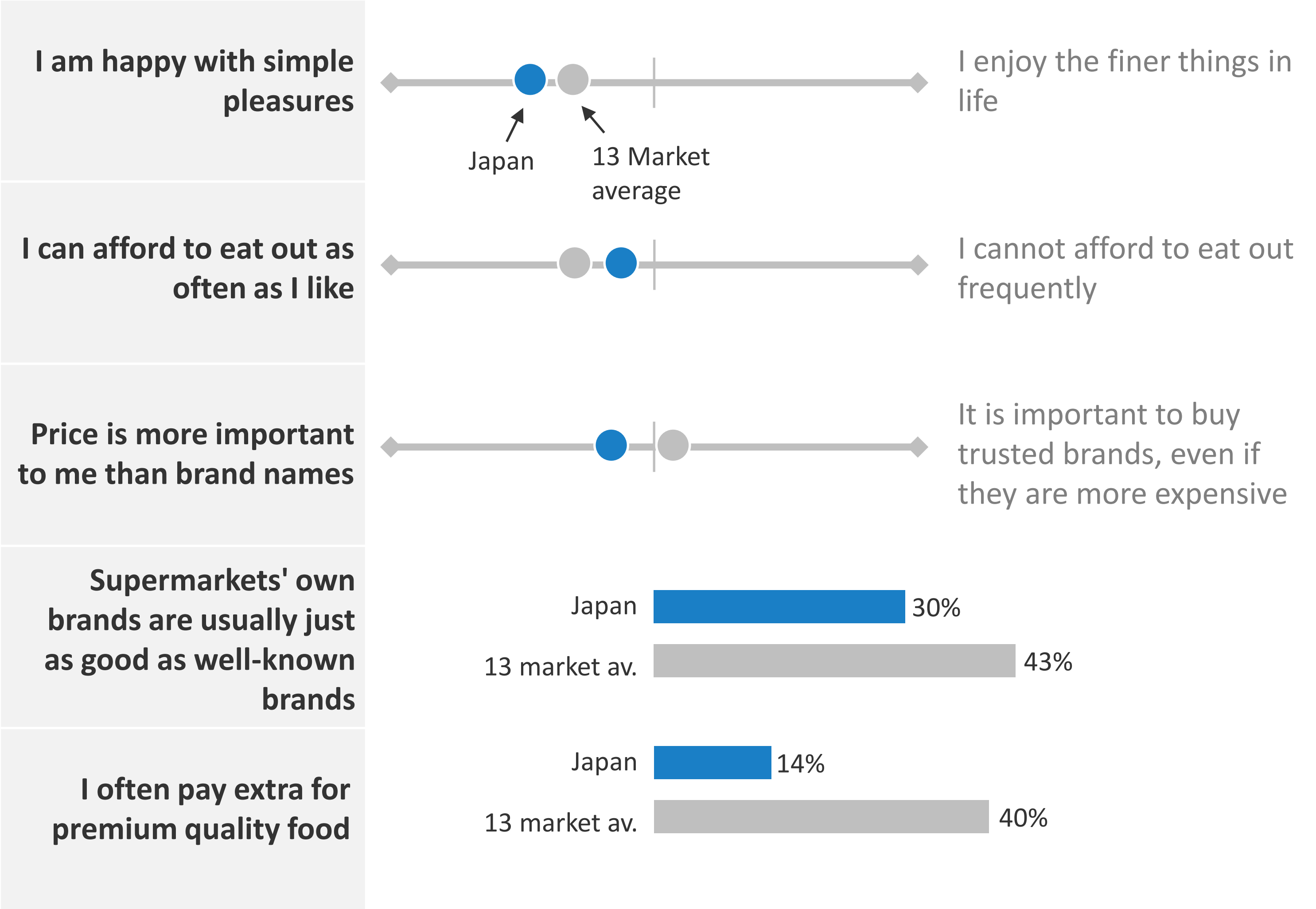
“Whilst I can afford to eat out as often as I like, I am happy with simple pleasures”

Attitudes & values related to

Premium vs. Value



Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4176

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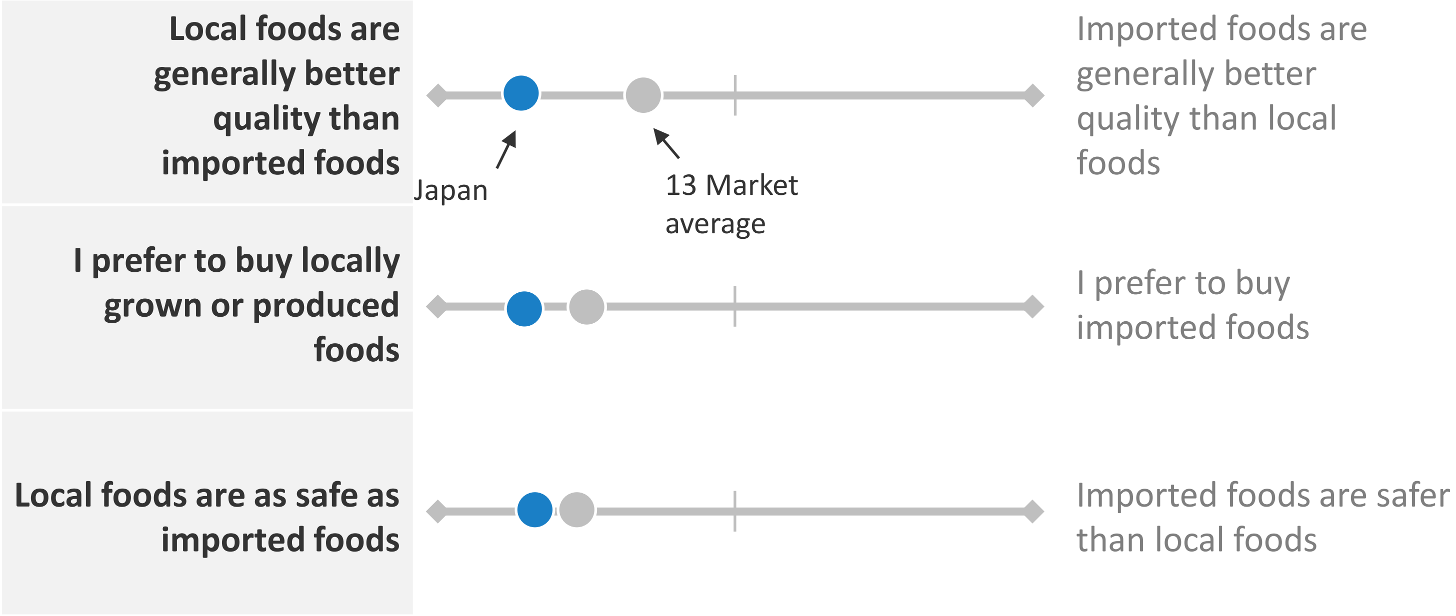
"If I can I **will buy local foods** as they must have come from a farm closer than anything imported, so the **quality** must be better.

I consider local foods as **safe** as imported alternatives"

Attitudes & values related to

Local vs. Imported



Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4046

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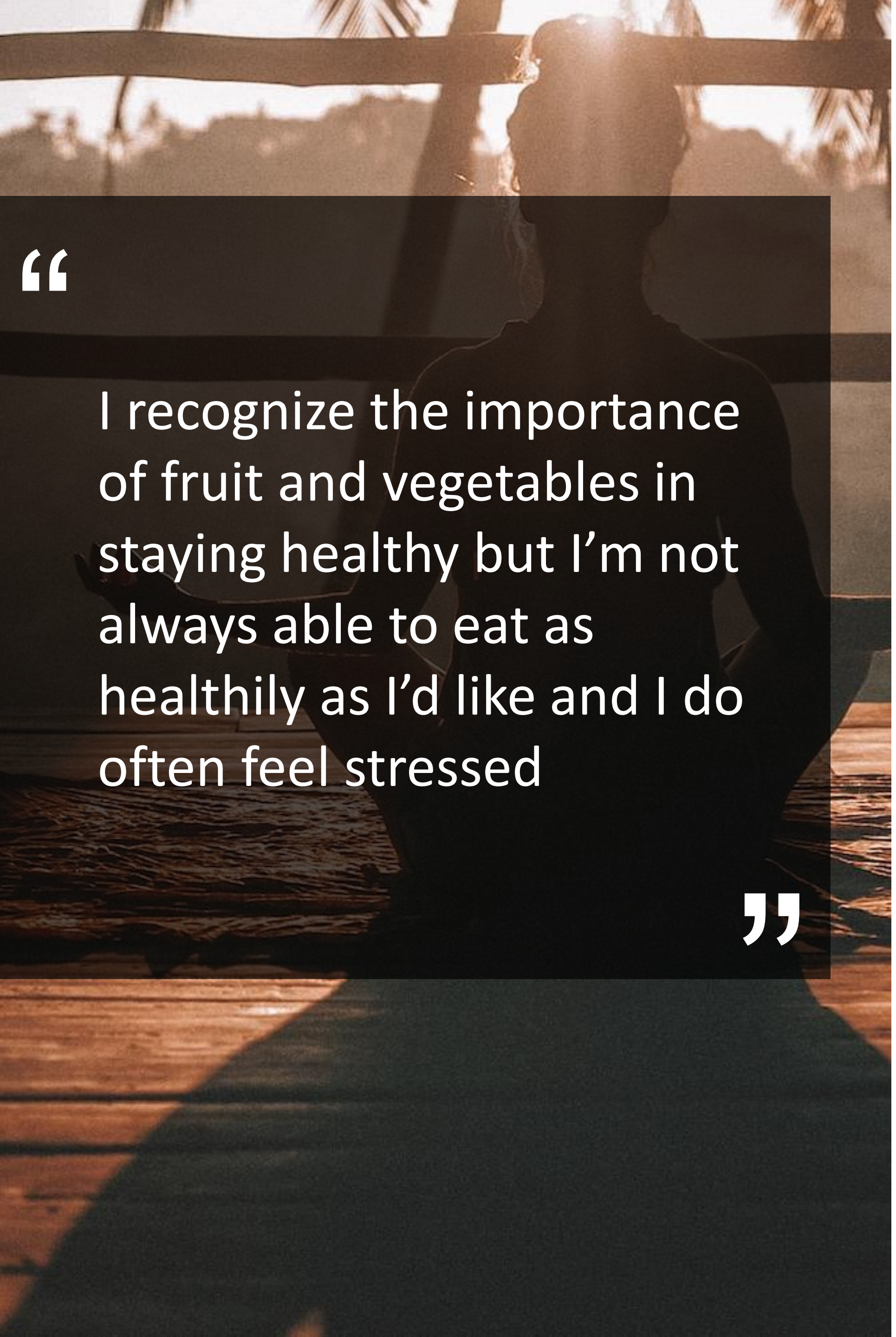


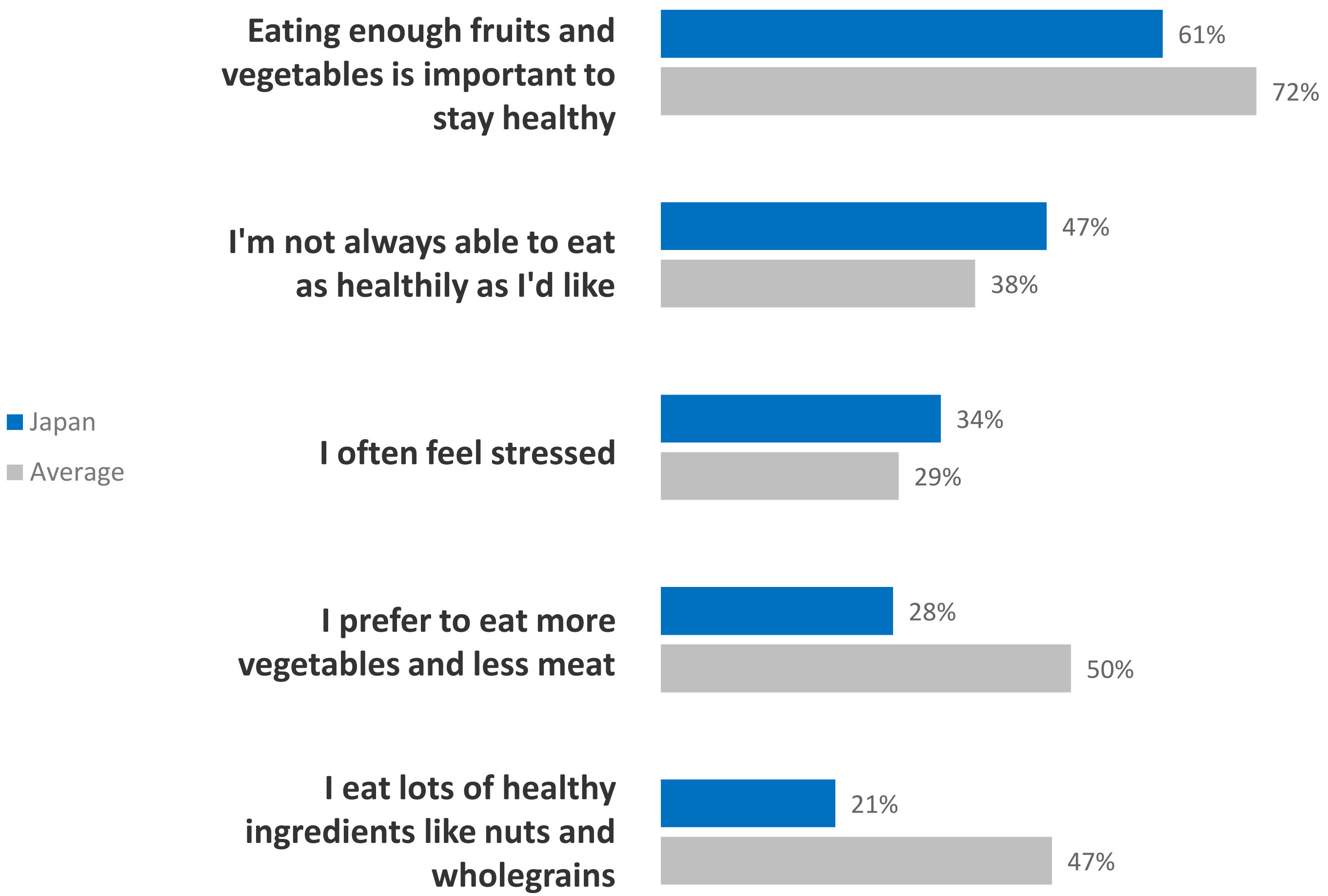
“

I recognize the importance of fruit and vegetables in staying healthy but I’m not always able to eat as healthily as I’d like and I do often feel stressed

