



Observations of the Japanese market for Australian rambutans

**A report for the Rural Industries Research
and Development Corporation**

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Foreword

This report presents the findings from a rambutan industry visit to Japan in December 2000 to observe the market for imports of Australian rambutan.

In March 2000 the Australian industry began supplying rambutan to Japan, which had not imported fresh rambutan previously. The aim of the visit was to determine issues affecting the performance of Australian rambutan so as to assure the industry's success in this market.

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Executive summary

Fresh rambutan is a new fruit to the Japanese market, Australia having supplied the first consignments late in the Queensland 2000 season. Japanese importers, wholesalers, distributors and retailers expect it to succeed in the long term, as lychees, kiwifruit and other imported exotics have done.

During a trade visit to Japan in early December 2000, Australian rambutans were observed in only a few Tokyo stores. Sales were slow, and were attributed by the trade to high prices; low consumer awareness; variable quality; and competition from the pre-Christmas gift market.

While treatment with methyl bromide is known to blacken the skin of rambutans and their spinterns (the soft spines covering the fruit), and all the fruit observed had some degree of blackening, it was not possible to determine whether the fruit seen had been so treated. Also, most of the fruit was at least one week old, so its surface could be expected to be darkening from dehydration. Whatever the cause, all the fruit inspected lacked the bright red, clean appearance of fresh rambutan.

According to one rambutan producer, the Queensland fruit sent by the group in its 2000 season, establishing this market, met the group's Premium Choice grade standards, while in comparison a number of cartons observed in Japan were of average or poor quality, the appearance of the fruit marred by yellow patches, small size, bruising, and sometimes inadequate postharvest cleaning.

The findings of the research raise the following issues for the industry:

Markets

- Rambutans are expected to be a successful product in Japan in the long term.
- Fresh rambutans are at the introductory stage in the Japanese market, with low consumer awareness and trial, low demand, few sales, high prices, limited distribution and little promotion.
- When rambutan prices are high, only small volumes are sold through retailers serving a relatively small market segment of affluent consumers looking for new foods and through upmarket restaurants and hotels serving the same segment.
- To develop the main Japanese market for rambutans and sell larger volumes, distribution will need to include large and small supermarkets, at lower prices that the average consumer is prepared to pay.
- Peak demand periods for rambutan are likely to be at Christmas as a small red fruit; and from February to April when Japan has little domestic fruit.
- Whether rambutans are used in gift packs will depend on whether giftpackers decide they are suitable.

Product

- The Japanese market is for premium fruit only, with good shelf life.
- As a new product in Japan, high quality is necessary to ensure consumers' initial experience of rambutan is satisfactory, win wholesaler and retailer confidence, and develop the wider market.
- Australian rambutans' main competitive advantages in the Japan market are high quality and high Brix levels (sweetness).
- Rambutans are most likely to be eaten fresh, or used in fruit platters for entertaining, so appearance and flavour are critical.
- Methyl bromide disinfestation is considered the main threat to fruit quality, with importers keen to find alternatives.
- Other quality problems of undersized fruit, variegated colour, inadequate cleaning, and bruising of fruit indicate the need to improve post-harvest procedures, develop industry grades and quality standards, and improve current grading and quality controls.
- Problems with browning of the skin indicate possible cold damage from storage and/or transport at too low temperatures, and a need to determine where the cool chain is breaking down. The

rambutan industry can support its Japan supply chain by keeping the trade up to date with storage and handling recommendations.

- Slow turnover of rambutans in stores is also spoiling the fruit's appearance, indicating a need to increase consumer demand and product turnover.
- To prevent the fruit's spinterns being crushed, the trade would prefer looser packing, with flat single-layer punnets and fewer fruit than the standard 250 g punnet can hold.
- The trade wants the option of smaller pre-packs and bulkpacks so they can sell smaller quantities when prices are high.
- While the trade is generally satisfied with the present product, retailers will need more product options and grades, and more packaging options, to develop specific market segments. The rambutan industry will need to monitor market feedback to supply their requirements.
- Most distributors have little or no English and do not comprehend English language labelling.
- The rambutan industry needs to be aware of and comply with Japan's maximum residue requirements for chemicals.
- The Australian rambutan industry has the opportunity for a brand linked to Australia's positive and clean image in Japan.

Pricing

- High wholesale prices in December were considered the main cause of slow consumer sales and little retailer demand.
- Supermarkets have experienced strong consumer interest and sales for Australian rambutan at prices of around ¥400 (\$7.00) a 250 g punnet.
- ¥500 (\$8.80) a punnet is the price point beyond which the supermarket customer is not prepared to buy rambutans, even for early season fruit.

Distribution

- Some supermarket chains would prefer to import rambutans direct to lower the retail price for rambutans by bypassing intermediaries in Japan's traditionally lengthy distribution channels. Alternatively they recommend lower farmgate prices than in December to accommodate the various price mark-ups of those intermediaries.
- While current distribution is mainly through exotic fruit specialists to specialist stores and large supermarkets, their experience in and facilities for handling perishable produce are not necessarily equalled by the wider distribution system.

