

JAPAN'S BOOMING AGRICULTURE MARKET

(NAT'L PRESS CLUB REMARKS 1/9/95)

THANK YOU FOR THAT KIND INTRODUCTION AND FOR INVITING ME HERE TODAY.

AS YOU KNOW, PRIME MINISTER MURAYAMA IS ARRIVING TOMORROW, AND WILL MEET THE PRESIDENT ON WEDNESDAY. THE PRESIDENT AND THE PRIME MINISTER WILL DISCUSS THE BROAD RANGE OF ISSUES WHICH AFFECT OUR VITAL BILATERAL RELATIONSHIP, FROM SECURITY TO GLOBAL COOPERATION, AND OF COURSE, TRADE. ON THIS OCCASION, I WANT TO UNDERScore THE SUCCESS WE HAVE HAD IN OPENING JAPAN'S AGRICULTURAL SECTOR TO FOREIGN COMPETITION, TO THE BENEFIT OF AMERICAN BUSINESS AND JAPANESE CONSUMERS ALIKE. JAPAN IS NOW THE BIGGEST AND FASTEST GROWING MARKET FOR AMERICAN AGRICULTURAL PRODUCTS.

TALKING ABOUT TRADE WITH JAPAN USUALLY MEANS TALKING ABOUT PROBLEMS OUR COMPANIES FACE IN GETTING INTO THE JAPANESE MARKET. THESE PROBLEMS ARE REAL, BUT IT WOULD BE A MISTAKE TO LET THEM OVERSHADOW THE TREMENDOUS OPPORTUNITIES WAITING TO BE TAPPED. TODAY, I WOULD LIKE TO FOCUS ON SOME OF THAT GOOD NEWS--OPPORTUNITIES IN JAPAN YOU CANNOT AFFORD TO MISS.

AS WE SIT HERE, WE ARE MAKING HISTORY IN OUR AGRICULTURAL TRADE WITH JAPAN. THIS VERY MOMENT, TEN THOUSAND TONS OF WASHINGTON STATE APPLES, THE FIRST COMMERCIAL SHIPMENT EVER, ARE ARRIVING IN STORES IN JAPAN. JIM PARKER, OUR AGRICULTURAL MINISTER FROM OUR EMBASSY, IS JUST IN FROM TOKYO, AND HE TELLS ME THAT EVERY MAJOR RETAILER HE KNOWS IS SCRAMBLING TO GET A PIECE OF THE ACTION.

IT TOOK TWENTY-FOUR YEARS OF NEGOTIATIONS TO GET THESE APPLES IN, BUT WE DID IT. THE PERSISTENCE AND HARD WORK OF OUR DEPARTMENT OF AGRICULTURE, OUR EMBASSY, AND THE WASHINGTON STATE APPLE FARMERS HAVE PAID OFF. WE NOW HAVE ACCESS TO A \$1 BILLION MARKET, AND WE ANTICIPATE FUTURE SALES OF UP TO \$100 MILLION A YEAR. THIS YEAR WE ARE SHIPPING GOLDEN DELICIOUS AND RED

DELICIOUS APPLES. WE EXPECT TO BE SHIPPING OTHER VARIETIES IN THE NEAR FUTURE.

OUR BREAKTHROUGH ON APPLES WILL BRING LOWER PRICES, WIDER CHOICES, AND DELICIOUS NEW PRODUCTS TO JAPAN. THIS IS, IN A NUTSHELL, WHAT OUR TRADE AGENDA IS ALL ABOUT: MORE AMERICAN JOBS FROM INCREASED EXPORTS, AND LOWER PRICES AND WIDER CHOICES FOR JAPANESE CONSUMERS.

THE OPENING OF THE APPLE MARKET SYMBOLIZES THE DRAMATIC CHANGES WHICH HAVE SWEEPED THROUGH JAPAN'S AGRICULTURAL MARKET OVER THE PAST 10 YEARS--APPLES ARE THE LAST MAJOR AMERICAN FOOD PRODUCT SHUT OUT FROM THE JAPANESE MARKET.