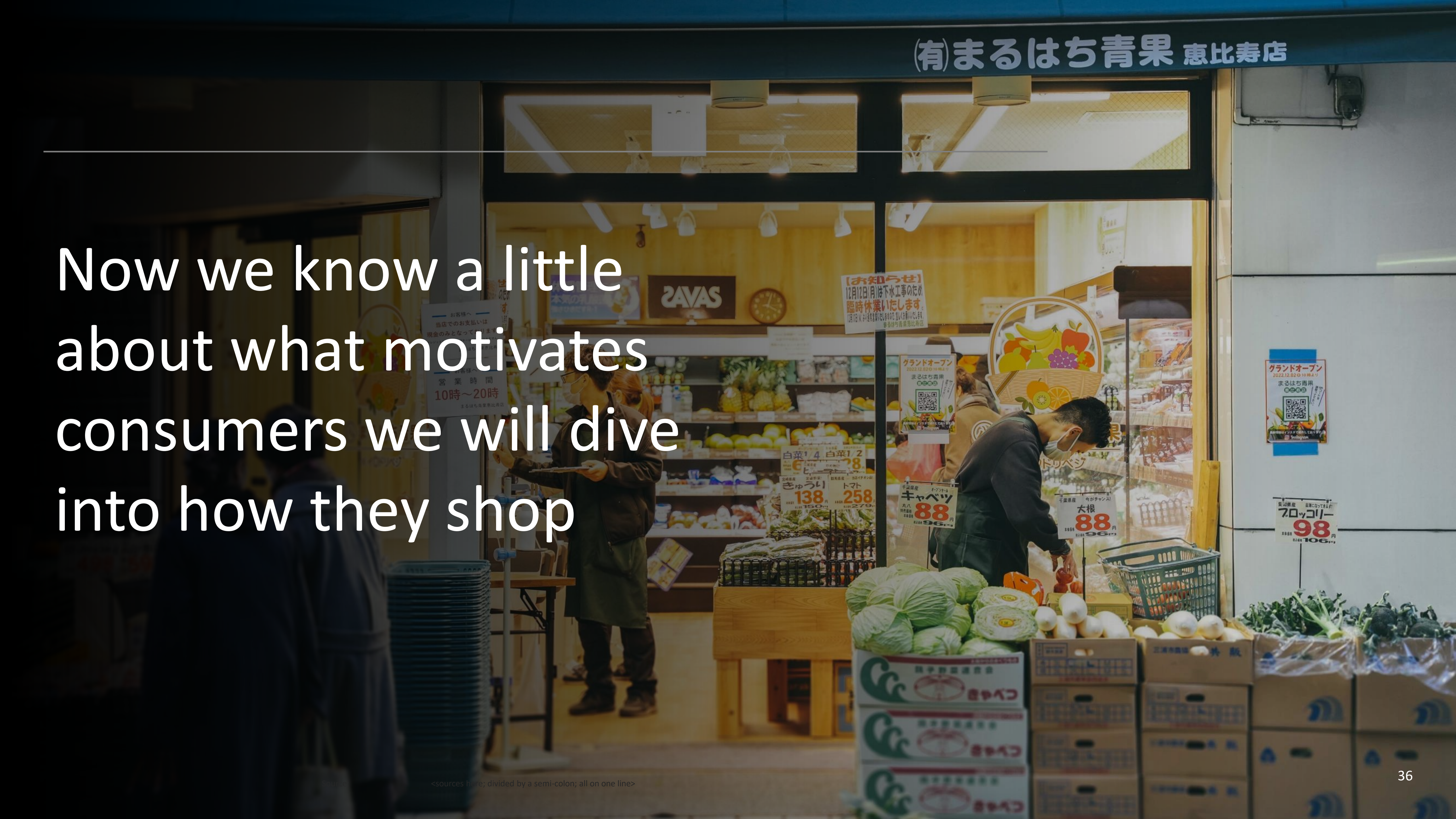
”

Attitudes & values related to

Health & Wellbeing



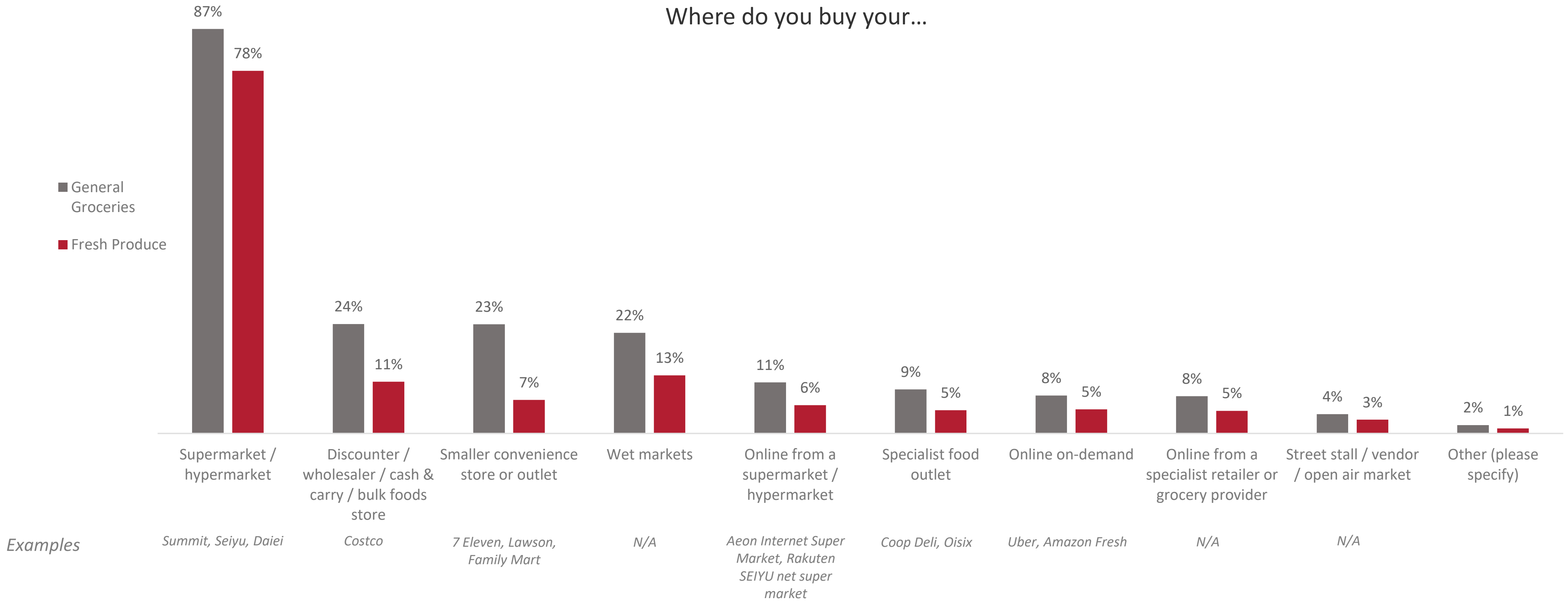
Question: To what extent do you agree with the following statements?
Source: Kantar HIA International Demand Study 2022
n=4176



Now we know a little about what motivates consumers we will dive into how they shop

<sources here; divided by a semi-colon; all on one line>

Supermarkets dramatically dominate both general and fresh produce shopping channels

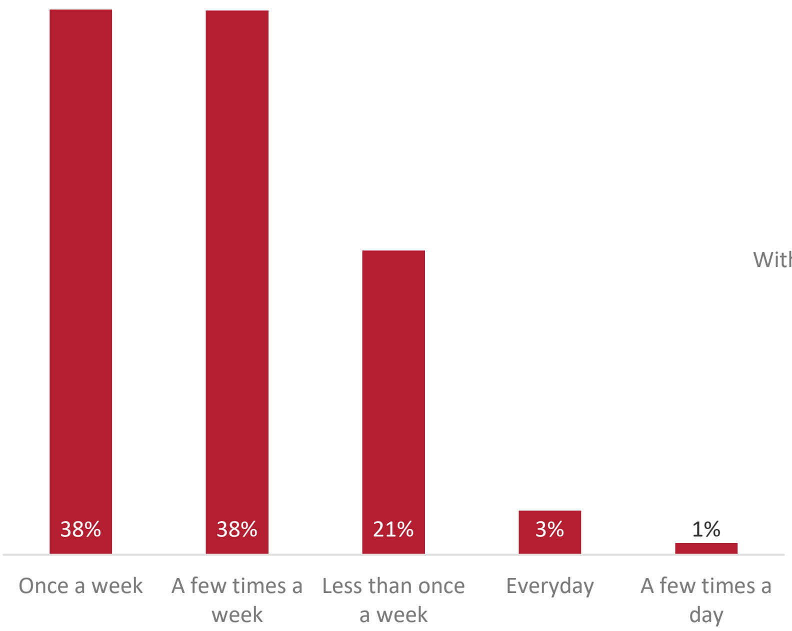


Source: Kantar HIA International Demand Study 2022
N=3679

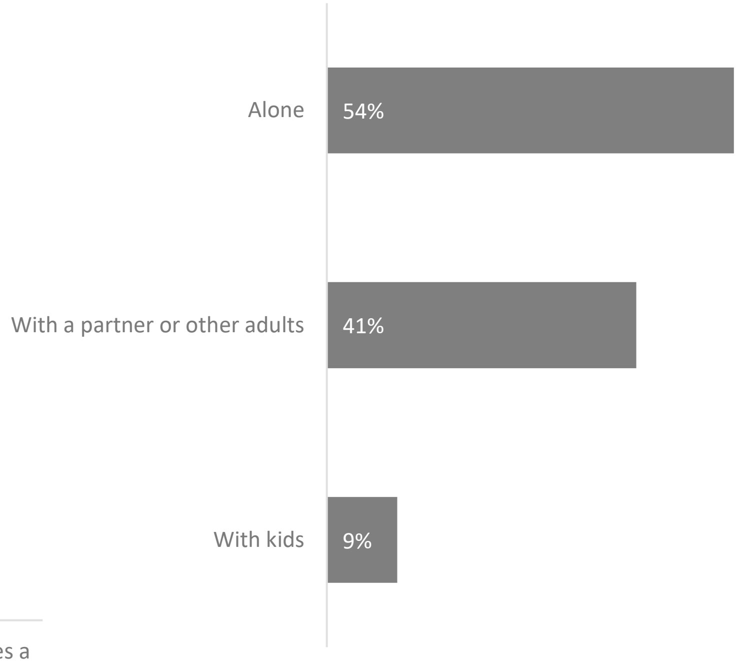
People either shop once a week or a few times a week.

Adults typically shop alone, but where they have under 18’s in the household, a third of fresh produce is for them

How often do you shop for fresh produce?



With whom?



How much are the kids having?

34%

Estimated share of fresh produce bought by the household that is eaten by people under the age of 18

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1 Amongst households that have kids under 18, n= XX
Source: Kantar HIA International Demand Study 2022 N=3679

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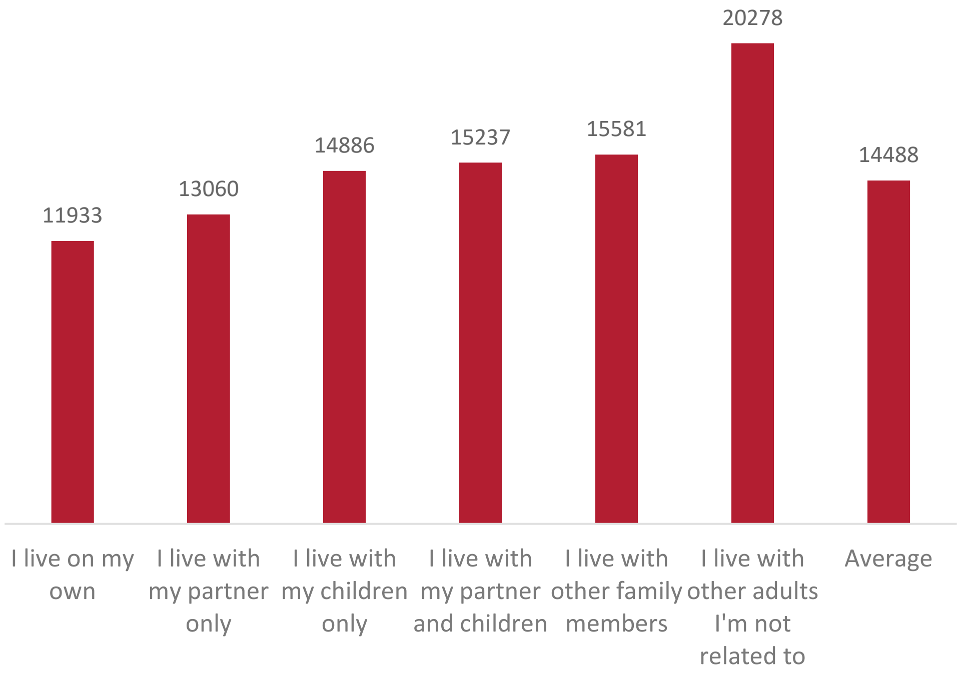
Most households are spending less than 15,000 Yen (approx. $160 AUD) on groceries a week, of which about a third is on fresh produce

In a typical week, how much do you spend on groceries (by household structure)? *Japanese Yen*



How much do you spend on fresh produce?

31%

Estimated share of grocery cost spent on fresh produce specifically in a typical week

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Source: Kantar HIA International Demand Study 2022
N=3679

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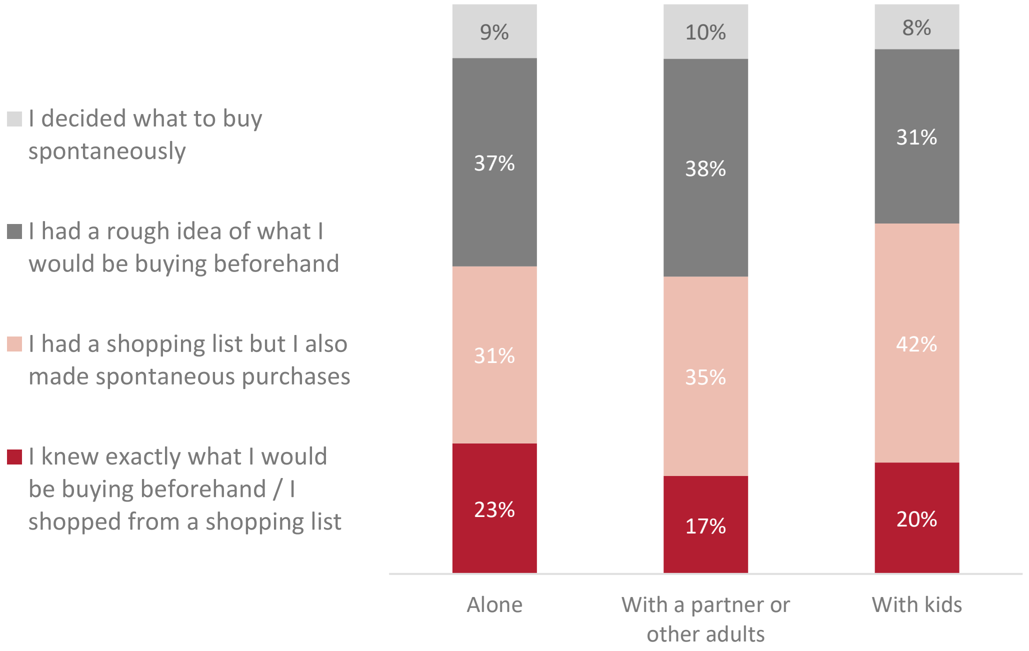
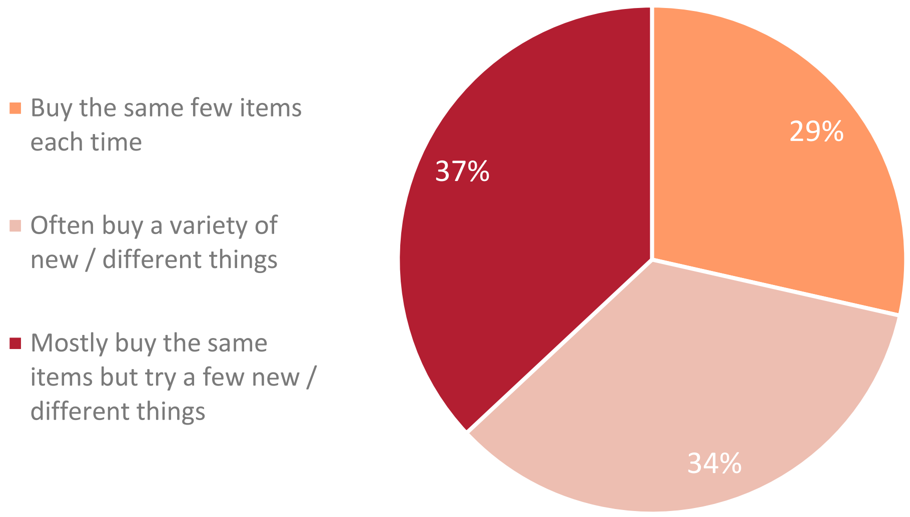
Consumers are typically have a rough idea of what they're buying beforehand, regardless of who they are with. **For fresh produce, people are evenly split between people buying the same items vs. trying new things.**

Which would you say describes your shop when shopping…



When shopping for fresh produce do you…



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Source: Kantar HIA International Demand Study 2022
N=3679

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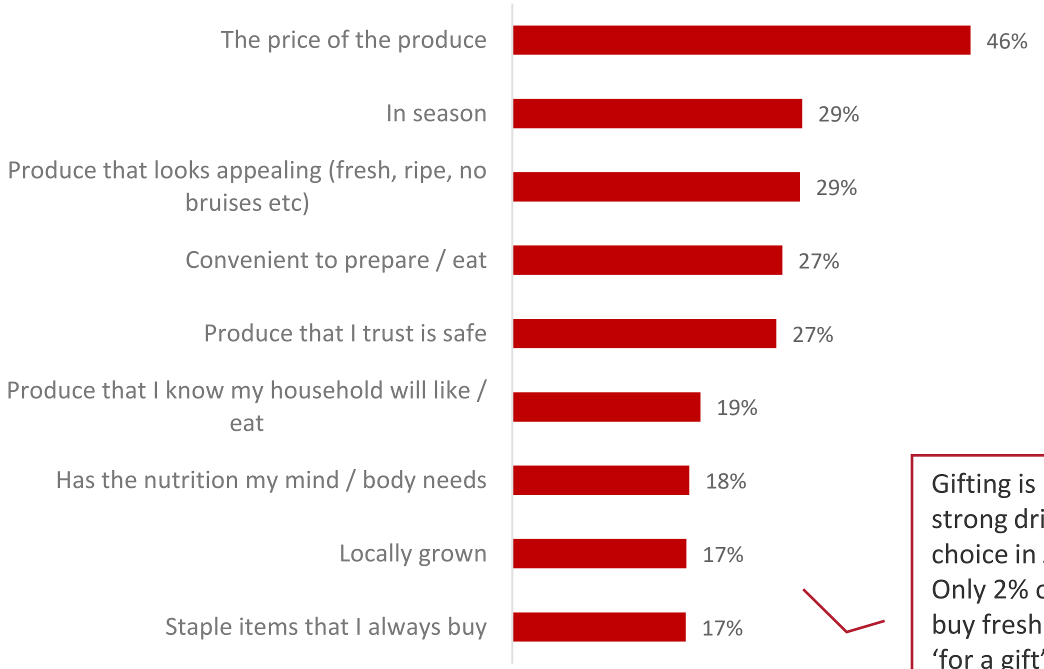
Price is the strongest driver of fresh produce purchase. But consumers are also buying in season produce and that which looks appealing

When shopping for fresh produce what determines your choice?



