

【Letters】

Response to the Revision of the Wholesale Market Law in the Local Wholesale Market

– Focusing on the Shonan Fujisawa Regional Wholesale Market –

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1. Introduction (Background and Issues)

The wholesale markets of Japan had been managed and protected by the government as the distribution hubs for perishable foods and other items under the Wholesale Market Act of 1971 that replaced the Central Wholesale Market Law. However, the use of wholesale markets subsequently declined as the distribution system changed since the period of rapid economic growth. The finances of market participants (wholesalers, intermediate wholesalers, and buyers) deteriorated while local governments saw an alarming increase in deficits related to wholesale markets. In response, the Wholesale Market Act was revised twice – in 1999 and 2004 – to ease regulations on transactions. These partial revisions were aimed at addressing the discrepancies between the law and the actual state of affairs.

However, yet another revision was made in 2018 to set forth measures that had a fundamental impact on the entire institutional framework. The wholesale market

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system, regulated and guided by the government uniformly across the nation, was transformed in such a way that market founders and participants were forced to be more ingenious¹⁾. Indeed, wholesale markets now need a new business model (Fujishima 2019 : pp.3-6) to grow.

Until recently, only prefectural governments or major cities with a population of at least 200,000 people were allowed to establish Central Wholesale Markets. Additionally, Central Wholesale Markets had been operating under stricter regulations than those applied to Regional Wholesale Markets. This rule, in principle, was abolished, leaving Regional Wholesale Markets to compete with Central Wholesale Markets on the same playing field, and in need of a new survival strategy. In particular, the enforcement of the revised Wholesale Market Law will increase the degree of freedom in the Central Wholesale Market, and the environment surrounding the Local Wholesale Market is expected to become even more severe.

As Regional Wholesale Markets face intensifying competition, wholesale markets established by the private sector, along with Central Wholesale Markets that were privatized after being converted to Regional Wholesale Markets, are undertaking unique initiatives to expand (Fujishima 2012 and Abe 2012 : pp.61-68). The founders and participants of Regional Wholesale Markets are leveraging their sales clout, geographical proximity to production centers, and various other features of their operation to expand in response to the revised Wholesale Market Act that came into force in June 2020 (Fujishima 2020 : pp.62-83). Their action may provide an important insight in discussing the status of the wholesale markets under the revised law.

Thus, this study reviews the 2018 revision to the Wholesale Market Act and discusses the future of Regional Wholesale Markets under the revised law by referring to prior studies and other relevant materials and by interviewing Shonan Seika, the founder of a Regional Wholesale Market located near a major city. While many wholesale markets located near major production centers are implementing various expansion measures, such cases are extremely rare among those located close to a major city. It is for this reason that Shonan Seika was chosen as a research subject. The company not only performs its duties as the founder of a wholesale market but also goes beyond the role of a wholesale market by engaging in farming in a nearby location.

2. Changes in the Distribution System and the Features of the Revised Wholesale Market Act

(1) Changes in the Distribution System and the Current Status of Wholesale Markets

The distribution of fruits and vegetables through wholesale markets (market distribution) began to expand because of the establishment of Central Wholesale Markets in the 1960s and 1970s, the emergence of major production centers, and sales collaboration with agricultural cooperatives. However, demand for fruits and vegetables, after peaking around 1990, subsequently stagnated and declined. The volume and the value of products handled by wholesale markets began to decline, along with the use of such markets, and market distribution too diminished as a result (Table 1). The decline in market distribution exacerbated in the 2000s. The volume and value of transactions fell significantly because many wholesale markets and their participants failed to keep up with the changes in how fruits and vegetables were distributed. These changes include a consolidation of markets that serve as shipment destinations and markets from which mass retailers procure products, producers' branding initiatives, and an increase in demand for processed and commercial-use products. The services that wholesale markets failed to provide were taken up by outside distributors, with the result that distribution channels expanded outside the wholesale markets.