IN 1988, WE GAINED ACCESS TO JAPAN'S CITRUS AND BEEF MARKETS. THIS YEAR, WE WILL EXPORT TO JAPAN ABOUT \$400 MILLION DOLLARS WORTH OF CITRUS AND \$1.3 BILLION DOLLARS WORTH OF BEEF.

WITH THE SUCCESSFUL CONCLUSION OF THE URUGUAY ROUND LAST YEAR, JAPAN'S RICE MARKET IS ALSO OPENING UP TO FOREIGN COMPETITION AND WE EXPECT OUR RICE FARMERS TO SELL ABOUT \$100 MILLION WORTH OF RICE ANNUALLY STARTING THIS YEAR.

NOT ONLY HAVE IMPORT BANS BEEN LIFTED, BUT TARIFFS ARE COMING DOWN AS WELL. BEEF TARIFFS, WHICH STARTED AT 70% IN 1988, ARE SCHEDULED TO DROP TO 38% BY THE YEAR 2000. TARIFFS ON ORANGES WILL DROP FROM 40% TO 32% OVER THE SAME PERIOD.

IN ADDITION TO BANS AND TARIFFS, NON-TARIFF BARRIERS ARE CRUMBLING AS WELL. JAPAN'S BYZANTINE MULTI-LAYERED DISTRIBUTION SYSTEM HAS LONG BEEN THE BANE OF EXPORTERS. BUT MANY MAJOR DISTRIBUTORS ARE NOW CUTTING RIGHT THROUGH THESE LAYERS TO REACH RETAIL CUSTOMERS WITH LOWER PRICES. AND WE ARE FINDING OUT WHAT WE KNEW ALL ALONG -- JAPANESE CONSUMERS LIKE OUR GOODS, AND THEY LOVE THE LOWER PRICES WE OFFER.

JAPAN IS NOW OUR BIGGEST AGRICULTURAL TRADING PARTNER BY FAR, IMPORTING MORE FROM US THAN ALL THE COUNTRIES OF THE EUROPEAN UNION COMBINED AND DOUBLE WHAT WE SELL TO CANADA, THE CLOSEST COMPETITOR. OUR ANNUAL AGRICULTURAL SALES TO JAPAN ARE IN THE ORDER OF 14 BILLION DOLLARS -- OR 25% OF OUR AGRICULTURAL EXPORTS WORLDWIDE.

THE REAL NEWS, HOWEVER, IS NOT HOW BIG THIS MARKET IS TODAY BUT HOW BIG IT WILL BE TOMORROW. THE GROWTH POTENTIAL FOR OUR AGRICULTURAL SALES TO JAPAN IS TREMENDOUS. OVER THE NEXT FIVE YEARS, THE JAPANESE MARKET FOR U.S. AGRICULTURAL PRODUCTS IS EXPECTED TO GROW MORE IN ABSOLUTE TERMS THAN ANY OTHER MARKET IN THE WORLD-- ALMOST 50% BY THE YEAR 2000 -- AND THAT IS JUST THE START. WE CANNOT AFFORD TO IGNORE JAPAN.

LAST NOVEMBER I WENT TO VISIT THE LARGEST SUPERMARKET CHAIN IN JAPAN, DAIEI, TO CHECK OUT FOR MYSELF THE RETAIL REVOLUTION. MR. NAKAUCHI, THE HEAD OF DAIEI, KNOWS THAT IMPORTS ARE THE SECRET TO BRINGING DOWN PRICES. HIS STORE IS LADEN WITH AMERICAN BEEF, BEER, SOUPS, CONDIMENTS, BOTTLED SPRING WATER, BROCCOLI AND ASPARAGUS. THIS ONE COMPANY ALONE IMPORTS \$200 MILLION DOLLARS WORTH OF AMERICAN PRODUCTS EACH YEAR, AND DOES SO BY BUYING DIRECTLY FROM PRODUCERS LIKE YOU -- CUTTING OUT THE MIDDLEMAN IN JAPAN, AND DELIVERING HIGH-QUALITY, WELL-PRICED AMERICAN PRODUCTS TO JAPANESE FAMILIES, WHO ARE TIRED OF PAYING THROUGH THE NOSE FOR A DECENT MEAL. JAPANESE CONSUMERS SPEND \$700 BILLION A YEAR ON FOOD, ABOUT A QUARTER OF THEIR INCOME. THAT'S TWICE AS MUCH AS WHAT THE AVERAGE AMERICAN HOUSEHOLD SPENDS. THE ONLY WAY JAPAN IS GOING TO BE ABLE TO BRING THIS FIGURE DOWN IS BY EXPANDING FOOD IMPORTS.