Gifting is not a strong driver of choice in Japan. Only 2% of people buy fresh produce 'for a gift'.

What would encourage you to purchase fresh produce you wouldn't normally buy?

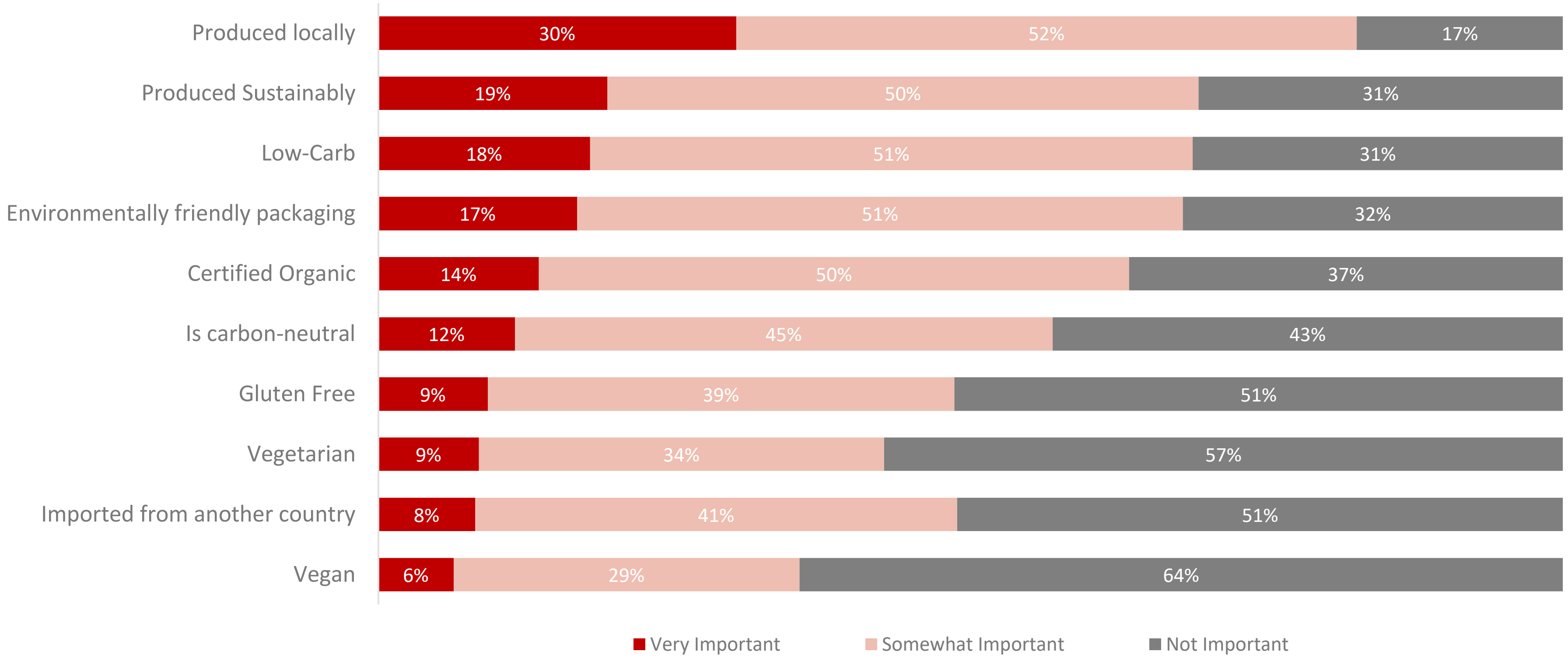
KANTAR

Source: Kantar HIA International Demand Study 2022
N=3679

Hort Innovation

Local production is the most important factor for people when purchasing groceries. Sustainable production, low-carb produce and 'eco' packaging are also important

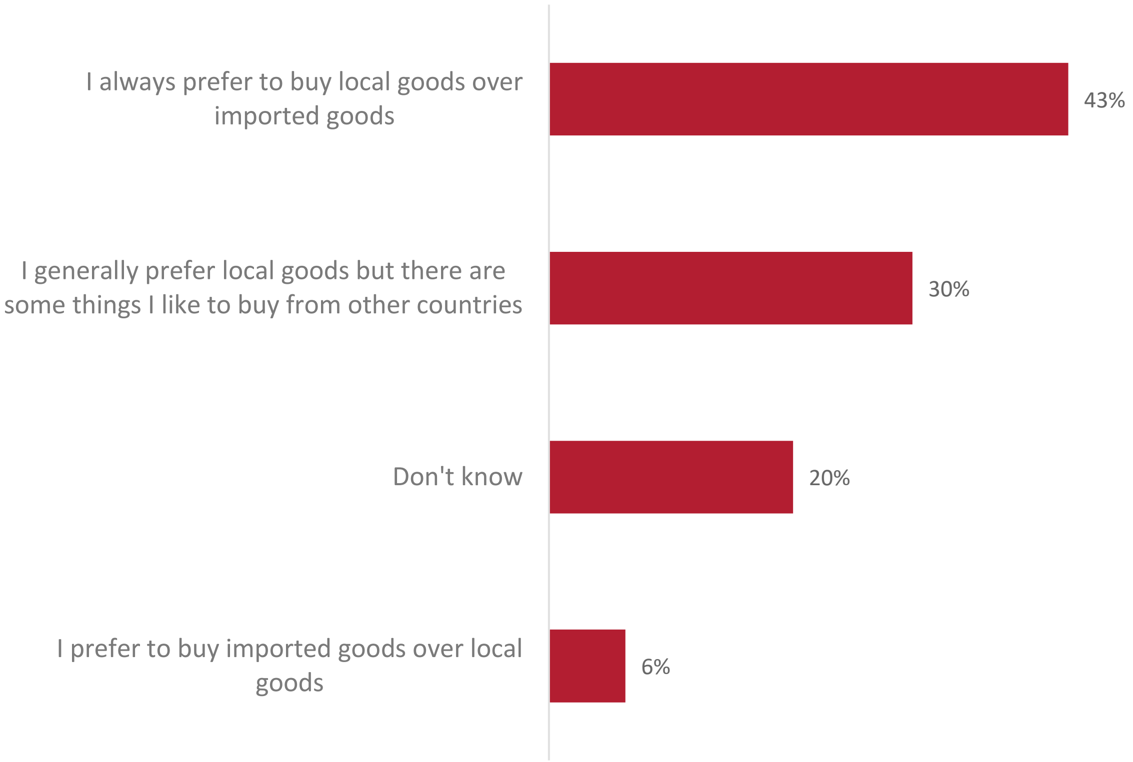
How important are the following when purchasing groceries?



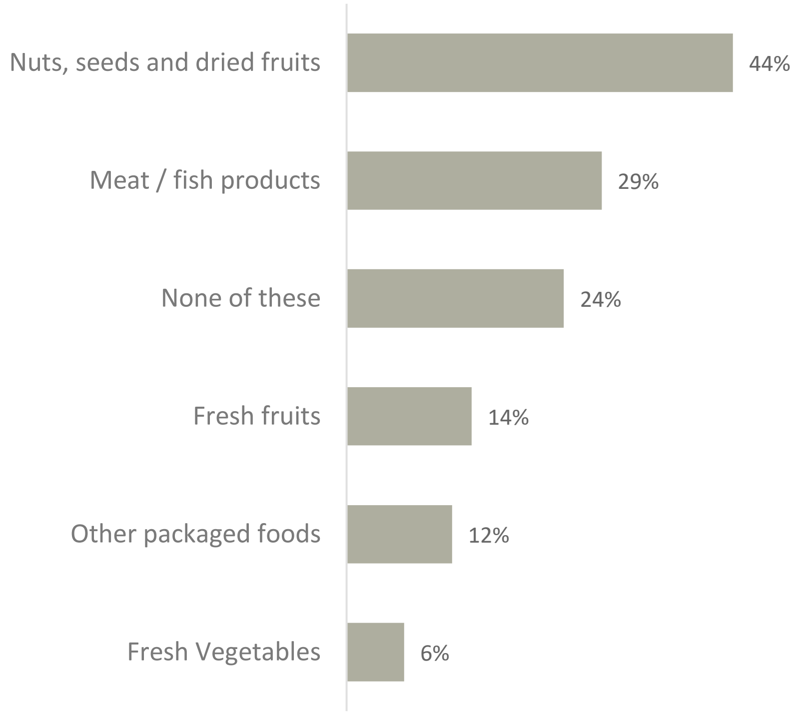
Source: Kantar HIA International Demand Study 2022
N=3679

Half of consumers claim to have a preference for local goods, but only a quarter always prefer to buy local.
Nuts and dried fruits are the most popular choice of imported produce

Preferences for Import vs Local



What food products are you most likely to choose an imported option?



KANTAR

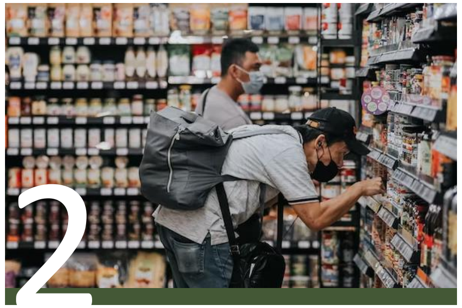
Source: Kantar HIA International Demand Study 2022
N=3679

Hort Innovation

Key consumer take-aways

Japanese consumers think that food is a pleasure, and prefer traditional foods

They're relatively price sensitive: about half of people claim to eat out as often as they like, but only a small % spend on premium quality



Supermarkets and hypermarkets are the leading grocery and fresh produce channel

Discounters, convenience stores and wet markets trail behind this one dominating channel

The price of the produce is the #1 ranked purchase driver in Japan

Whilst this one factor dominates, people are also mindful of seasonality, the produce's visual appeal, ripeness and having something convenient

Local production is important when it comes to purchasing groceries

This factor wins out, but sustainable production, low-carb and 'eco' packaging are all important

People do tend to buy local goods, but can't help that some products must be imported

Fresh fruit and vegetables are less popular imports vs. nuts, seeds, dried fruits and meat/ fish

4. Commodity Consumption

Deep dive into data profiling the priority fruits, vegetables and nuts consumption moments to illuminate how the fresh produce is typically consumed in market

Key Findings Commodity Consumption

	FRUITS	NUTS & SEEDS	VEGETABLES
How often	86% penetration	88% penetration	93% penetration
When	Mostly as a dessert (50%)	Mostly as a snack (52%)	Mostly at dinner (72%)
How	Fresh on its own	Fresh on its own, as part of a snack	As an ingredient in cooking
Where	At home	At home	At home
Who with	With my spouse/partner	By myself, with my spouse/partner	With my spouse/partner

KANTAR

Source: Kantar HIA International Demand Study 2022
Penetration = Includes everyone who consumed commodity (ie excluding ‘never’)

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The 13 fruits of interest

Apple & Pear

Blueberries

Cherry

Citrus

Lychees

Mango

Melons

Raspberries
& Blackberries

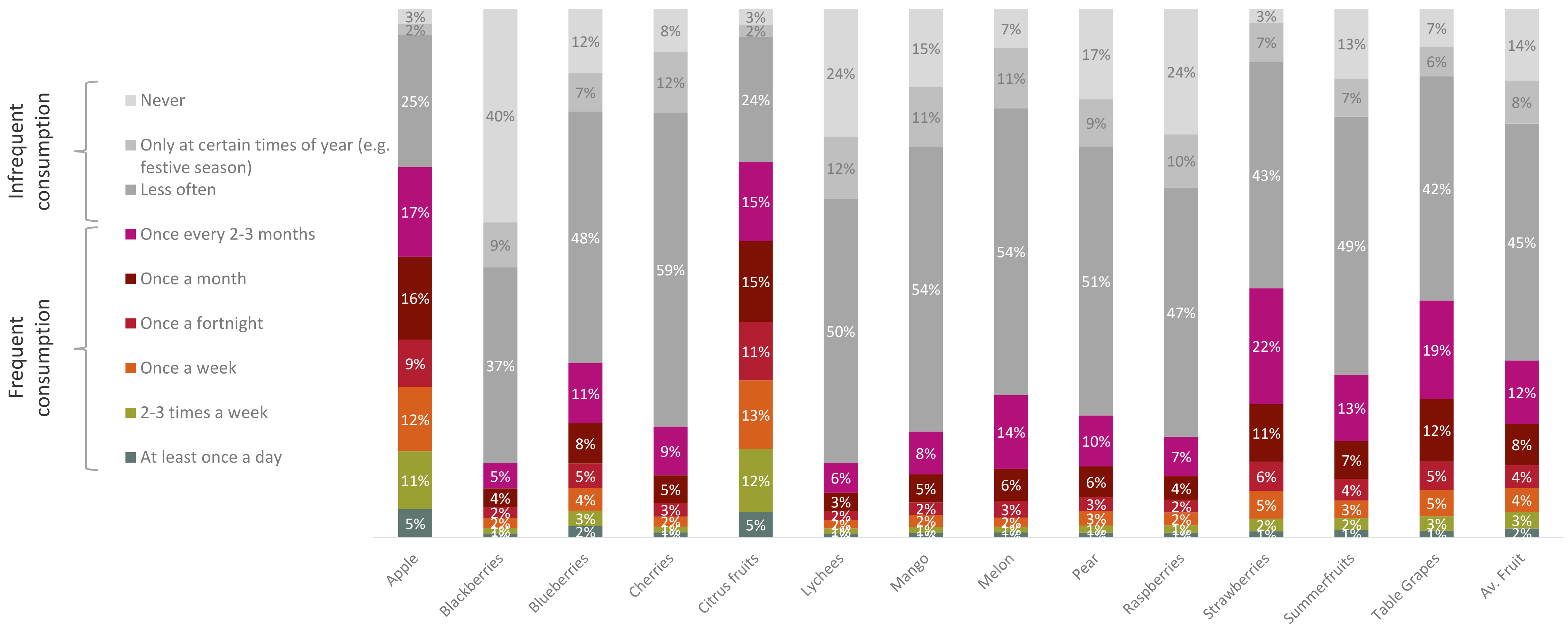
Strawberries

Summer fruit

Table Grapes

Apples, citrus fruits and to a lesser extent blueberries, strawberries and table grapes are frequently consumed in Japan though overall frequency is lower vs other markets

How often do you consume each commodity?