Promotion

- Promotion is considered necessary to develop consumer awareness and consumption of rambutans through in-store product demonstrations and tastings, and point-of-sale literature. Large retailers want to be assured of supply before investing in promotion.

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Introduction

This report presents the findings from a trade visit to Japan conducted from 30 November to 6 December 2000 by Pedro O'Connor, President, FNQ Rambutan Marketing Group; Peter Salleras, Vice-President, FNQ Rambutan Marketing Group; and Judy Noller, Marketing Officer, Department of Primary Industries, Queensland.

The purpose of the visit was to observe the Japanese market for rambutans, on behalf of the Australian rambutan industry, and to provide the industry with market information to guide future exports to Japan.

The group met with importers, wholesalers, a distributor, retailers and Queensland and Australian Government officials in Tokyo, as listed on page 14.

Appendix 2 summarises product, price and demand observations made during the visit.

The conversion rate used is \$1 Australian = 57 yen.

Australian industry capability

The Australian rambutan industry predicts that it is capable of supplying 350 tonnes to Japan in the 2001 season.

The Queensland Government Office in Tokyo foresees some threat to Queensland's export capability from a decline in the number of passenger seats between Australia and Japan, and the associated loss of air cargo capacity.

Markets

Fresh rambutans are at the introductory stage in the Japan market, with low demand because of low consumer awareness and trial, low sales, generally high prices and limited distribution. However, wholesalers and importers consider there is potential for establishing a long-term market for rambutans. Other exotic fruits which are imported include several thousand tonnes of lychees annually from China and Taiwan over the past ten years, as well as counter-seasonal imports of lychees from New Caledonia.

Fresh rambutan is a new fruit in the Japan market, so neither it nor its name is well known. Awareness is limited mainly to consumers who have travelled in South-East Asia. While frozen rambutan has been imported for years, acceptance has been low, and while Japanese consumers may recognise frozen rambutan by its appearance, its weak flavour has not educated them to the taste of fresh rambutan.

Nevertheless, the trade has observed a market for rambutan. An importer considers there is potential to develop an initial market for 50–75 tonnes a week. A distributor expects demand would emerge if the current price were reduced. A major retail chain experienced strong consumer interest and good sales when it introduced Australian rambutan from Queensland in March 2000, and would have stocked more rambutans in the past season if more had been available. This chain anticipates initial demand of 1500 kg a week, with most sales on the peak shopping days of Friday, Saturday and Sunday.

The same importer considers the main current market for rambutans to be consumers with above-average wealth who buy fruit from expensive outlets such as department stores, gift shops, and fruit and vegetable stores located in affluent areas. This market has the potential to absorb a maximum of 1250–2500 kg a week. However, a distributor sees this sector as shrinking as more consumers shop at supermarkets.

Another potential market identified was upmarket restaurants and hotels, again used by consumers with above-average wealth. This market requires higher quality fruit and is currently being targeted by Australian products such as mangoes.

Rambutans are considered a suitable fruit for supermarkets, which are expected to provide their long term market. Given sufficient supply and reasonable prices, the trade considers it could develop large volume sales from superstores such as Diaie, Jusco, Ito Yokado and Euni. When the previous season's price was ¥400 (\$7.00) for a 250g punnet there was strong demand from retailers wanting to stock rambutans. It is also necessary to sell rambutans through small supermarkets if the market is to expand.

During the visit in early December, demand was observed to be low, with week-old fruit sitting unsold in store displays and at the wholesale markets, always with some degree of blackening affecting its appearance. The trade attributed the low demand to a number of factors, including the high start-of-season price; the fact that December is a difficult time to sell fruit because of competition from Christmas spending; retailers concentrating their efforts on selling gift packs; and failure by supermarkets to buy the fruit. According to a supermarket chain buyer, despite wholesalers' efforts to push rambutans, few retailers were buying because the wholesale prices were too high to allow an attractive retail price.

Visits to various stores identified rambutan selling in only one department store and one upmarket fruit and vegetable store. The fruit had been in the fruit and vegetable store a week (so would have been at least ten days old), and looked dehydrated: though the skin was still red both it and the spinterns were blackened to some degree. This store was selling only one or two punnets a day, attributing the slow sales to lack of consumer awareness and the price of ¥950 (\$16.70) for six pieces being too high for the Japanese consumer except for a special occasion. The manager planned to discount the fruit eventually, and expected it then to sell, but until the eight packs on display had been sold she did not intend to order new stock.

While rambutans were usually observed being displayed amongst fresh pre-packs, one supermarket had them with packs of dried and dehydrated fruits.

Product usage

According to a retailer, Japanese consumers are most likely to eat rambutans at the end of a meal.