THE BOOM IN JAPAN FOR FOREIGN PRODUCERS HAS STARTED. AMERICAN SALES ARE SOARING. IN THE FIRST HALF OF 1994 ALONE, IMPORTS OF AMERICAN SNACK FOODS WERE UP 67%; FRESH VEGETABLES, UP 55%; BREAKFAST CEREALS, UP 73%; PREPARED MEATS, UP 29%; JUICES, UP 23%; AND WINE AND BEER, UP 125 %.

BUT WE ARE NOT THE ONLY COUNTRY SELLING TO JAPAN. OUR APPLES COMPETE WITH NEW ZEALAND APPLES; OUR BEEF WITH AUSTRALIAN AND NEW ZEALAND BEEF.

AND OUR FRUITS AND VEGETABLES FACE STIFF COMPETITION FROM ASIAN SUPPLIERS, INCLUDING CHINA. IN PROCESSED FOOD, FRANKLY, WE ARE BEHIND THE CURVE.

OVER THE YEARS, WE HAVE DONE A GREAT JOB SELLING BULK COMMODITIES LIKE WHEAT AND SOY BEANS TO JAPAN. BUT, IN FACT, JAPAN'S LARGEST AGRICULTURAL GROWTH MARKET IS IN PROCESSED FOODS. THOUGH HALF OF OUR FOOD EXPORTS TO JAPAN ARE PROCESSED OR HIGH-VALUE FOODS, I AM CONVINCED THAT WE CAN DO STILL BETTER. THIS IS WHERE THE GROWTH IS, THIS IS WHERE THE MONEY IS TO BE MADE, THIS IS WHERE THE JOBS ARE FOR US, AND THIS IS WHERE OUR COMPETITORS ARE EATING OUR LUNCH.

AMERICA IS THE MOST EFFICIENT FOOD PRODUCER IN THE WORLD. BUT THIS ALONE WILL NOT GET US INTO THE JAPANESE MARKET. ALTHOUGH WE HAVE HALF THE MARKET FOR AGRICULTURAL IMPORTS IN JAPAN BY VOLUME, WE HAVE ONLY A THIRD OF THE MARKET IN TERMS OF VALUE. IN OTHER WORDS, OUR COMPETITORS ARE SELLING LESS, BUT MAKING MORE. WE CAN DO BOTH--SELL MORE AND MAKE MORE TOO.

WE HAVE EXCELLENT PROGRAMS TO HELP YOU GET INTO THIS MARKET BASED HERE IN WASHINGTON, IN REGIONAL OFFICES AROUND THE COUNTRY, AND THROUGH OUR U.S. DEPARTMENT OF AGRICULTURE REPRESENTATIVES IN TOKYO AND OSAKA. WE CAN INTRODUCE YOU TO RETAILERS AND WHOLESALERS; WE CAN PROVIDE YOU WITH MARKET INFORMATION; WE CAN HELP YOU ORGANIZE TRADE EVENTS. BUT WE NEED YOU TO TAKE THE FIRST STEP AND TO LET US KNOW HOW WE CAN HELP. WE LOOK FORWARD TO SEEING MANY OF YOU IN TOKYO THIS YEAR.



MINNESOTA HISTORICAL SOCIETY

Copyright in the Walter F. Mondale Papers belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



www.mnhs.org