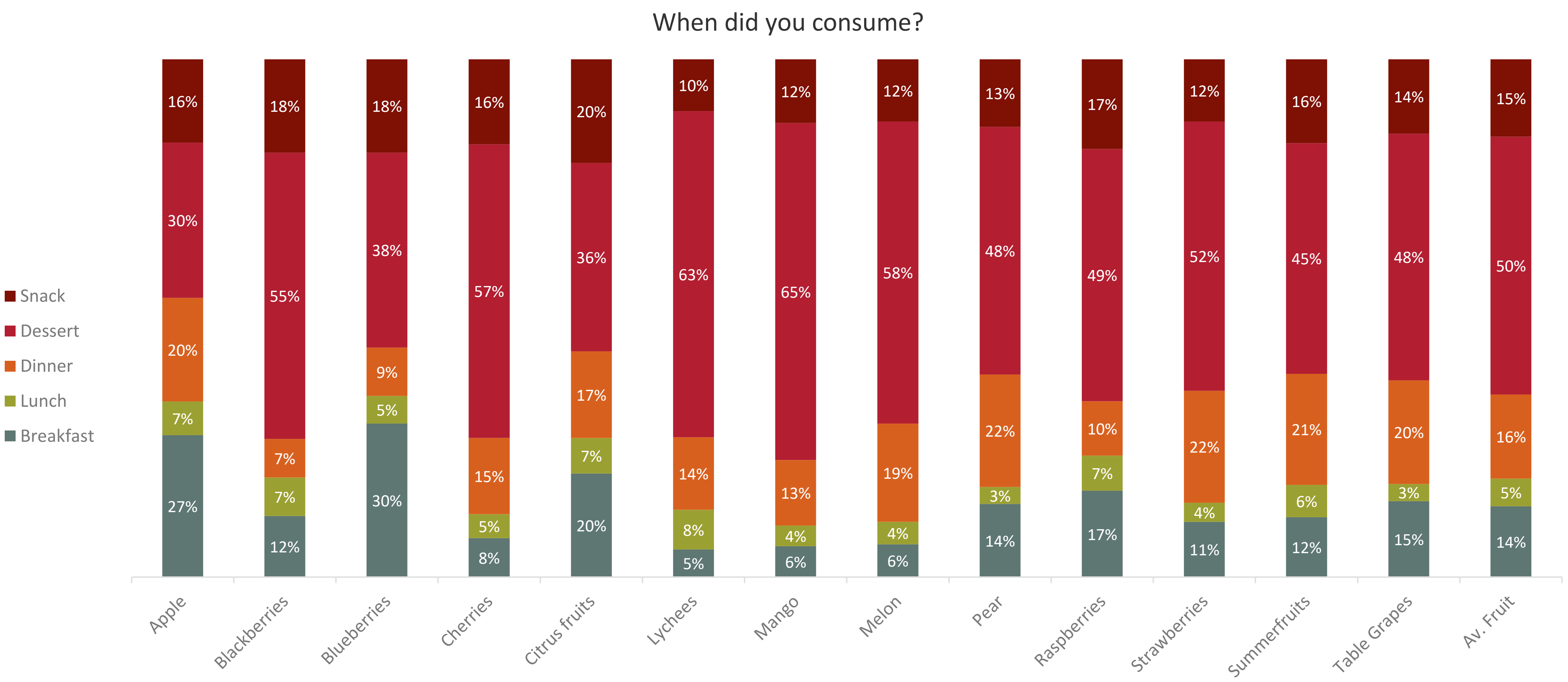


KANTAR

Source: Kantar HIA International Demand Study 2022
N=4395

Hort Innovation

Fruit consumption differs at different mealtimes and throughout the day; for all fruits, snacking accounts for the largest proportion of consumption



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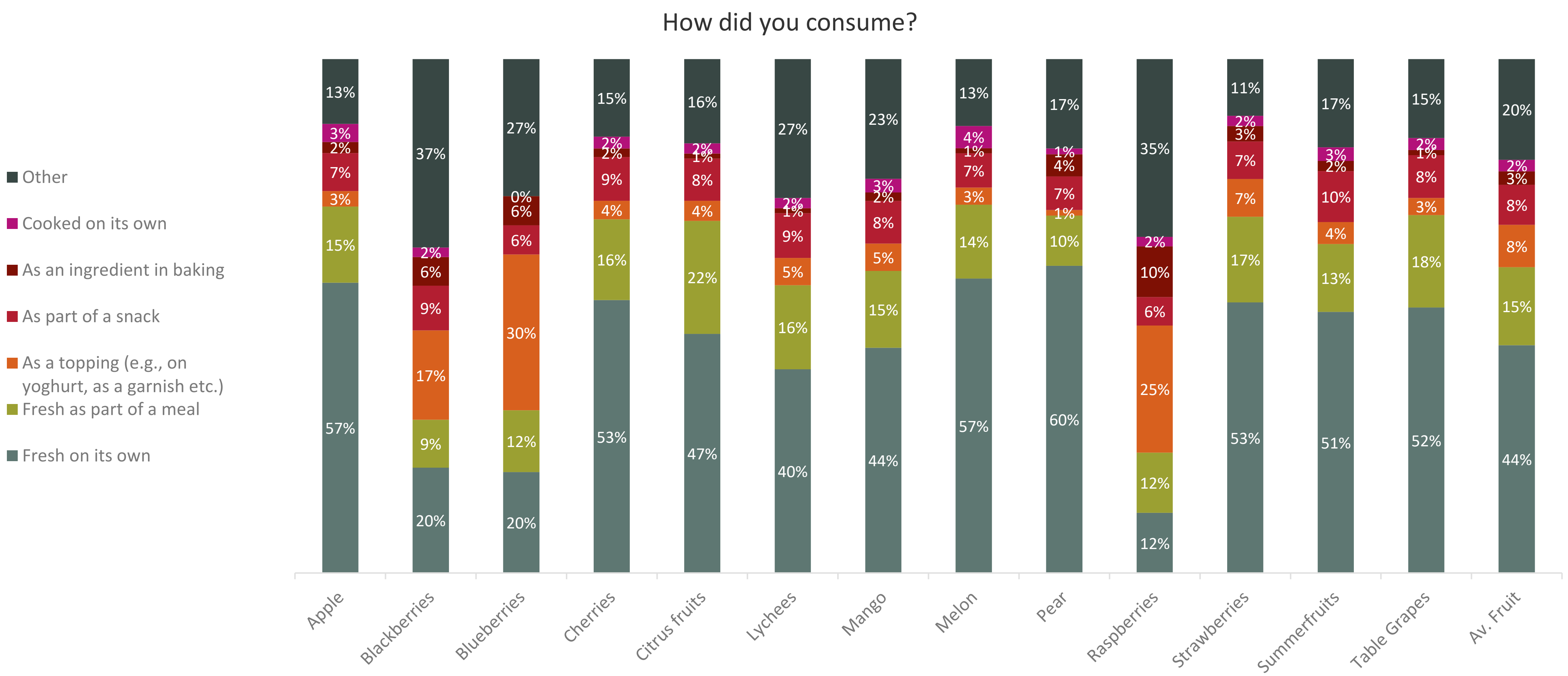
Source: Kantar HIA International Demand Study 2022
N=3359

Hort Innovation

Fruits are generally consumed fresh on their own with the exception of blackberries, blueberries and raspberries



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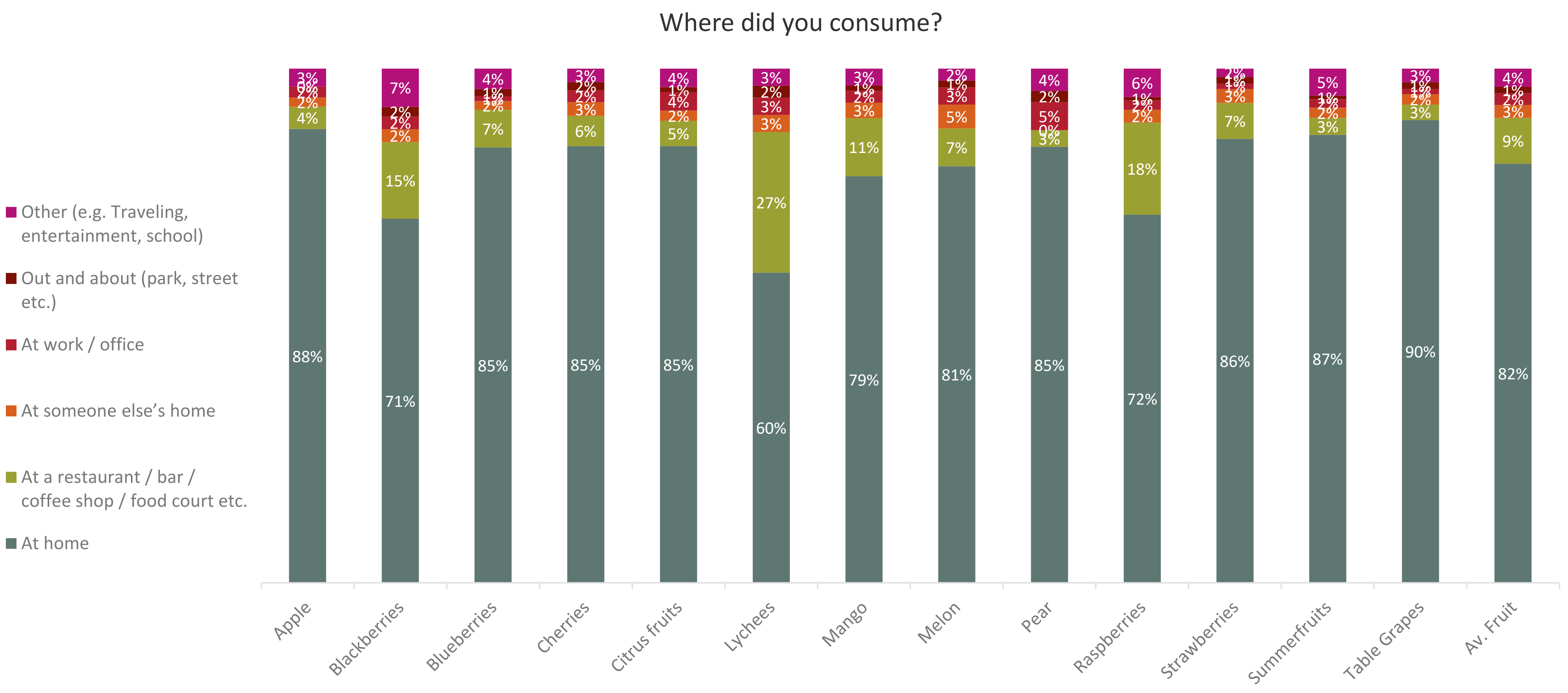
Source: Kantar HIA International Demand Study 2022
N=3359

Hort Innovation

Fruit in Japan is mostly consumed in the home



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Source: Kantar HIA International Demand Study 2022
N=3359

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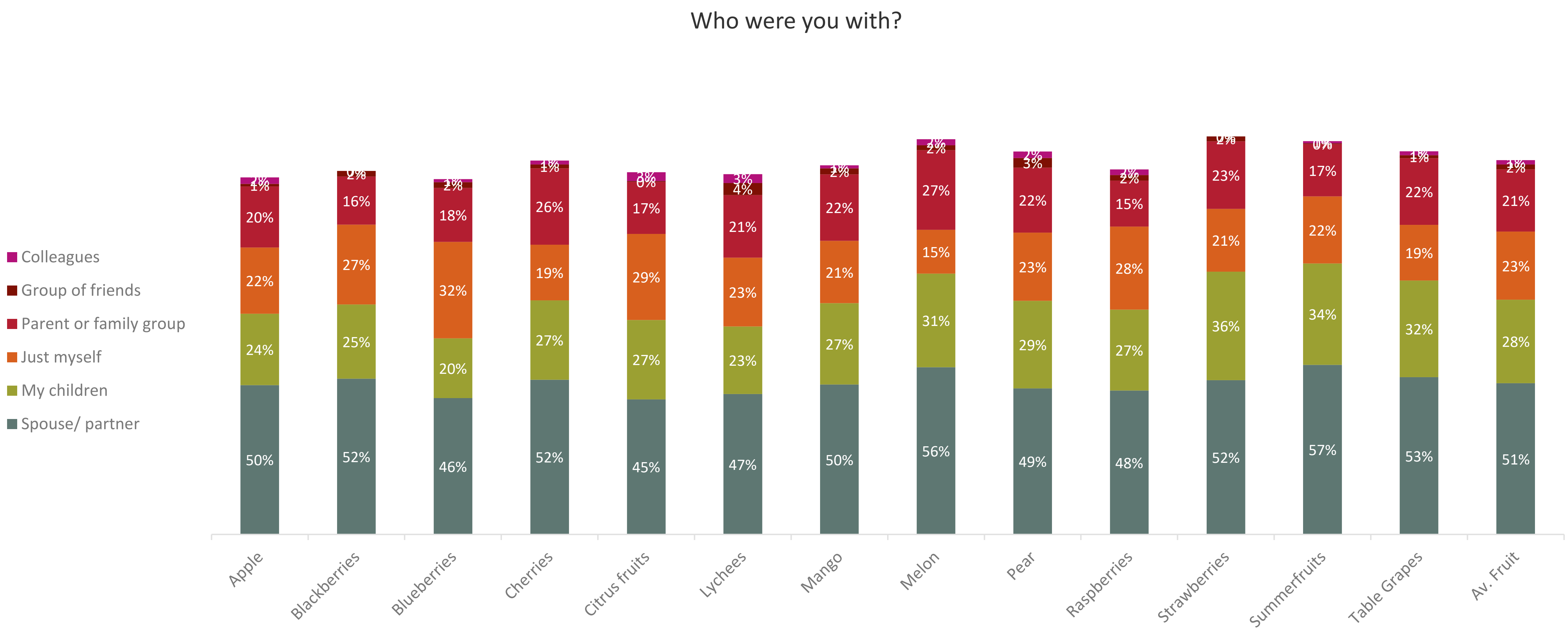
Fruit is consumed either alone, or when consumers are with a their children or spouse / partner, this varies only very slightly by commodity



Source: Kantar HIA International Demand Study 2022
N=3359

KANTAR

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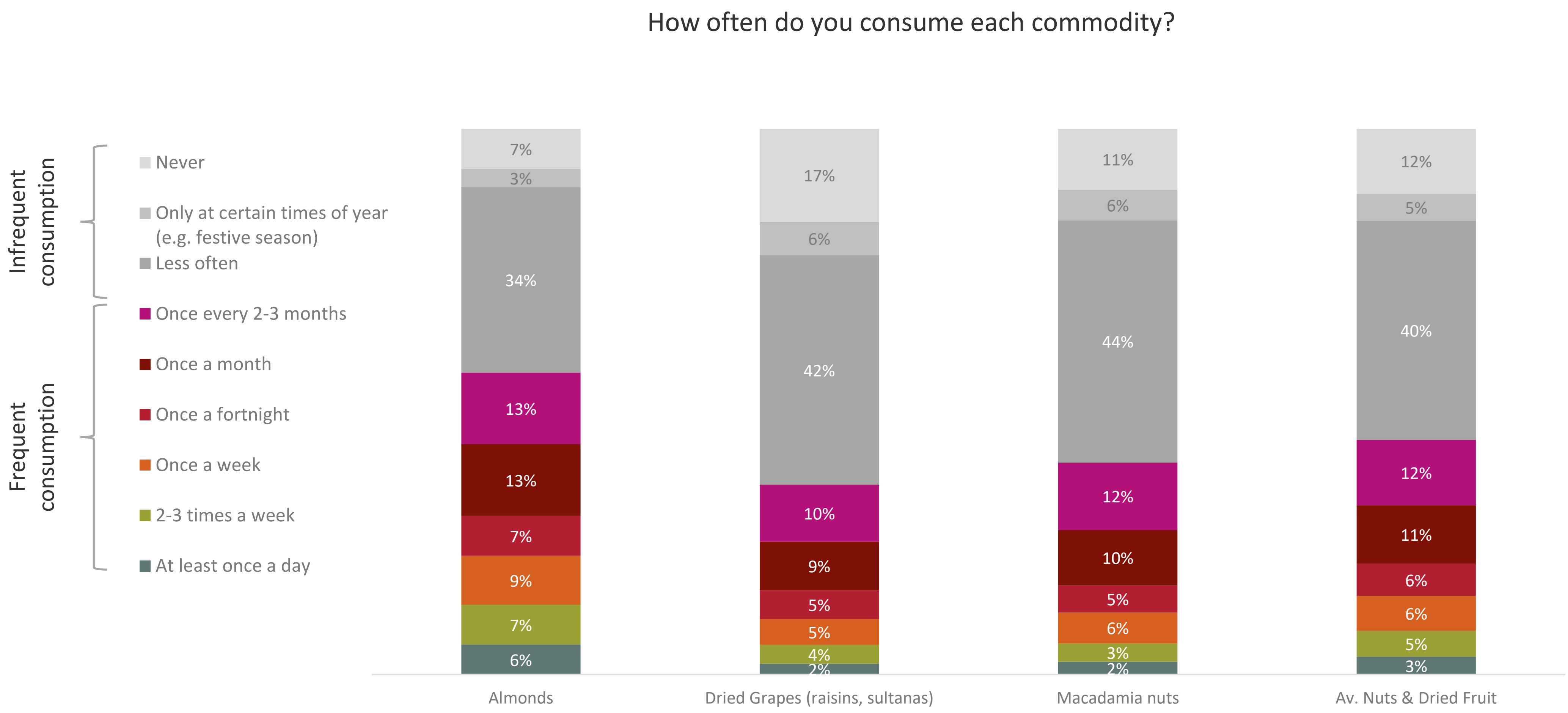
The 3 nuts & dried fruits of interest