According to an importer, rambutans are mainly being sold to satisfy consumers' demand for new products. Gift packs are also sold for this purpose: gift boxes of high quality fruit are popular, mainly as corporate gifts and for hospital patients, particularly in the Christmas season. The Christmas gift period lasts only 10 days, from 5 to 15 December, when demand stops. In the first week of December most department stores and supermarkets were offering gift packs of fresh produce — fruits, seafood and other luxury food packs — with prominent displays of pre-prepared packs, sample packs and catalogues promoting the gift pack range. As an example, a boutique department store had gift packs of four Diamond Star branded *Kensington Pride* mangoes from Queensland, two Diamond Star papaws from Hawaii and two limes, at ¥7000 (\$123).

No rambutans were observed in any gift packs; according to an importer, gift packers are not yet using rambutans because they consider them a new category and are observing supply and price, but may use them next season. However, a boutique fruit and vegetable retailer considered rambutans too

perishable for gift packs. None of the gift packs seen were sealed, and rambutans would need a sealed container to prevent dehydration in store air-conditioning.

Japanese consumers also buy small fruit such as rambutans to make up their own gift packs, for example a punnet of rambutans plus two or three other fruits. They are also likely to use rambutans in fruit platters which are popular for entertaining as fruit is less expensive than retail packs of assorted desserts.

There is likely to be demand for rambutans at Christmas, when consumers want red fruit, as rambutans and strawberries are the only small red fruit available at that time.

An importer considered the ideal time for importing rambutans is during the Japanese winter, rather than competing with domestic production during the summer months. While demand is likely to fall in January and February because consumers have spent their money for Christmas–New Year; it should increase in March, with the strongest demand period likely to be February to April.

Product

A product description for rambutans is provided in Appendix 3.

The market is for premium fruit only, with length of shelf life and sweetness of the fruit key concerns to the Japanese consumer. Quality requirements vary with the target market.

A specialist importer, who has implemented quality control measures, said that rambutans should be handled carefully for their first year to establish a quality image, after which mistakes would be more acceptable. He considered quality to be the main problem for imported rambutan, with the burnt appearance of the skin and spinterns caused by methyl bromide treatment impeding development of the mass market. During the visit the group observed:

- At one importer's distribution centre, the spinterns of newly arrived rambutans were blackened.
- In a large suburban supermarket, rambutans had severe blackening where the rind and spinterns were in contact with water in the base of the punnets, suggesting damage from methyl bromide is accentuated by water (the water had probably collected from the rambutans being sprayed after harvest, and from condensation where stored in high-humidity coolrooms to prevent dehydration). However, according to the floor manager, the fruit had looked fresh and red on arrival four days previously, but had deteriorated.
- In a boutique fruit and vegetable store, rambutans had dark red skin and spinterns, with some blackening. Again, the store manager said the fruit had arrived red but had been on display for several days.

It appeared that the blackening of the fruit is being caused by methyl bromide treatment, probably worsened where the fruit is wet, and by fruit aging through slow sales. However, the group could not determine if all the fruit had been treated with methyl bromide, as rambutans exported through Sydney are only treated if this is ordered by Japanese quarantine officials. Given that most fruit observed had been on display for several days, dehydration and aging are also likely to have caused the rind and spinterns to darken.

The importers were also concerned with undersized fruit being supplied. At Tokyo's Otha Wholesale Markets the group observed punnets with small fruit and variable sizes.

Variiegated colour was also a problem for the importers. As an example, a carton of punnets inspected at the wholesale markets contained a substantial proportion of fruit with yellow areas, giving the punnets a variegated and inconsistent appearance likely to lower its appeal to retail buyers. The fruit observed in retail stores was consistently red. According to a retail chain, colour had been of a good standard during the previous season, indicating tight colour grading.

The importer had also found rambutans with spaces between the seed and seed coat (testa), which he suggested might indicate ageing fruit.

Various inspections by the group also identified fruit with black spots, dead mealybugs, dark patches suggesting insect damage, and bruises suggesting rough handling.

Although variable quality was observed at the wholesale markets, the fruit observed in stores had good size, shape and colouring, and had been properly cleaned, indicating store buyers select such fruit first.

According to a grower representative, the fruit exported by FNQ Rambutan Marketing Group members in Queensland's 2000 season, establishing the market, was of high quality and packed to the group's grading standards. In December much of the fruit observed (including product supplied by FNQ Rambutan Marketing Group), was either borderline or failed to meet the group's standard for export, particularly in size and colour, suggesting a need to improve quality control in some packing sheds.

According to the importer, browning had also been observed. According to the grower representatives, browning of one side of the fruit indicates cold damage from the rambutans being stored beside colder products such as fish.

According to an importer, because rambutan is already ripe when exported it is easier to maintain quality in winter than in the hot conditions of summer. However, rambutans are prone to cold injuries in winter, and Queensland's season includes January and February, Japan's coldest months. (In December ambient temperatures were noted to range from 4° to 19° Celsius). Unless the retailer stores the fruit at a controlled temperature it could be exposed to temperatures as low as minus 5° Celsius, particularly between purchase and delivery. The ideal storage temperature recommended by the industry is 12–14° Celsius. The importer's experiments have shown that rambutan keeps better, even at temperatures of 8–10°, than in Japanese domestic refrigerators, which he said are normally kept at below 10°, compared with 15° in most countries). According to the grower representatives, one option is to provide storage information recommending that rambutans not be refrigerated.