Against this backdrop, the eighth basic policy for the establishment of wholesale

Table 1 Trends in market transit rate of fruits and vegetables, market handling volume, and handling amount

Unit : %, 10,000 t, 100 million yen

Year	Wholesale Market Transit rate			Total (Vegetable and Fruit)		Vegetable		Fruit	
	Total	Vegetable	Fruit	Quantity	Amount	Quantity	Amount	Quantity	Amount
1990	81.6	84.7	76.1	2,067	47,078	1,371	28,242	696	18,836
1995	74.0	80.5	63.4	1,997	45,135	1,357	27,201	640	17,934
2000	70.4	78.4	57.6	1,896	37,918	1,309	23,329	587	14,589
2005	64.5	75.2	48.3	1,696	33,879	1,195	21,626	500	12,253
2010	62.4	73.0	45.0	1,454	33,370	1,058	22,625	396	10,745
2015	57.5	67.4	39.4	1,352	32,955	1,028	22,608	324	10,347
2018	55.1	64.3	37.6	1,289	32,913	988	22,330	301	10,583

Source: Ministry of Agriculture, Forestry and Fisheries (2020 and Each year), Ministry of Agriculture, Forestry and Fisheries Food Industry Bureau (2020)

Notes: Market transit rate only 2017 value.

markets, which was compiled in 2004, set forth the realignment of Central Wholesale Markets as a key pillar of reform. Subsequently, Central Wholesale Markets that fit the realignment criteria were converted into Regional Wholesale Markets. Between 2006 and 2015, 27 Central Wholesale Markets implemented realignment measures, including the reorganization of their internal divisions, and became Regional Wholesale Markets²⁾. Then, the ninth basic policy for the establishment of wholesale markets in 2010 designated Central Wholesale Markets that met certain conditions as key wholesale markets to further accelerate their realignment.

There were 64 Central Wholesale Markets at the end of the fiscal year 2019 (in 40 cities) and 1,025 Regional Wholesale Markets (of these, the public market is 149) at the end of the fiscal year 2018. Central Wholesale Markets exist in major cities and are positioned as distribution hubs over a wide geographical area, whereas Regional Wholesale Markets serve as collection and delivery centers within their respective regions. Central Wholesale Markets and Regional Wholesale Markets have different roles. However, Central Wholesale Markets, which comprise only 6% of all wholesale markets in Japan, have a higher per-market transaction value than Regional Wholesale Markets. The distribution volume tends to be concentrated in large-scale wholesale markets. The disparities among various wholesale markets and market participants have been increasing in recent years, with some market founders and participants actively expanding their operation to boost the volume and value of transactions.

(2) Features of the Revised Wholesale Market Act

Wholesale markets were managed and protected by the government under the 1971 Wholesale Market Act. These markets were established for the wholesale of perishable foods and other items, such as vegetables, fruits, fish, livestock, and flowers. Until recently, wholesale markets were categorized based on their size and regulatory authority. Central Wholesale Markets were authorized by the minister of agriculture, forestry and fisheries, while Regional Wholesale Markets were approved by prefectural governors. It was the responsibility of the regulatory authorities to set up wholesale markets, with the Ministry of Agriculture, Forestry and Fisheries compiling the basic policy for setting up of wholesale markets and the plan for setting up Central Wholesale Markets every five years; each prefecture, based on the basic policy for the of

Table 2 Features of the Revised Market Law

		Before revision	After revision
Review the Wholesale Market licensing system	Central Wholesale Markets	The founder is approved by the Minister of Agriculture, Forestry and Fisheries.	Minister of Agriculture, Forestry and Fisheries certifies founder
		Establishers are limited to prefectures or cities with a population of 200,000 or more	The rule on the left is deleted →Market opening by private companies is also possible
		Minister of Agriculture, Forestry and Fisheries permits wholesalers	The rule on the left is deleted →Shift to a system to manage wholesalers through certification, guidance and supervision of founders
	Regional Wholesale Markets	Prefectural governor permits the founder	Prefectural governor certifies founder
		Prefectural governor permits wholesalers	The rule on the left is deleted →Shift to a system to manage wholesalers through certification, guidance and supervision of founders
Review of trading rules in the Central Wholesale Market		Prohibition of third-party sales in principle	The founder can review the various principles on the left →Needs consultation with wholesalers and middlemen
		Prohibition of direct delivery in principle	
		Prohibition of separation of sales and logistics	

Source: Ministry of Agriculture, Forestry and Fisheries (Enforced June 21, 2020)

wholesale markets, develop the establishment plan for prefectural wholesale markets.

However, the Wholesale Market Act was again revised in 2018. The revised law (revised market law) had a fundamental impact on the entire institutional framework. The statement that “the government assumes the responsibility of promoting the development of wholesale markets in a well-balanced manner to ensure a smooth and stable supply of fresh foods to consumers” was deleted in the revision, transforming the wholesale system. The revision includes the following three changes (Table 2) .