Almond

Macadamia

Dried Grapes

Nuts & dried fruit are less well penetrated vs fruits and vegetables though around 4 in 10 frequently consume them



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Source: Kantar HIA International Demand Study 2022
N=4395

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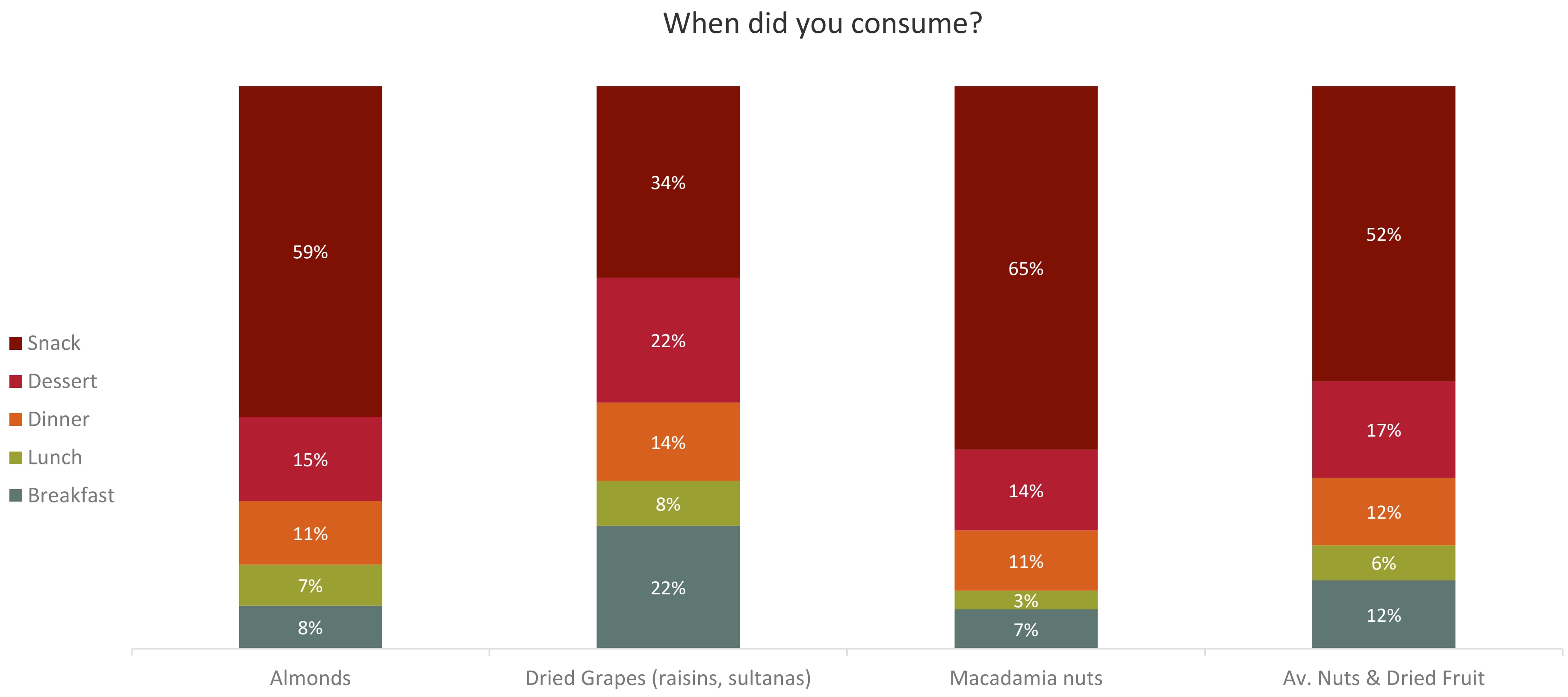
Nuts are predominantly snack foods, whilst dried grapes are also consumed with meals



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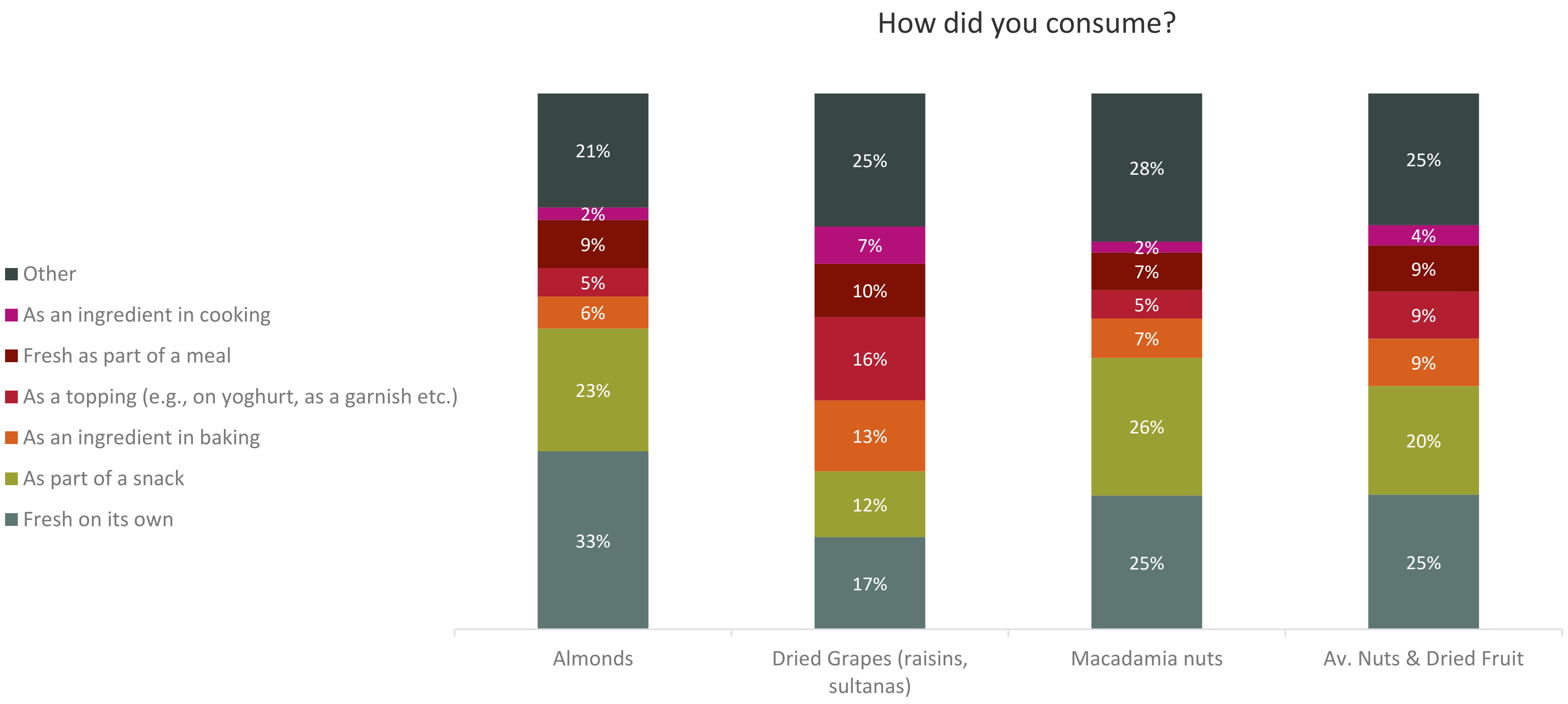
Source: Kantar HIA International Demand Study 2022
N=903

Hort Innovation

Compared to fruits and vegetables, nuts & dried fruits are consumed in a greater variety of formats



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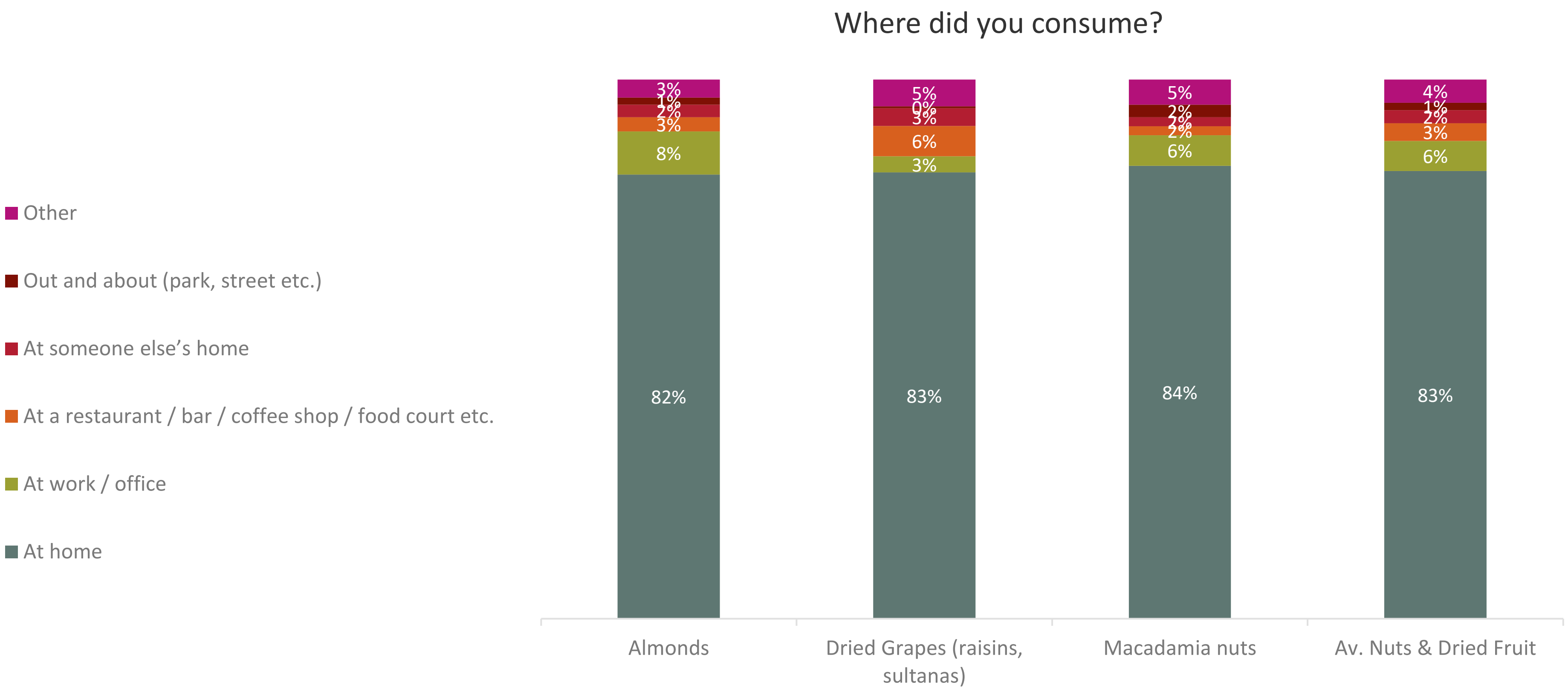
Source: Kantar HIA International Demand Study 2022
N=903

Hort Innovation

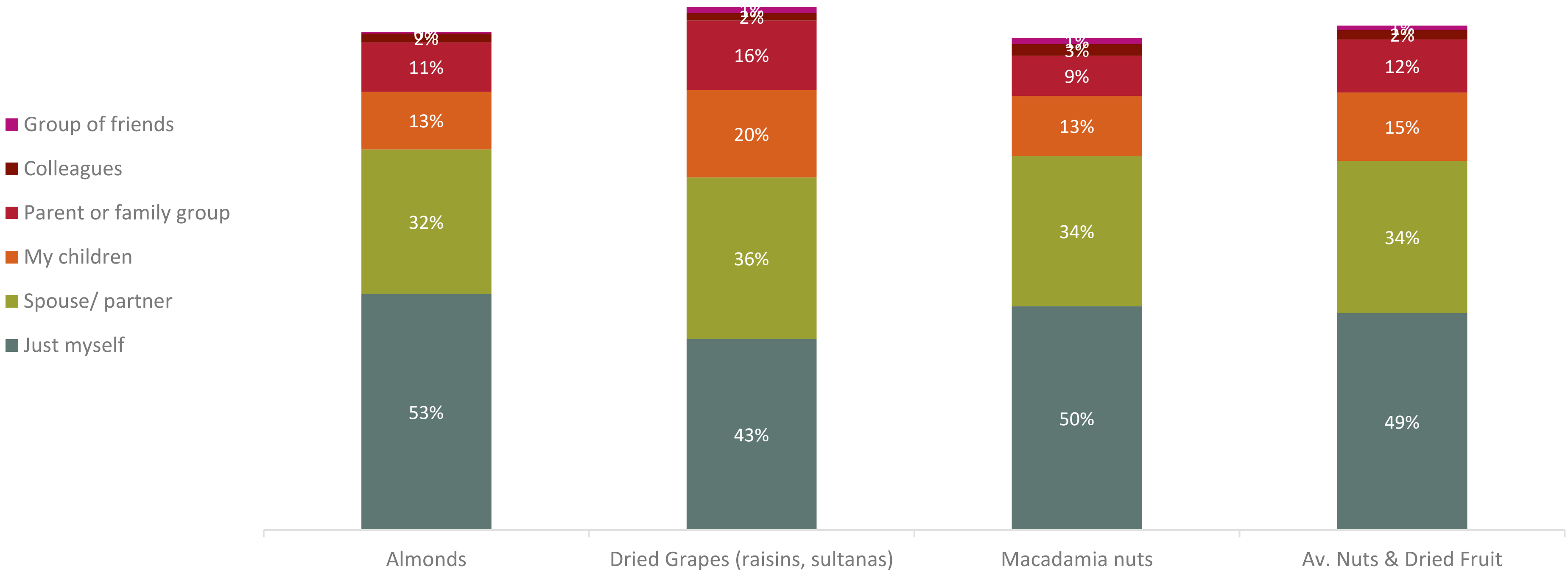
The majority of consumption of nuts and dried fruits is in the home



Source: Kantar HIA International Demand Study 2022
N=903

In Japan, people eat nuts & dried fruit alone or when they're with their spouse/ partner

Who were you with?



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Source: Kantar HIA International Demand Study 2022
N=903

Hort Innovation

The 6 vegetable groups of interest

While avocados and olives are technically fruits, this report aims to provide a consumer lens and in the minds of consumers, these commodities are considered vegetables.

They are widely consumed with savoury foods and the substitute set is vegetables, hence they are included here.