According to an importer, ISO standards represent the leading quality control system in Japan, and he was not familiar with the SQF 2000 system used in Australia.

According to an Australian Government official, the Japanese market requires quality and commitment, and the rambutan industry needs to present a united front to avoid a fall in quality, which could affect the market's confidence in the industry.

It was recommended that while the current product and packaging are considered satisfactory for initial development of the market, once the market has expanded different packs and grades should be created to target individual segments. The industry would need to evaluate market feedback on whether there is potential for a greater range of grades and grade specifications.

A wholesale agent saw potential for panicles of rambutan.

Yellow rambutans have prospects both as a product sold specifically in high-class stores to allow differentiation from the supermarket mass product and to obtain a price premium, and in packs of mixed reds and yellows.

There is also potential to supply florists with bunches of immature rambutans, pruned when the fruit is reddening but not yet ripe, as these are becoming popular in Asian countries.

A wholesale agent who specialises in exotics was selling 1 kg plastic bags of red frozen rambutan, with considerable colour variation, at ¥150 (\$2.60) a kg, and also frozen lychee. An expensive city

fruit and vegetable store in Tokyo was selling gift packs of an assortment of frozen Thai exotics; for example, one pack had rambutan, mangosteen, lychee and durian at ¥5000 (\$87). However, because the frozen rambutan is prone to browning of the skin and loss of flavour, though remaining sweet, demand is weak, with low consumer awareness and low interest from retailers, and is unlikely to improve unless the product can equal fresh rambutan in taste. According to importers, frozen fruit is a small category, though a growing one for some fruits, including strawberries and blueberries. Restaurants are using more frozen lychee, causing a decline in demand for the fresh fruit.

According to Australian government officials, there may be some opportunities for organic rambutans in Japan, although no obvious promotion of organics is being done and they are likely to remain a niche market. Demand is also emerging for low chemical foods.

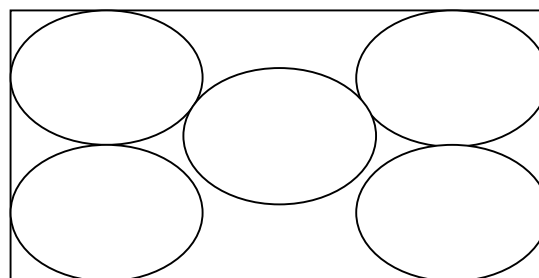
Packaging

A high degree of packaging was observed in department stores, upmarket retail stores and supermarkets — down to packs of single items such as bananas and radishes — but there was more loose fruit on sale in supermarkets and general fruit and vegetable outlets. According to an importer, packaging requirements vary with individual target markets and their expectations of quality.

All the fresh rambutan observed was in 250 g punnets — a square strawberry punnet and a flatter punnet. The trade made the following recommendations on packaging:

- An importer considered the current packaging to be too weight-focussed, with growers more concerned with packing a full 250 g than with protecting the fruit. The result is crushed and broken spinterns, and a bad image for the store concerned. It is very important that the spinterns remain intact, so the importer recommended a standard punnet should contain no more than 200 g of fruit. (The group observed flattened and crushed spinterns in both flat punnets and square punnets.)
- A supermarket chain would prefer a flatter pack of six rambutans weighing around 250 g, which it had observed that its consumers preferred in the 1999 season. A pack of four to six large fruit might also have prospects.
- An importer would prefer a flatter pack of five rambutans lying in the same direction, in the following pattern (strawberries were observed packed similarly in flat trays):

Figure 1. Suggested pattern for pack of five rambutans



This importer considered the current square punnet to be unsatisfactory because of the gap it leaves between fruit and lid. Instead, he suggested a rectangular ‘clamshell’ which can be opened at the middle to permit fumigation, but without the current holes in the top or bottom, so that stores can keep the fruit without it dehydrating. However, the grower representatives commented that some holes are necessary to permit the methyl bromide to permeate the contents, although too many holes would allow dehydration.

- A second importer considered the square punnet to be acceptable.
- A boutique retailer would prefer a smaller weight to reduce the unit price. The store had repacked 250 g square punnets into flat punnets to suggest more value, its manager considering the unit price of ¥950 (\$16.60) for 250 g beyond the price points of the store’s more affluent customers.

- A supermarket chain wants to sell loose rambutans when punnet prices are too high for its market, so would require bulkpacks.
- A distributor anticipates demand for bulk packs from several segments, including Chinese restaurants.
- This distributor considers the current packaging is sufficiently strong, although if a market segment expects particularly high quality, extra-strong packaging might be warranted.

Most of the trade interviewed spoke little if any English and would not comprehend English language labelling.

Storage

Rambutans require storage temperatures within a range of 12–14° Celsius to maintain appearance and flesh quality. Delivery agents and retailers in Japan may have difficulty maintaining the cool chain.