First, the state’s involvement in wholesale markets stands significantly curtailed. The reference to the promotion of the development of wholesale markets, contained in the law as part of its purpose clause (Article 1) before the revision, was deleted, along with the stipulation regarding the basic policy for the establishment of wholesale markets and the establishment plan for Central Wholesale Markets. The mechanism for the establishment of wholesale markets has also been altered. Before the revision, wholesale markets required authorization of the state or approval of prefectural governments. Currently, the establishment of the market has been shifted to a certification system by the national and prefectural governments.

Second, about Central Wholesale Markets, the revised market law removed the stipulation that the minister of agriculture must designate the geographical areas in which wholesale markets could be established. The stipulation regarding the establishment of wholesale markets by the public sector was also removed. The revised market law thus allows any entity to establish wholesale markets subject to certain criteria, paving the way for the privatization of the central markets. The responsibility of establishing and maintaining Central Wholesale Markets and of supervising wholesale market participants has been shifted from the state to the founders of the wholesale markets. Therefore, the legal and institutional rationale for local governments to establish, manage, or operate Central Wholesale Markets has been eliminated.

Third, the revised market law significantly relaxed regulations on transactions. These regulations had been in place to achieve fair and transparent transactions and ensure that wholesale markets serve the interest of the public regarding transactions (distribution). Regulations regarding transactions at wholesale markets were relaxed drastically even before the latest legal revision. However, under the latest revision, the government's role has been limited to seven areas: ①Announcement of wholesale transactions; ②Prohibition of discriminatory transactions; ③Prohibition of acceptance refusal (applicable only to Central Wholesale Markets); ④Formulation and announcement of payment settlement rules; ⑤Announcement of transaction conditions; ⑥Announcement of transaction results; ⑦Announcement of other trading rules. Other rules are determined by the founder in consultation with other stakeholders. Consequently, regulations regarding the separation of sales and logistics, wholesalers' sale of products to third parties, intermediate wholesalers' direct purchases from producers, and wholesalers' direct purchases from other wholesalers have been eliminated. Now, each wholesale market determines its own rules.

The revised market law aims to establish a supply chain – from production to consumption – by positioning the distribution of perishable items as part of distribution of foods. Recently, Regional Wholesale Markets have been collaborating with wholesalers in major cities to share facilities as a delivery hub for regional mass retailers. With the separation of sales and logistics being made possible by the legal revision, such collaboration is expected to increase rapidly going forward.

As discussed above, the revised market law has increased the degree of freedom

for wholesale market founders and participants and created various business opportunities for them. In the same way, the abolition of regulations regarding the establishment of Central Wholesale Markets means that Regional Wholesale Markets now stand at a crossroad.

3. Various Initiatives of Regional Wholesale Markets

(1) The role of Regional Wholesale Markets and their business development

While all Central Wholesale Markets were established by the public sector (the founders were regional public-sector entities), there are not many Regional Wholesale Markets established by the public sector. The majority of them were established by the private sector (Table 3), including companies, agricultural cooperatives, and fishery cooperatives, and some were established by regional public-sector entities. Regional Wholesale Markets vary in size from small operations with an annual transaction value of several hundred million yen to those that rival Central Wholesale Markets in scale. Since 2000, there has been a significant decline in the number of Regional Wholesale Markets established by the private sector, with that of small- and medium-sized Regional Wholesale Markets diminishing faster. Many Regional Wholesale Markets are small businesses and their finances tend to be fragile. Wholesale markets in regional cities are especially vulnerable as mass retailers that have moved into regional districts increase purchases from their distribution centers, instead of using Regional Wholesale Markets. Therefore, Regional Wholesale Markets are being forced to merge or shut down.

Overall, Central Wholesale Markets are expanding their share in the distribution of fruits and vegetables as producers expand in size and mass retailers increase their

Table 3 Changes in the number of Regional Wholesale Markets

Year	1990	2000	2010	2018
Regional Wholesale Markets	1,626	1,427	1,169	1,025
Public sector	–	157	153	149
Semi-Public sector	–	38	37	33
Private sector	–	1,232	979	843

Source: Ministry of Agriculture, Forestry and Fisheries (2020)

Notes: Excludes 1990 when data could not be obtained.

presence. The functions expected of wholesale markets include the provision a variety of products in abundance, the collection and the distribution of large quantities of single items and small quantities of many different items, and the determination of prices that reflect supply and demand. Local wholesale markets are also indispensable as a shipping destination for locally produced fruits and vegetables and fishery products and as a supply center for small- and medium-sized supermarkets and retail stores in the region.