Avocado

Olives/Olive Oil

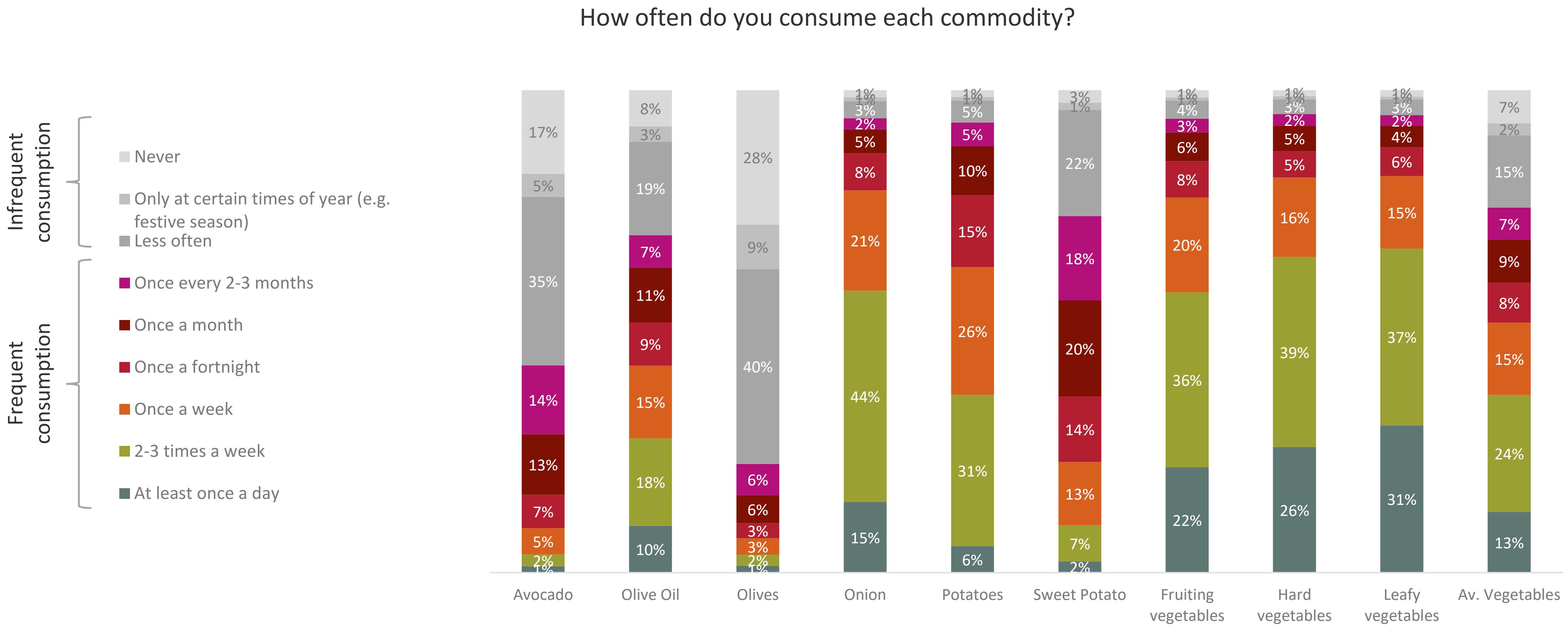
Onion

Potatoes

Sweet Potato

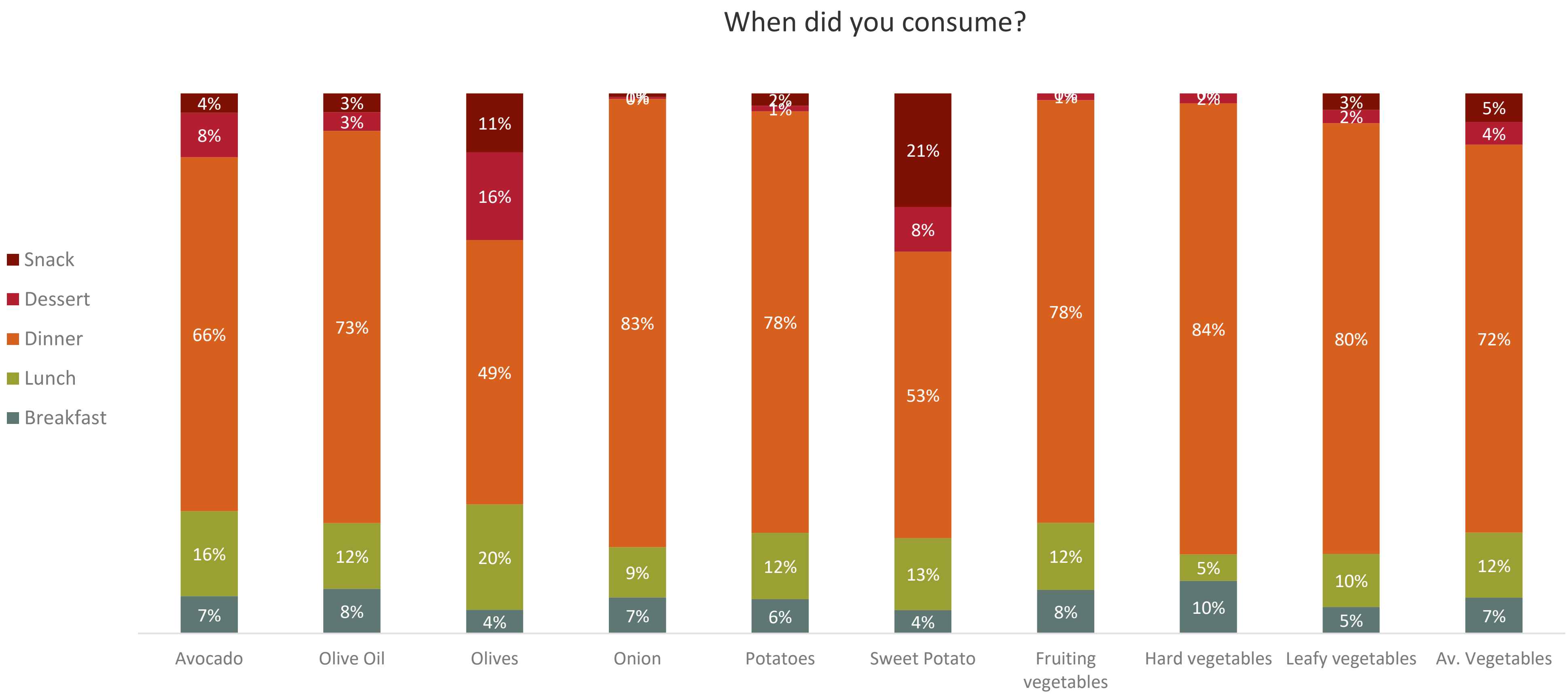
Hard Veg,
Fruiting Veg & Leafy Veg

The majority of vegetables are highly penetrated and frequently consumed in Japan though avocadoes and olives are less frequently consumed



Source: Kantar HIA International Demand Study 2022
N=4395

Most vegetables are consumed at meals, mainly at dinner



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Source: Kantar HIA International Demand Study 2022
N=2016

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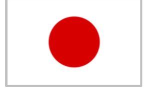
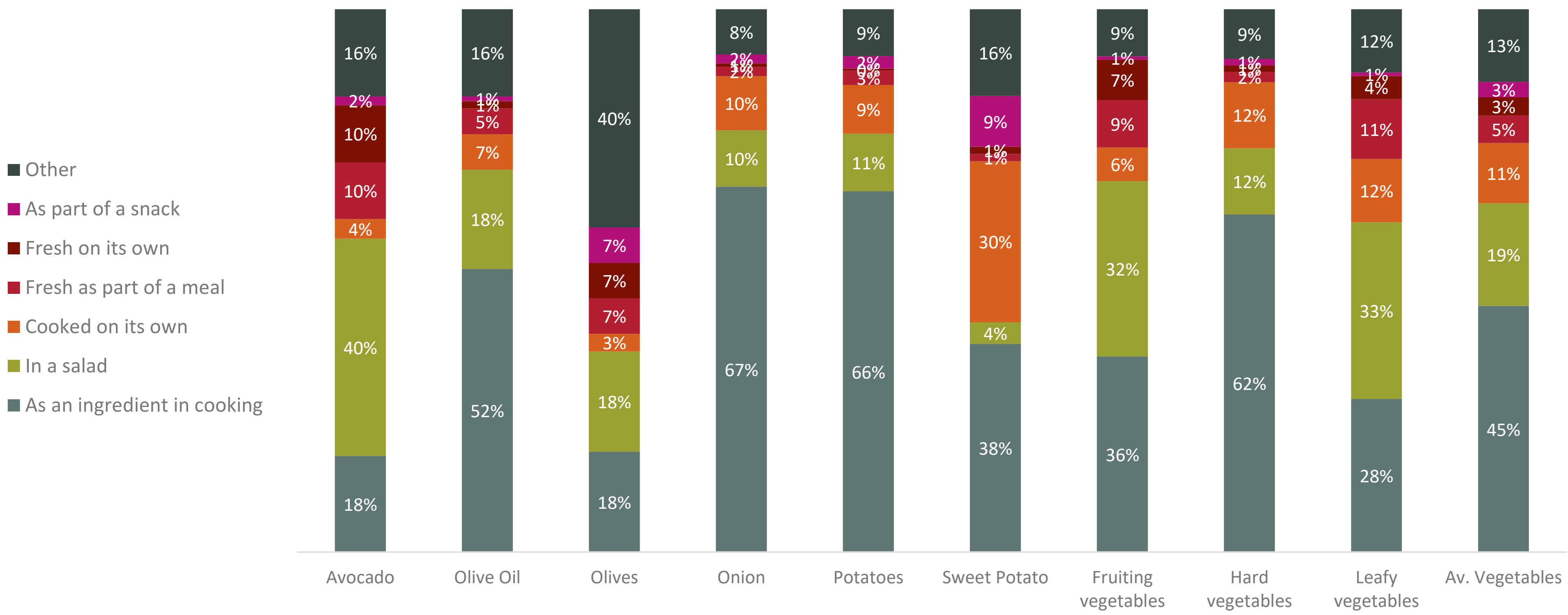


The majority of vegetables are used as part of a meal, either as an ingredient in cooking or in salad. Sweet potatoes are more likely to be cooked on their own

How did you consume?



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Source: Kantar HIA International Demand Study 2022
N=2016

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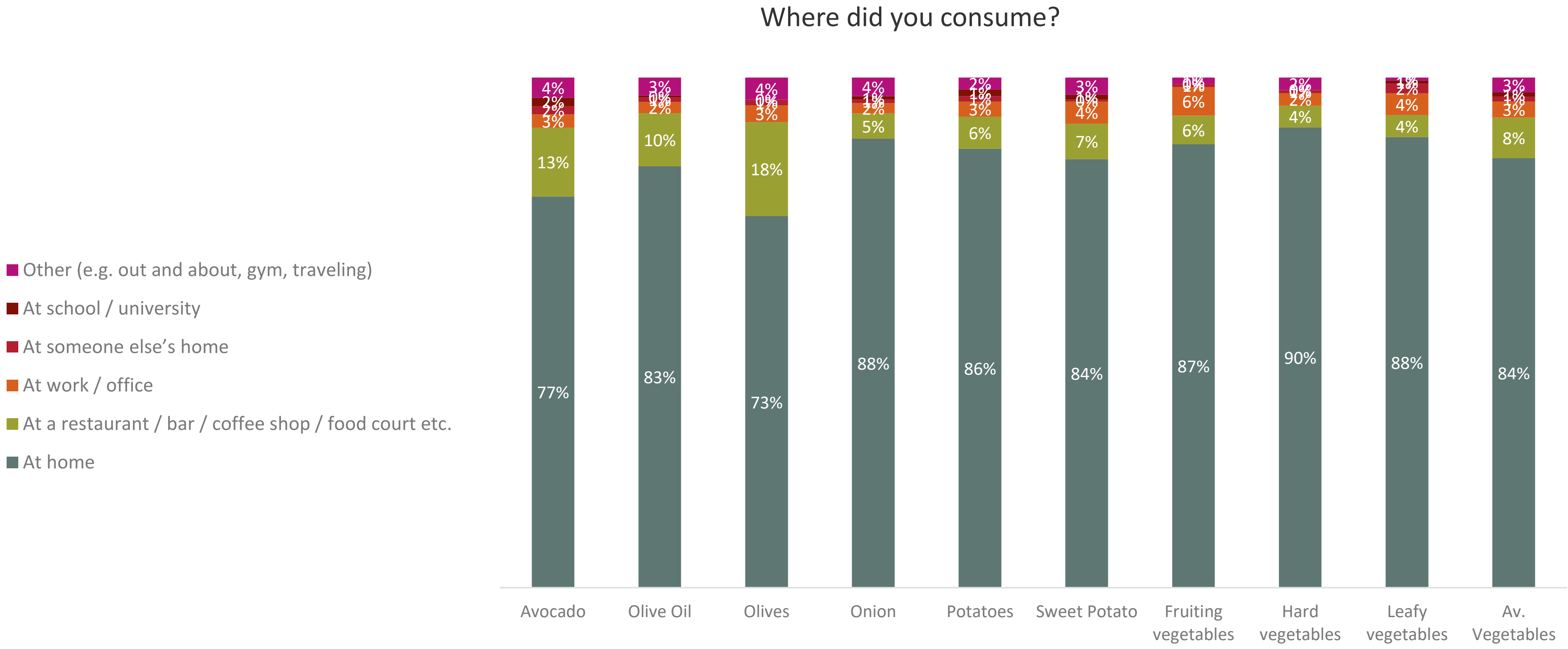
The average vegetable is consumed mainly in home



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Source: Kantar HIA International Demand Study 2022
N=2016

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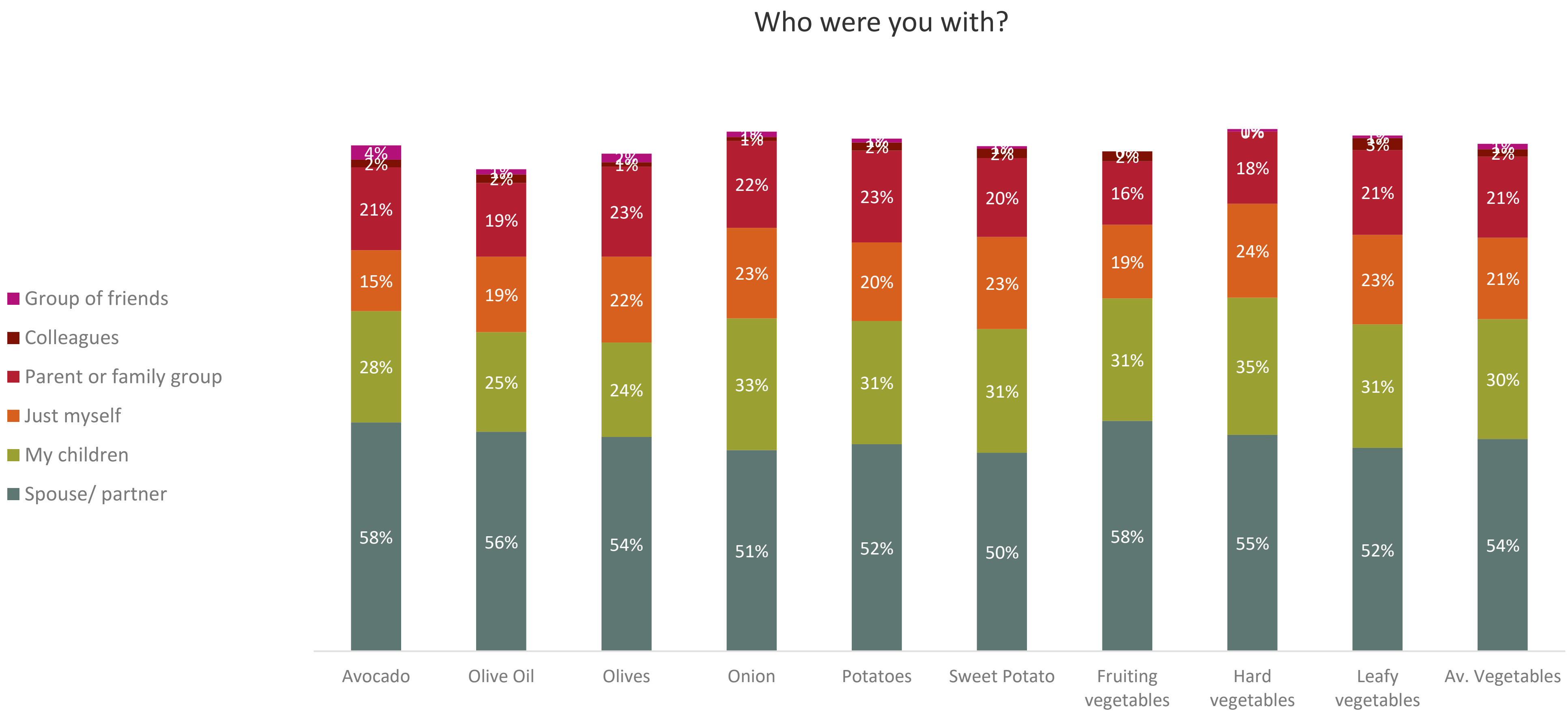
Vegetable consumption takes place most often with spouse / partners or children with solo consumption relatively infrequent



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Source: Kantar HIA International Demand Study 2022
N=2016

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5. Commodity prioritisation

Leverage the strategic framework to prioritize commodities based on consumer behaviour and perception.

The strategic objective:

To determine – from a consumer perspective only – which commodities represent the strongest growth opportunities for Australian exports based on commodity usage, Australian appeal & the ability to command a premium

This analysis provides the consumer lens and is not intended to cover the totality of factors that influence the attractiveness and addressability of a market (e.g., supply chain, regulatory environment etc.).