Plant quarantine

When rambutans arrive in Japan, inspectors from Japan’s Ministry of Agriculture, Forestry and Fisheries (MAFF) examine a sample, and will order methyl bromide fumigation if live insects are found. Such treatment in Japan costs around ¥30 000 (\$526) per consignment, which adds to the fruit’s cost as well as causing a day’s delay to its distribution.

While discovery of live insects in a shipment will not necessarily put an end to imports, MAFF is likely to prohibit imports if a single fruit fly is found.

Continued use of methyl bromide as a plant quarantine treatment is subject to the Montreal Treaty Protocol. At a minimum, the cost of methyl bromide is expected to increase.

Options to reduce or eliminate live insects in rambutan consignments include:

- incorporating surfactant in the postharvest wash to remove ants and mealybug;
- using Rogor (dimethoate) to treat mealybug and scale;
- soaking the fruit in water to drown any insects;
- on-farm examination.

Maximum residue levels (MRLs)

It was recommended that the rambutan industry ensure it complies with Japan’s MRL requirements for chemicals by supplying the Ministry for Health and Welfare with a list of chemicals to compare with its MRL database, and by adhering to on-farm withholding periods.

Branding

Four rambutan brands — ‘FNQ Rambutan Marketing Group’, ‘Diamond Star’, ‘Pride of Australia’, and ‘Delica’ — were observed in Tokyo during the visit.

According to Australian trade officials, Australia has a positive and clean image in Japan. However, almost no Australian supplier brands are taking advantage of the opportunity this perception offers.

Pricing

High retail prices for rambutans were considered a leading cause of the low demand being experienced in early December — the result of price mark-ups by intermediaries in the traditional Japanese multi-tiered distribution system. Rambutan prices observed by the group ranged from ¥400 (\$7) in a supermarket to ¥1500 (\$26.30) in a department store. Price has become a key concern to the typical Japanese consumer as a result of restraints in the economy.

A supermarket chain had good sales for rambutans at ¥400 (\$7) for a 250 g punnet in their initial season. It considered the price ceiling for its customers to be ¥500 (\$8.80), including for early season fruit. However, during the group’s visit, one of its stores was selling rambutans at this price as an introductory special, but there was little demand, which the store’s produce manager attributed to low consumer awareness.

A distributor said that the typical small retailers’ price at the time of the visit was ¥400 (\$7.00) a punnet, which was within the Japanese consumer’s price tolerance. At this price rambutans had the potential for large sales.

According to a retail chain that wanted to offer rambutan for the Christmas season, the importers’ price of ¥400 (\$7.00) a punnet at the time of the group’s visit would necessitate a retail price of ¥700–900 (\$12.30–15.80) a punnet, which was beyond what its consumers were willing to pay. Based on this price, and on trade advice about mark-ups, a sample cost structure at the time of visit would be:

Figure 1. Sample cost structure for rambutans in Tokyo in December

	\$/kg	\$/kg	¥
Farmgate price	16.60		
Local transport	0.04		
Fumigation	0.30		
AQIS	0.28		
Exporter’s margin (say 15%)	2.58		
Freight forwarder (estimated)	<u>0.15</u>	19.95	
Air freight		<u>4.40</u>	
Landed price		24.35	1357
Importer’s mark-up (15%)		<u>3.65</u>	<u>239</u>
Importer’s price in December		28.00	1596
Wholesale agent’s mark-up (20%)		<u>5.60</u>	<u>319</u>
		33.60	1915
Secondary wholesaler’s mark-up (20%)		<u>6.72</u>	<u>383</u>
		40.32	2298
Retailer’s mark-up (say 30%)		<u>12.10</u>	<u>689</u>
Retail price		<u>\$52.42</u>	<u>¥2988</u>

Sources: All Pest & Weed Control; C.T. Freight; AQIS; Qantas; Queensland Government Office, Tokyo

Earlier in November, the wholesale price had been lower, at around ¥300 (\$5.30) a punnet.