While Regional Wholesale Markets complement Central Wholesale Markets, they are becoming more dependent on Central Wholesale Markets by way of product transfers if they are located in a consumption area that does not have any major production center nearby. Furthermore, core regional cities and their surrounding cities, towns, and villages have been facing a population decline in recent years, a factor that causes a decline in the transaction volume of Regional Wholesale Markets. Thus, the decline in the transaction volume is more pronounced at Regional Wholesale Markets than Central Wholesale Markets. Therefore, the 2004 revision has put Regional Wholesale Markets in a tight spot.

Under these circumstances, the founders of Regional Wholesale Markets have made various efforts to revitalize their markets by focusing on their specialty fields. There are cases in which Regional Wholesale Markets located in major production centers leverage their geographical location to collaborate with producers in the area. In this way, they can strengthen the collection of locally produced vegetables and brand these products to differentiate themselves from other wholesale markets, attract more customers, and stabilize operations.

Recently, there has been an increase in capital alliances among wholesalers within the same industry and among those from various industries as they pursue acquisitions, integrations, and mergers in response to intensifying competition with wholesalers in other markets (along with rivals in the same market) and with distributors operating outside the wholesale system. Wholesalers in Regional Wholesale Markets are also seeking to make their group operations more efficient and achieve stable collection and shipments by acquiring rivals that operate in the wider geographical areas. Furthermore, Regional Wholesale Markets are seeking to expand their direct collection activities nationwide to meet the needs of mass retailers and diversify into other

business domains to enhance their market functions³⁾ and distinguish themselves from other markets.

(2) Survival Measures by the Founders of Regional Wholesale Markets

As discussed above, Regional Wholesale Markets are implementing various initiatives. However, the revised market law may make their operating environment even more difficult. Asanuma (2019 : pp.11-14) offers five pointers for Regional Wholesale Markets regarding their survival strategy.

First, Regional Wholesale Markets should expand their business domains without being confined to their traditional role of a market operator. Second, they should leverage their geographical proximity to major production centers and serve as an agent of producers. Third, primary wholesalers should also serve as intermediate wholesalers and provide market functions in cooperation with the wholesale market in a unified fashion. Fourth, Regional Wholesale Markets should make use of their land and facilities in a multifaceted manner consistent with the wholesalers' business strategies (such as luring a solar power operator or a mass retailer) . Fifth, reduce costs by opening markets on your own land rather than paying royalties.

Based on these pointers, Table 4 summarizes the initiatives made by the founders of Regional Wholesale Markets and wholesale companies by referring to prior studies and related materials. The cited examples deal with Regional Wholesale Markets established by the private sector and those established by the public sector but later privatized.

Hirosaki Chuo Seika (Hiroka) was established in 1971 in Hirosaki City, northern Japan, with investments by the former Onaka Seika, 42 agricultural cooperatives in the Tsugaru region, and various producers. The company is the founder and operator of a comprehensive wholesale market that dominates Hirosaki City and the Tsugaru region. Hiroka's trading volume of apples, a local specialty of Aomori Prefecture, where Hirosaki City is located, is the largest in the nation. Besides operating a wholesale business in apples, the company also started apple production in 2015 and a branding initiative by offering its "Tsugarian" logo to producers of vegetables, fruits and processed products to invigorate local agriculture and ensure a steady income for the participants. Hiroka also works on branding through various sales campaigns by