The aim is to identify the most attractive Australian export commodities for Japanese consumers and **there are two key axis on which we will evaluate each commodity to determine the priorities.**

Commodity Attractiveness

\+

Australian Appeal

How attractive is the consumer opportunity for a commodity?

How appealing is Australian or premium produce?

Commodity Attractiveness and Australian Appeal are each determined by two factors. Each factor carries a different weight reflecting their relative importance

Commodity Attractiveness + **Australian Appeal**

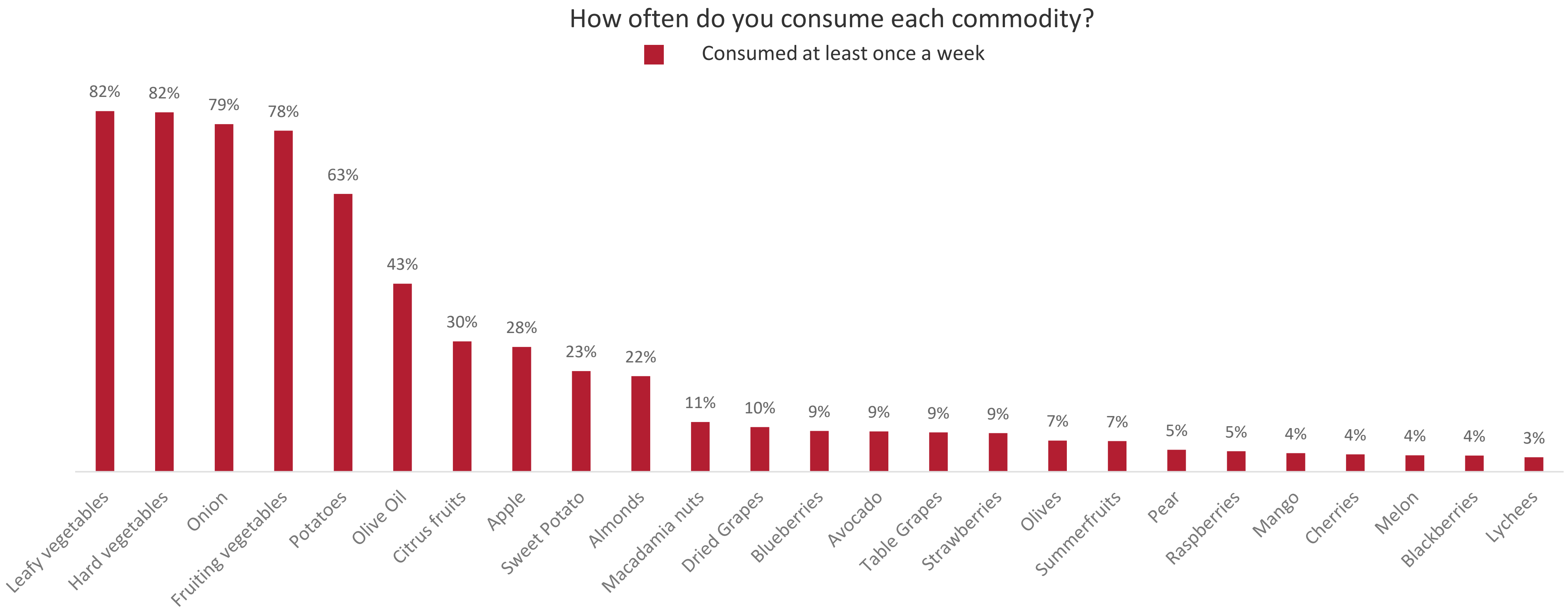
Commodity Attractiveness		Australian Appeal	
Penetration (consumed at least once a week)	Likelihood to pay at least 1.5x premium	Likelihood to purchase Australian	Ability to command a premium
30%	70%	40%	60%

Commodity Attractiveness determines the size of the potential opportunity for a particular commodity

nmodity Attractiver

Metric	Question	What this gives us
Penetration Once a week or more	*How often do you consume each commodity?*	Existing commodity penetration that represents an indicative size of the opportunity
Likelihood to pay premium 50%, or 1.5x, more	*Would you be willing to pay more for a premium quality commodity?*	The commodities for which consumers are willing to pay more & are an attractive opportunity

Leafy and hard vegetables, along with onion, fruiting vegetables, potatoes & olive oil are regularly consumed. Citrus fruits, apple, sweet potato and almonds are also consumed by other nuts and fruits are not frequently consumed



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Source: Kantar HIA International Demand Study 2022; n=4395

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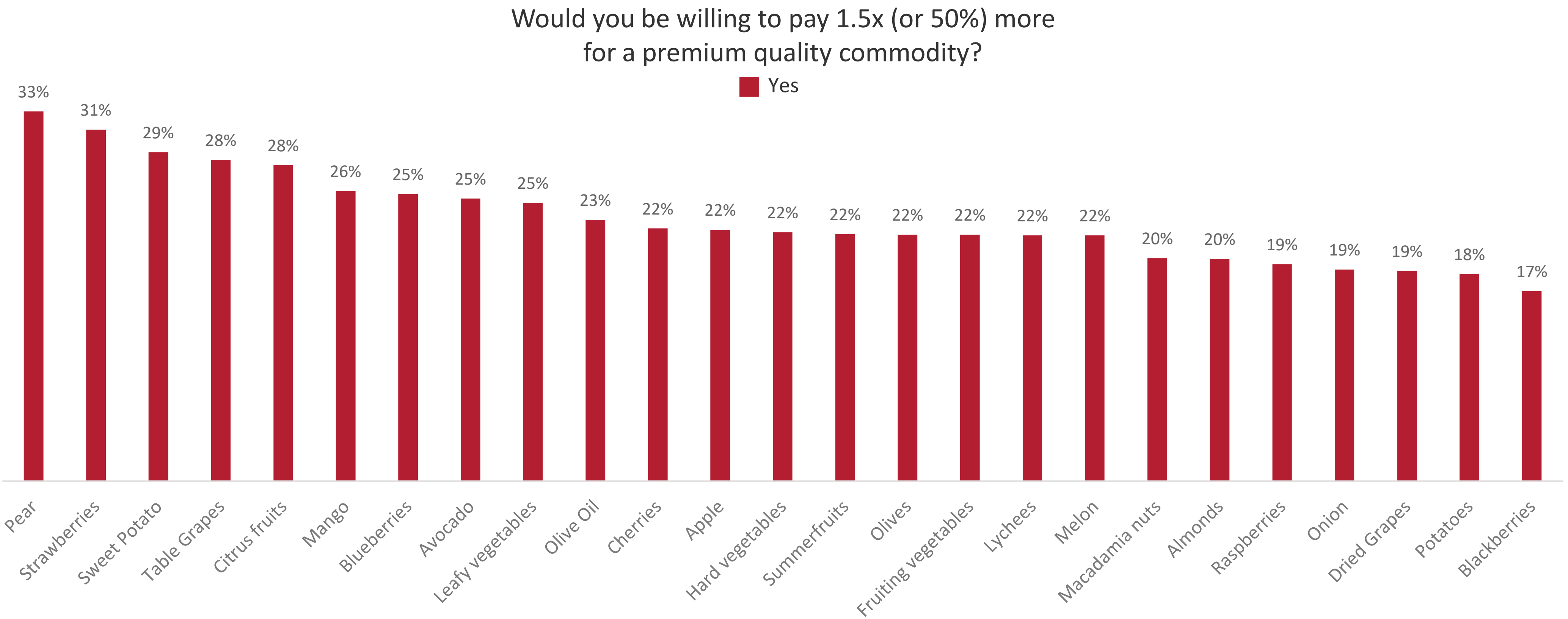
Pears and strawberries have the potential to command a premium price, along with sweet potato, table grapes & citrus fruits



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Source: Kantar HIA International Demand Study 2022, n=4395

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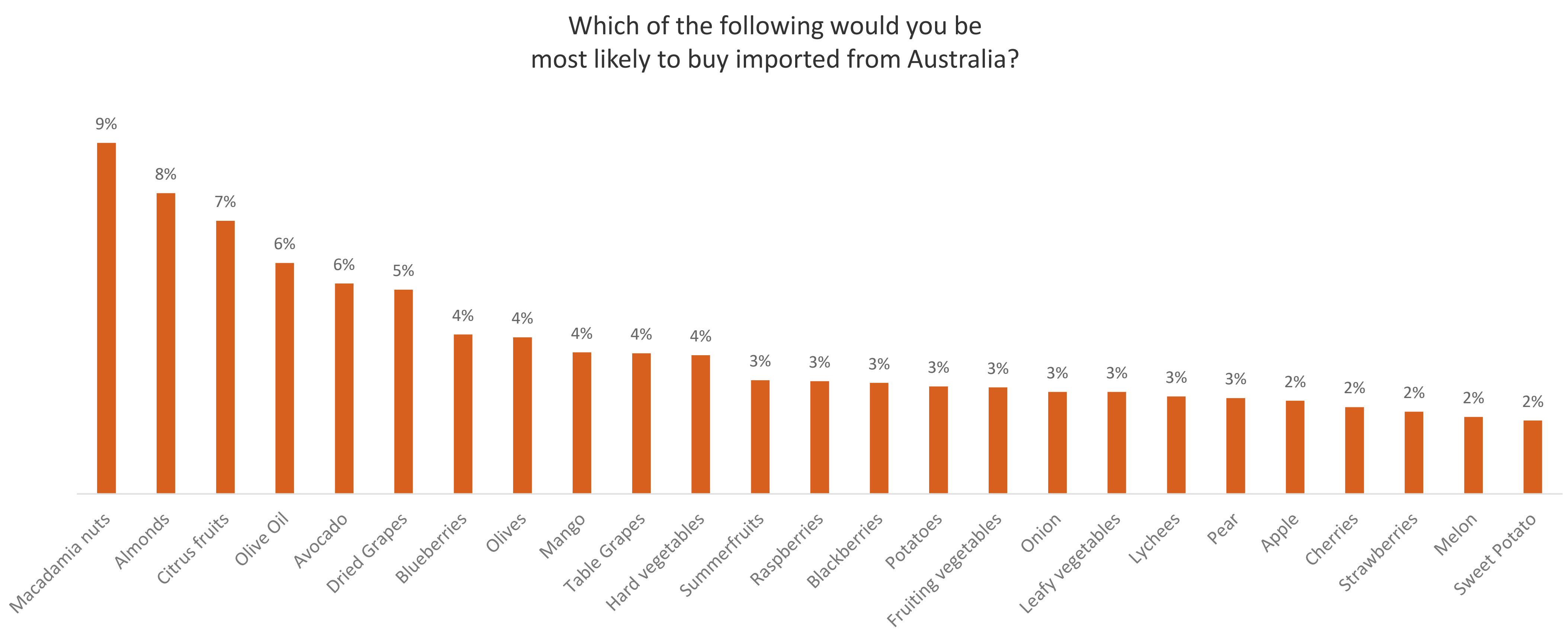
Australian Appeal provides an indication of the potential to realise the export opportunity based on how likely consumers are to purchase Australian or pay a premium for quality

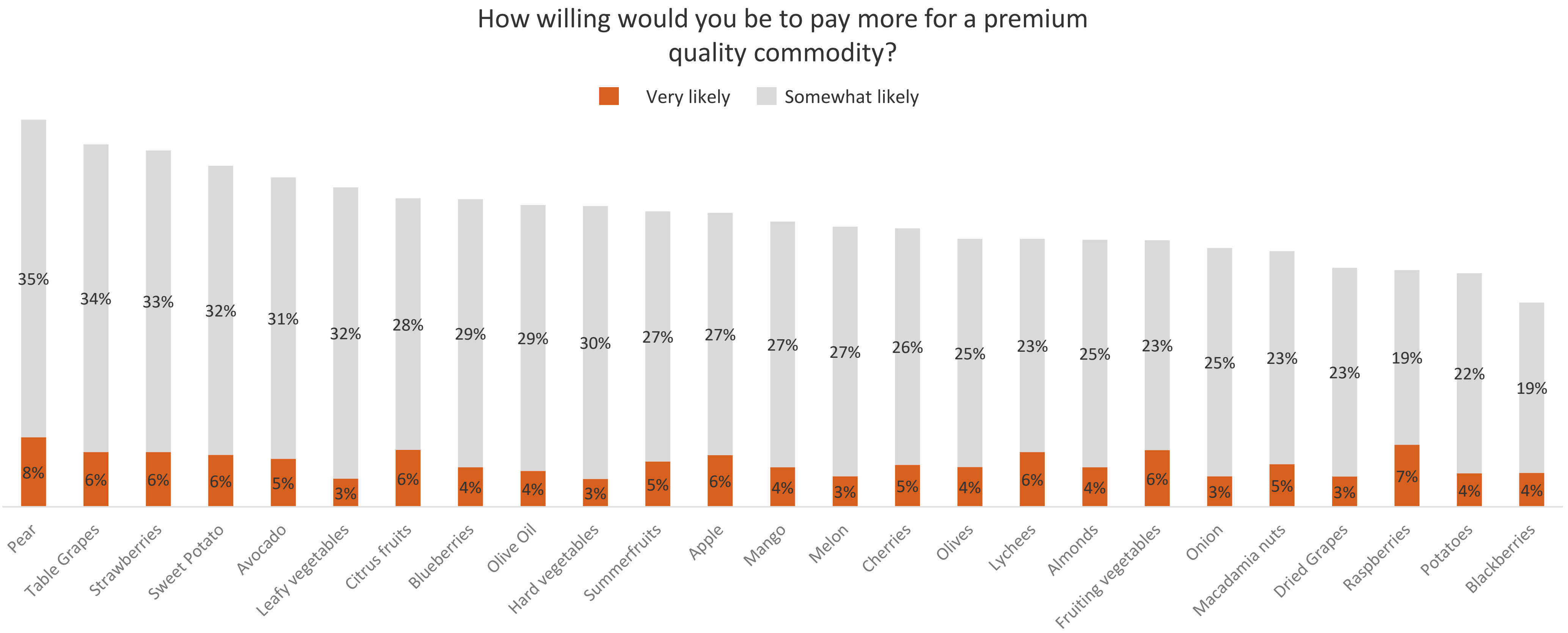
Australian Appeal

Metric	Question	What this gives us
Likelihood to buy Australian	*Which would you be most likely to buy imported from Australia?*	The commodities for which Australian origin is appealing
Ability to command a premium	*How willing would you be to pay more for a premium quality commodity?*	The commodities for which there is untapped premium opportunity

Nuts such as macadamia and almonds, along with citrus fruits & olive oil have strong Australian appeal for Japan consumers



Pears, tables grapes, strawberries and sweet potatoes are the strongest ranking for likelihood to pay more for a premium commodity, followed by avocado and leafy vegetables