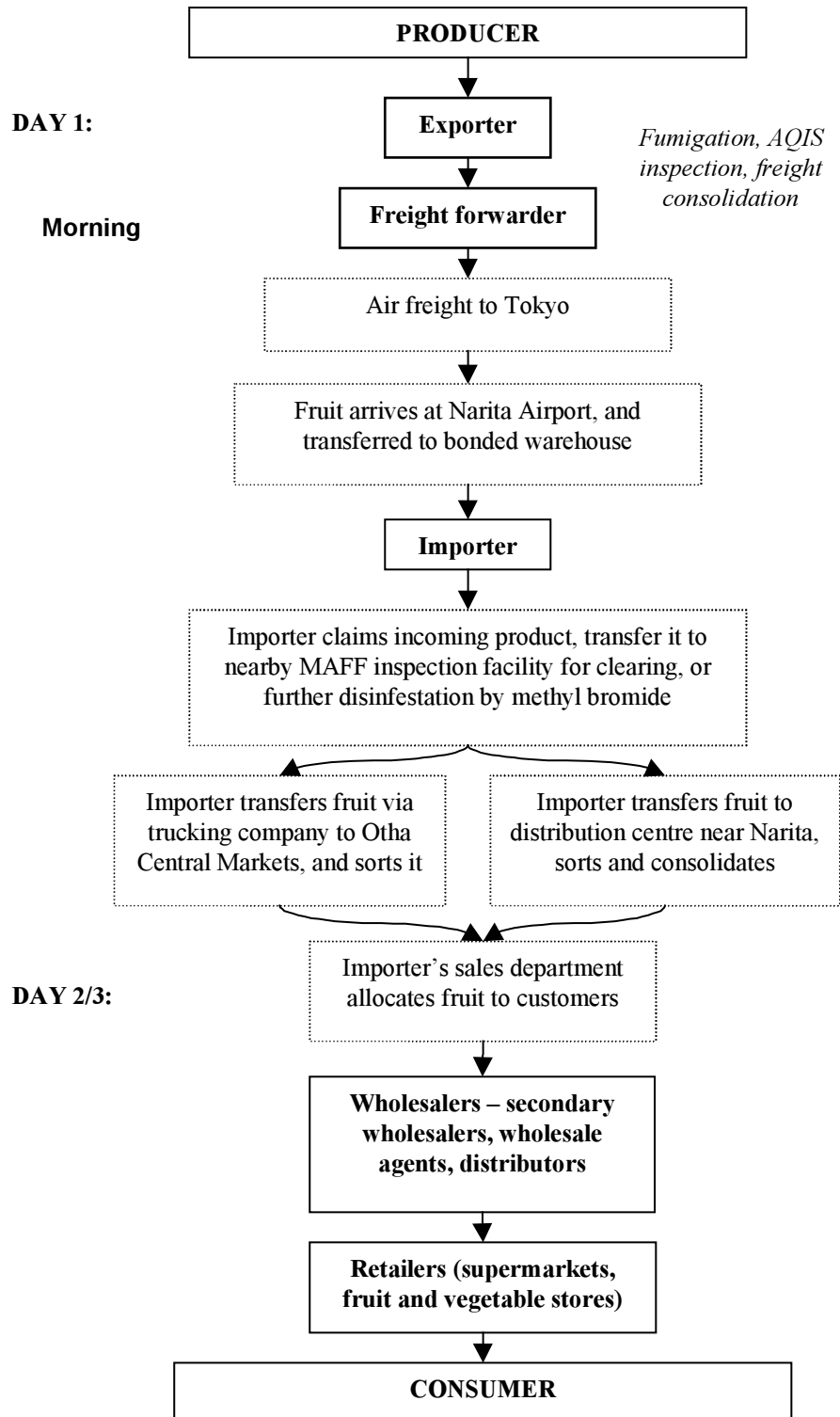
A boutique fruit and vegetable store which was selling rambutan at ¥950 (\$16.70) a punnet had found the price to be too high for the Japanese consumer, with only 1—2 punnets being sold each day. It expected to sell this fruit by discounting the price.

When the previous season’s FOB ex-Cairns price was around \$10/kg, or \$2.50 a punnet, a supermarket chain was able to buy fruit through the wholesale system and offer an acceptable supermarket price. A higher price would see demand limited to large cities where there are 10 to 15 department stores. Alternatively, some supermarket chains would prefer to import rambutans direct, calculating that a farmgate price of up to \$4 a punnet would allow an acceptable retail price.

Distribution

According to importers, the typical export process is as follows:

Figure 2. Sample distribution channel for rambutans to Japan



Rambutans typically take two days to reach the wholesaler, and are likely to be four days old when retailers put them on display.

According to one importer, the main stores retailing rambutans are:

- some boutique fruit and vegetable stores, e.g. near the Ginza shopping and business area and Tokyo Railway Station;
- superstore supermarkets, e.g. Jusco, Ito Yokado.

According to a Queensland Government official, importers of tropical fruits tend to be very specialised and market to a specialised area. At Otha Wholesale Markets, the agents observed to be handling rambutans also specialise in exotics.

The typical Japanese consumer shops frequently, although daily shopping is becoming less common. While supermarkets have the lowest prices, their shopping hours are limited. As a result the number of convenience stores is increasing, their longer hours and convenient locations compensating for their higher prices.

The traditional Japanese distribution system is slow and complicated, with several levels of intermediaries. It was felt this multi-layered distribution system may be under threat as supermarket chains continue to expand, challenging the role of the trading company. However, according to one importer, the trading house system remains more closely aligned to the Japanese culture.

Some supermarket chains are importing fresh produce direct, while also buying from Japanese distributors. One retail chain would prefer to import rambutan direct, in order to reduce the retail price, simplify the buying process and ensure a fresh product.

Promotion

Rambutans are a new product in the Japanese market, and the trade considers consumer awareness and trial to be very low, and one of the main factors behind slow sales. According to an importer, promotion will be essential if the market is to be developed to its potential capacity. The kiwifruit industry invested in promotion in the Japanese market 15 years ago, and now supplies 10 million trays a year.