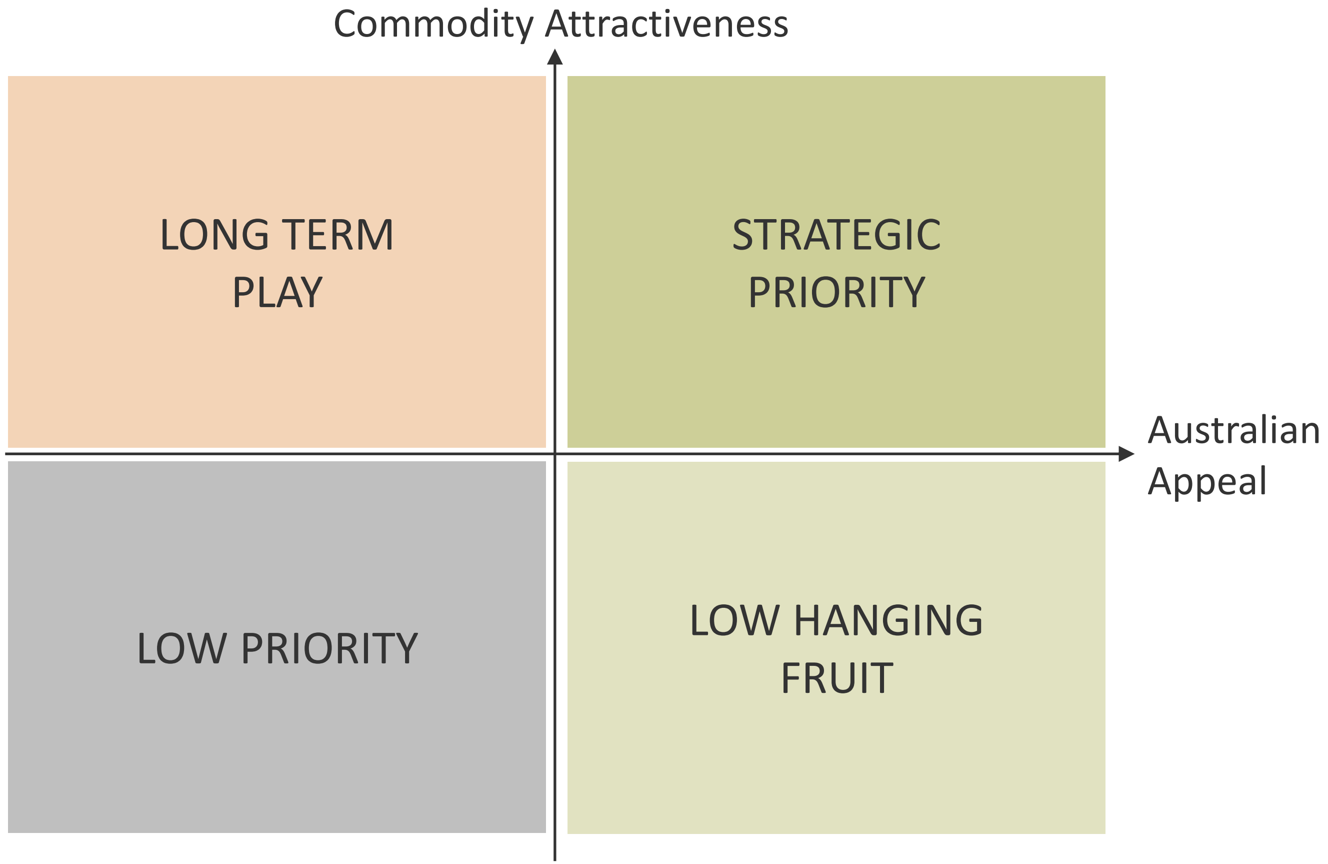


Source: Kantar HIA International Demand Study 2022, n=4395; NB Ordered by Top 2 box because more discriminating

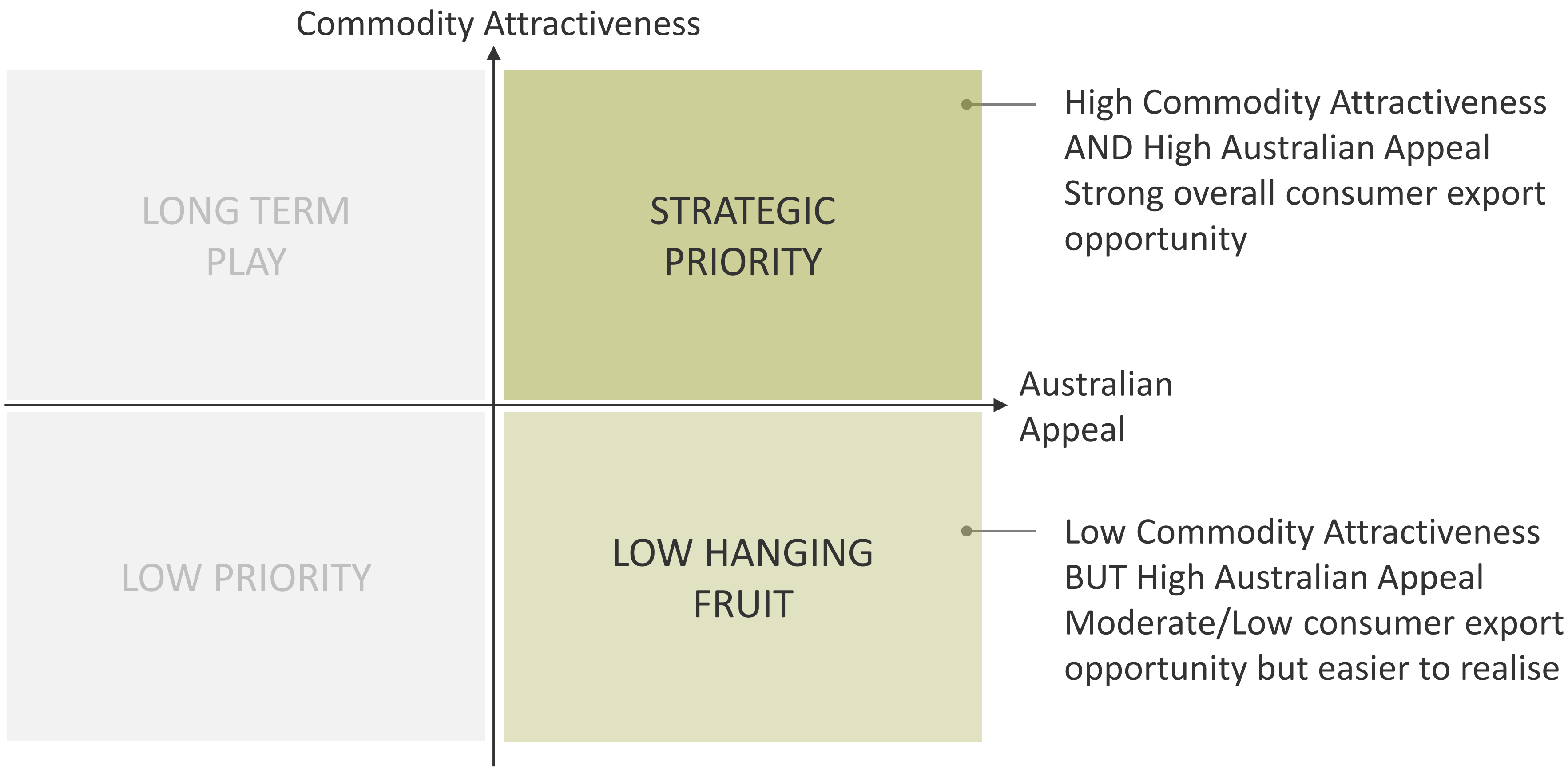
We bring this data together into a prioritisation matrix

The matrix will enable us to determine which commodities represent a strong consumer opportunity for Australian export

We plot each commodity's metrics on a strategic matrix to identify priority opportunities based on consumer preference and behaviour



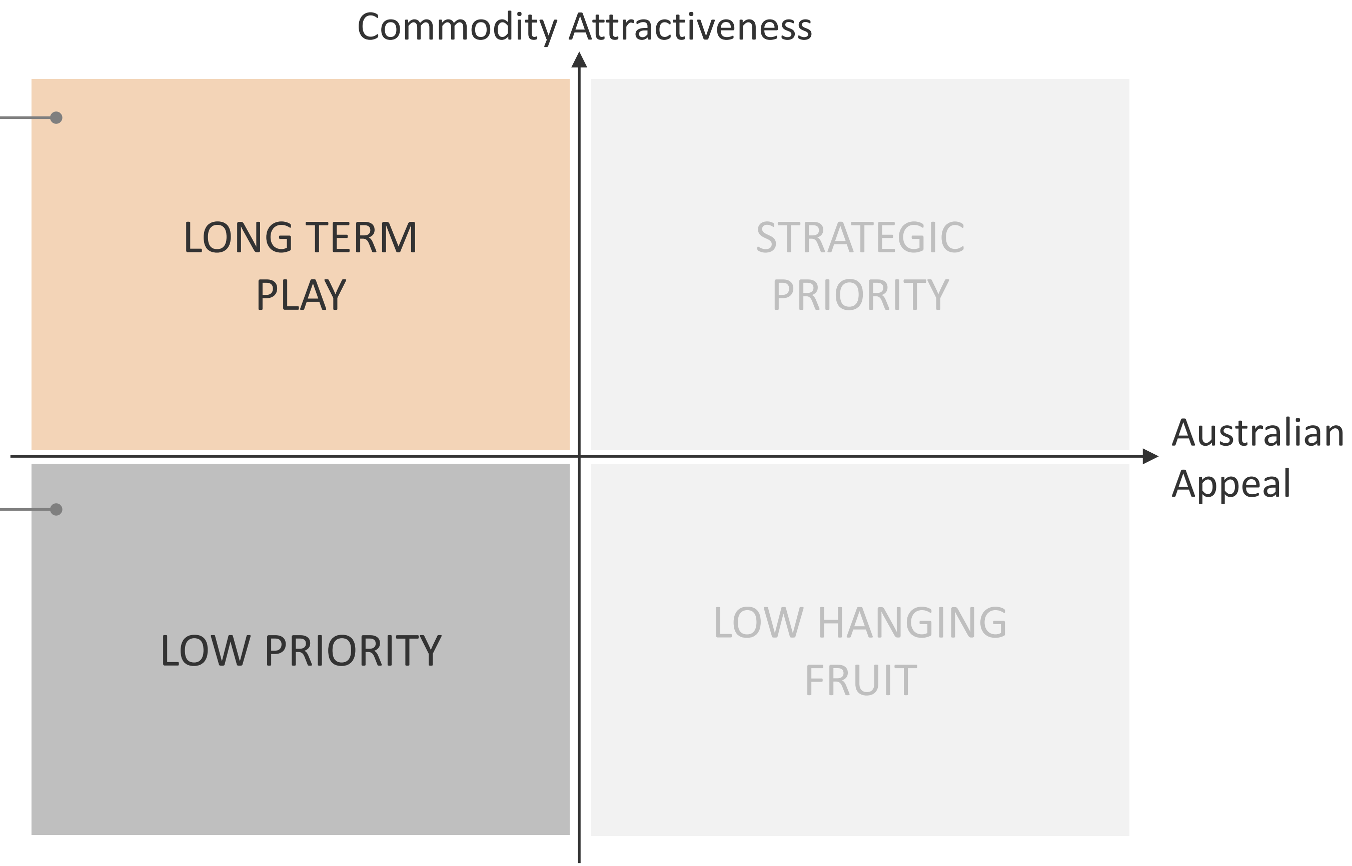
Commodities on the right-hand side of the matrix represent more attractive consumer opportunities for export and investment is more likely to generate a return



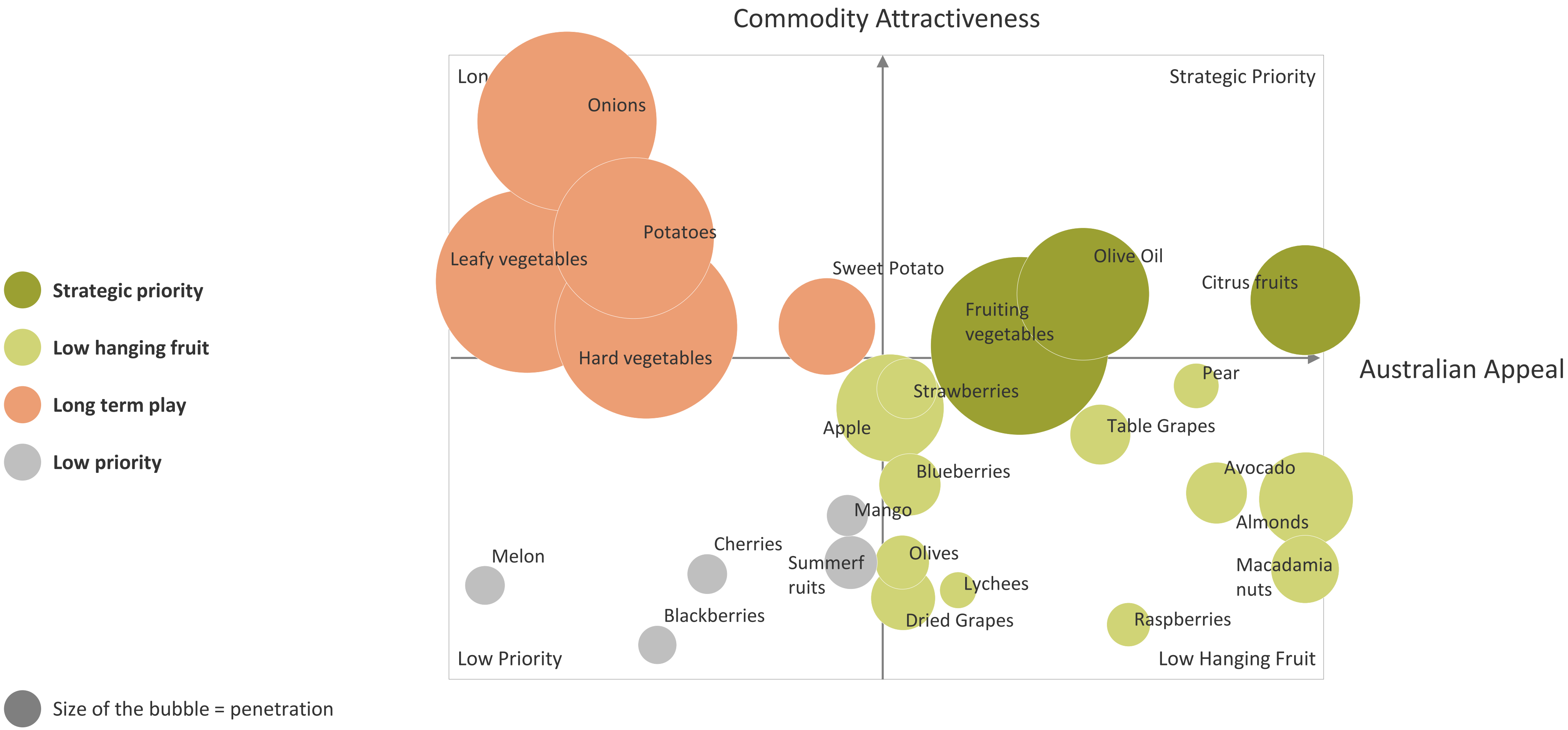
By contrast, commodities on the left-hand side of the matrix may require more investment with a longer term pay-off or minimal to no returns

High Commodity Attractiveness
BUT Low Australian Appeal
Moderate consumer export opportunity and potentially more investment to realise

Low Commodity Attractiveness
AND Low Australian Appeal
Low consumer export opportunity and any investment may not generate a return



We have identified 3 strategic priority commodities that represent the most attractive and appealing export opportunity, based on consumer preference and behaviour



Source: Kantar HIA International Demand Study 2022

Japan: Summary of Strategic Priorities

	 Olive Oil	 Citrus Fruit	 Fruiting Vegetables
STRATEGIC IMPLICATIONS	Olive oil has decent penetration in Japan vs. other commodities. It's an appealing opportunity because consumers are moderately likely to pay for premium, but there's strong Australian appeal (vs. other commodities)	Citrus fruits are not hugely widely consumed in Japan, but there's a high willingness to purchase Australian. This makes citrus fruits an opportunity and one that consumers would be moderately willing to pay a premium for	Fruiting vegetables are very highly penetrated in Japan, hence are a significant volume opportunity. However, given their proliferation, consumers although some consumers are willing to Australian appeal is moderate
ATTRACTIVENESS	• Moderate penetration (43% consume weekly) • Moderate willingness to pay 1.5x more	• Moderate penetration (30% consume weekly) • High willingness to pay 1.5x more for citrus fruits	• Very high penetration (78% consume weekly) • Moderate willingness to pay 1.5x more
ADDRESSABILITY	• High (relative to other commodities) likelihood to purchase Australian - #4 ranking commodities • Moderate likelihood to pay for premium quality	• High (relative to other commodities) likelihood to purchase Australian • Moderate likelihood to pay for premium quality	• Moderate Australian appeal • Low likelihood to pay for premium quality

6. Appendix A

The following groups of fruits, vegetables and nuts are included in the study

Fruits

Apple & Pear

Blueberries

Cherry

Citrus
(e.g. orange, lemon, lime, grapefruit)

Lychees

Mango

Melons

Raspberries & Blackberries

Strawberries

Summer fruit
(e.g. apricots, nectarines, peaches, plums)

Table Grapes

Nuts & dried fruits

Almond

Macadamia

Dried Grapes
(e.g. raisins, sultanas)

Vegetables

Potatoes

Sweet Potato

Avocado

Olives/Olive Oil

Onion

Hard Veg
(e.g. carrots, sweet corn, pumpkin, cauliflower, cabbage, beetroot)

Fruiting Veg
(e.g. tomatoes, capsicum, cucumbers, zucchini, eggplant)

Leafy Veg
(e.g. salad greens, broccoli/broccolini, fresh herbs, lettuce, leafy Asian greens, spinach, silverbeet, kale

While avocados and olives are technically fruits, this report aims to provide a consumer lens and in the minds of consumers, these commodities are considered vegetables. The substitute set is vegetables, hence they are included here.

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