Demonstrations

According to a supermarket chain buyer, the best way to introduce rambutans to new consumers is by in-store tastings, as these allow the store to promote the fruit on the basis of both taste and price. The group observed various product demonstrations and tastings being conducted in one of its supermarkets for Red Globe grapes, exotic mushrooms and other foods on a busy Saturday afternoon. If this store could be assured of 2.5 to 3.75 tonnes of rambutan a week, it would be likely to organise promotions in selected stores — mainly product demonstrations and sampling to create interest in the new product, supported by point-of-sale material — and if successful would extend these promotions across all stores.

Point of sale

The same supermarket chain would prefer to display large volumes of fruit to attract the consumer's attention, and support demonstrations and tastings with grower and product profiles at the point of sale. Product profiles with grower photographs were observed on several occasions, particularly in department stores. According to retailers, these are readily consulted by consumers.

One importer is providing wholesale agents and retailers with:

- a laminated full-colour information flyer in Japanese explaining rambutan's background, describing the fruit (including nutritional details), giving storage instructions, and including a photograph of a young girl holding a bowl of rambutans. A boutique retailer had this attached to a

fruit shelf with punnets of rambutan, while an Otha wholesale agent displayed it on his office door to inform retail buyers, and gives retailers a copy with each carton of fruit.

- a larger poster of the same girl holding a bowl of rambutans;
- small information leaflets.

According to the importer, the key messages in this material include:

- Australian rambutan ripening on the trees (as illustrated in the flyer);
- a fruit that is just ready to eat (i.e. that can be eaten any time, whereas consumers have to wait until most fruits ripen, even bananas);
- very high vitamin C content, 'sufficient for one person for a day';
- recommended storage temperature (10 to 15° Celsius).

Advertising

One importer is preparing consumer print advertising for the 2001 season.

Internet

Importer Diamond Star promotes Australian rambutan on its Japanese language website www.diamondstar.co.jp, including photos of fruit growing on a branch, and a bowl with some fruit cut. It plans to expand this information.

An importer's trials of business-to-business e-trade have been unsuccessful because of the variability of fresh fruit.

Promotions

It was suggested the rambutan industry could hold a promotion at the Australian Embassy's Cherry Blossom Party, which in 2001 is on 5 April. This gourmet food festival profiles Australian foods, with top Australian and Japanese celebrity chefs producing Australian and Asian style foods such as seafood and mango, with 700 invitees including leading food writers, industry figures, politicians, decision makers and celebrities.

Competition

The main competitive advantages of Australian rambutans in the Japanese market were seen as:

- The fruit's relatively light weight of 30–50g allows a price per piece of about ¥20–50 (35–88 cents), which should be competitive against cherries and kiwifruit in supermarkets.
- Australian rambutans are of good quality, and better than world standard.
- Australian rambutans have relatively high Brix levels (sweetness).
- Australia has an exclusive supply window, being the only major producer capable of supplying rambutans in volume from October to May.
- Rambutans have the advantage of being picked when ripe, while other tropical fruits such as custard apple and avocado can be difficult to ripen in a cool climate.
- There is little Japanese fruit available in winter to compete with Queensland rambutan.

Key issues

For the Australian rambutan industry the key issues to emerge from the visit are:

Markets

- Rambutans are expected to be a successful product in Japan in the long term.
- Fresh rambutans are at the introductory stage in the Japanese market, with low consumer awareness and trial, low demand, few sales, high prices, limited distribution and little promotion.

- When rambutan prices are high, only small volumes are sold through retailers serving a relatively small market segment of affluent consumers looking for new foods, and through upmarket restaurants and hotels serving the same segment.
- To develop the main Japanese market for rambutans and sell larger volumes, distribution will need to include large and small supermarkets, at lower prices that the average consumer is prepared to pay.
- Peak demand periods for rambutan are likely to be at Christmas as a small red fruit; and from February to April when Japan has little domestic fruit.
- Whether rambutans are used in gift packs will depend on whether giftpackers decide they are suitable.

Product

- The Japanese market is for premium fruit only, with good shelf life.
- As a new product in Japan, high quality is necessary to ensure consumers' initial experience of rambutan is satisfactory, win wholesaler and retailer confidence, and develop the wider market.
- Australian rambutans' main competitive advantages in the Japan market are high quality and high Brix levels (sweetness).
- Rambutans are most likely to be eaten fresh, or used in fruit platters for entertaining, so appearance and flavour are critical.
- Methyl bromide disinfestation is considered the main threat to fruit quality, with importers keen to find alternatives.
- Other quality problems of undersized fruit, variegated colour, inadequate cleaning, and bruising of fruit indicate the need to improve post-harvest procedures, develop industry grades and quality standards, and improve current grading and quality controls.
- Problems with browning of the skin indicate possible cold damage from storage and/or transport at too low temperatures, and a need to determine where the cool chain is breaking down. The rambutan industry can support its Japan supply chain by keeping the trade up to date with storage and handling recommendations.
- Slow turnover of rambutans in stores is also spoiling the fruit's appearance, indicating a need to increase consumer demand and product turnover.
- To prevent the fruit's spinterns being crushed, the trade would prefer looser packing, with flat single-layer punnets and fewer fruit than the standard 250 g punnet can hold.
- The trade wants the option of smaller pre-packs and bulkpacks so they can sell smaller quantities when prices are high.
- While the trade is generally satisfied with the present product, retailers will need more product options and grades, and more packaging options, to develop specific market segments. The rambutan industry will need to monitor market feedback to supply their requirements.
- Most of the trade has little or no English and do not comprehend English language labelling.
- The rambutan industry needs to be aware of and comply with Japan's maximum residue requirements for chemicals.
- The Australian rambutan industry has the opportunity to implement a brand linked to Australia's positive and clean image in Japan.

Pricing

- High wholesale prices in December were considered the main cause of slow consumer sales and little retailer demand.
- Supermarkets have experienced strong consumer interest and sales for Australian rambutan at prices of around ¥400 (\$7.00) for a 250 g punnet.
- ¥500 (\$8.80) a punnet is the price point beyond which the supermarket customer is not prepared to buy rambutans, even for early season fruit.

Distribution

- Some supermarket chains would prefer to import rambutans direct to lower the retail price for rambutans by bypassing intermediaries in Japan's traditionally lengthy distribution channels. Alternatively they recommend lower farmgate prices than in December to allow the various price mark-ups of those intermediaries.
- While current distribution is mainly through exotic fruit specialists to specialist stores and large supermarkets, their experience in and facilities for handling perishable produce are not necessarily equalled in the wider distribution system.

Promotion

- Promotion is considered necessary to develop consumer awareness and consumption of rambutans through in-store product demonstrations and tastings, and point-of-sale literature.
- Large retailers want to be assured of supply before investing in promotion.

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Appendix 1. Photographs



Rambutan with yellowing,
Otha Central Wholesale Markets



Rambutans allocated to buyer orders at
distribution centre



Inspecting rambutans at
Otha Central Wholesale Markets



Blackened rambutans and promotional brochure
at upmarket Tokyo fruit and vegetable store



Importer's promotional brochure (left) and poster (right)



Frozen rambutan pack from Thailand



Gift boxes of fresh fruit in department store catalogue



**Fruit display,
Tokyo department store**

Appendix 2. Observations of rambutans in marketplace

Location	Display	Appearance	Age of fruit	Price per 250 g punnet (\$)	Sales	Likely use
Kinokuniya, city boutique fruit and vegetable store	Several store-packed punnets of six fruit	Dark red skin with some blackening, blackened spinterns, black spots and dead mealybugs; had arrived red	One week in store	\$16.60	1 or 2 punnets a day	For special occasion
Importer's distribution centre		Signs of methyl bromide burning, with blackened spinterns	Newly arrived from Australia			
Large suburban Ito Yokado supermarket	Several punnets	Some blackening of all fruit; severe blackening where water collected in base; fruit red and fresh-looking when first received	Four days in store	\$7	Very slow	To eat after dinner
Otha wholesaler	10-pack	Yellow patches; some bruising; some not cleaned properly; some dead mealybug; dark areas indicating insect damage; one fruit rotten where apparently pierced	One week in market	\$17.50	Very slow	
Otha wholesaler	10-pack	Large fruit in reasonable condition			Last tray of consignment	
Daimaru department store, city		Good red colouring, blackening spinterns		\$26.30		
Sembikiya, city boutique fruit and vegetable store	No fresh rambutans; frozen rambutans in giftpacks of assorted exotics					
Daiei supermarket in central business district	No rambutans					
Various department stores in city and inner suburbs	No rambutans					
Various fruit and vegetable stores — city and suburbs	No rambutans					
Tsiji Markets (for small stores, food service industry)	No rambutans					

Appendix 3. Product description

Rambutan is a small ovate-shaped fruit, with a thick skin, densely covered in spinterns (soft spines). Outer colour ranges from red through pink to yellow, and can be a single colour such as the ‘Classic Red’ group of varieties, or variegated such as *Rongrien*. Its flesh is thick, pearl white, crisp-textured and high in vitamin C, calcium and phosphorus (Vinning and Moody, 1997). In some cultivars, but not usually Classic Red varieties, the flesh can adhere to the brown paperlike testa that covers the seed.

The Australian industry produces mainly ‘Classic Red’ varieties; some variegated cultivars led by *Rongrien* and *R9*; and small quantities of yellow varieties, mainly *R156* (yellow) and *R163*.

Without refrigeration at 10–15° Celsius, rambutans have a very short shelf life, with dehydration causing blackening of the skin, drying and hardening of the spinterns, and breakdown of the flesh. This is accelerated by removal of the stem (Alexander *et al.*, 1982).

Table A3-1. Australian supply season

REGION	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Far North Queensland												
Northern Territory												

Note: Bold shading indicates peak supply volumes

Source: Y. Diczbalis, Department of Primary Industries, Queensland

FNQ Rambutan Marketing Group, which represents growers in Far North Queensland and the Northern Territory, offers two export grades — ‘Premium Choice’ and ‘Supermarket’.