Table 4 Overview of Regional Wholesale Market founders

Classification	Private sector		Public sector →Private sector	Central →Regional	
	Hirosaki General Regional Wholesale Market	Marukan Yamagata Fruit and Vegetable Market	Ishinomaki Fruits and Vegetable, Ornamental Plants Regional Wholesale Market	Regional Wholesale Market Nagaoka Fruit and Vegetable Market	Shonan Fujisawa Regional Wholesale Market
Location	Hirosaki City, Aomori Prefecture	Yamagata City, Yamagata Prefecture	Matsushima City, Miyagi Prefecture	Nagaoka City, Niigata Prefecture	Fujisawa City, Kanagawa Prefecture
Founder	Hirosaki Chuo Seika Co. Ltd.	Marukan Yamagata Fruit and Vegetable Market Co. Ltd.	Ishinomaki Fruits and Vegetables Co. Ltd.	Nagaoka Chuo Seika Co. Ltd.	Shonan Seika Co. Ltd.
Main Business	Wholesale Business	Wholesale Business	Wholesale Business	Wholesale Business	Market management and operation
Amount of sales (100 million yen)	294.3	137.5	175	82.2	—
Year of Establishment (Privatization)	1960	1955	1972 (2005)	1967 (2002)	1981 (2012)
Land and Building Owners	Hirosaki Chuo Seika Co. Ltd.	Marukan Yamagata Fruit and Vegetable Market Co. Ltd.	Ishinomaki City →Ishinomaki Fruits and Vegetables Co. Ltd.	Nagaoka City →Nagaoka Chuo Seika Co. Ltd.	The land is Fujisawa City, the building is the founder
Group Companies	Tsugaru Apple Market Co. Ltd., Hirokuda Logistics Co. Ltd., Hirosaki Flower Co. Ltd., Hiroka Research and Development Co. Ltd., Hiroka Apple Orchard Co. Ltd., etc.	NK Package Co. Ltd., Natori Kitakama Farm Co. Ltd., Sumika Farm Yamagata Co. Ltd.	IS Foods Co. Ltd., Miyagi Logistics Support Co. Ltd.	Nagaoka Chuo Package Center Co. Ltd., NAG Co. Ltd.	Yokohama Marunaka Holdings Co. Ltd., Yokohama Marunaka Fruit and Vegetables Co. Ltd., Yokohama Market Center Co. Ltd., Yokohama Logistics Co. Ltd., etc.
Features of the Initiative	Creating vibrant regional agriculture with the specialty apple In addition to wholesale specialized in apples, we also work on production.	Efforts to strengthen collection capacity It also has a wholesale function and shortens the distribution process by being close to the community.	Strengthening logistics functions by expanding and improving market land Develop facilities by function for the first time in countrywide	Strengthening production and consumption expansion with local traditional vegetables Regional contribution by branding "Nagaoka vegetables"	Securing locally produced vegetables and strengthening collection Branding of "Shonan vegetables" aiming for local production for local consumption
Details of Efforts	Introducing traceability in the apple market.	Organization of registered farmer groups and support for farmers	Expansion of handling industry (expansion of flower sector)	Providing a place where you can interact directly with consumers (holding the Nagaoka Kinchaku Festival)	Expansion of locally produced vegetables through agricultural production and strengthening of cooperation with producers
	Establishing original brands of vegetables, fruits and processed products.	Strengthen sales by developing new cultivated items			Securing distribution and sales routes that take advantage of the functions and characteristics of the group

Source: Asanuma (2019) , Public Interest Incorporated Foundation Food Distribution Rationalization Promotion Organization, Noukei Newspaper (Published June 15, 2020)

promoting items such as Hello Kitty banana, with an emphasis on packaging and quality control to differentiate its products.

Next, Marukan Yamagata Fruit and Vegetable Market (Marukan) was a small market when it was first established in 1955. However, it has grown into a major market with a transaction value of more than 13 billion yen. Marukan, which is also an intermediate wholesaler, has built a proprietary distribution system and reduced distribution steps from six to three to strengthen its collection capabilities. The company also supports farmers by organizing local producers and promoting new crops and shipments⁴⁾.

The two companies discussed above were established by the private sector from the outset. However, there are also Regional Wholesale Markets originally established by the public sector that later converted to private-sector companies. While many of these companies are struggling, there are some successful cases, including Ishinomaki Fruits and Vegetable, Flowers Regional Wholesale Market (Ishinomaki Market). Ishinomaki Market is now managed and operated by Ishinomaki Seika, a wholesaler of fruits and vegetables, which acquired the title of “founder” in 2005. The Ishinomaki area in northern Japan was the main business sphere for Ishinomaki Market, which had deep roots in the community. However, after the Great East Japan Earthquake of March 2011, Ishinomaki Market relocated to Matsushima City and expanded its reach to the Sendai area, a major consumption center. Ishinomaki Seika was the first in the nation to build multiple facilities that serve various functions that are distinct from one another. These facilities provide great convenience and allow the company to strengthen its collection and sales capabilities. Furthermore, the company is increasing the range of perishable items by expanding its ornamental plant division as it seeks to grow into a major distribution center.

Thus, Marukan collaborates with local producers to distinguish itself from other markets, while Hiroka is strengthening its collection and sales functions by focusing on apples. The two companies leverage their geographical locations that are directly tied to production centers in seeking to establish a supply chain that connects production to consumption, one of the goals of the revised market law, as they operate markets that have the characteristics of local produce markets. Hiroka and Ishinomaki Seika, which not only possess management knowhow as operators of large wholesale markets but

also financial strength as major corporations, are set to benefit as the revised market law breaks down the barrier between Central Wholesale Markets and Regional Wholesale Markets.

Meanwhile, Nagaoka Fruit and Vegetable Market and Shonan Fujisawa Market, which were converted to Regional Wholesale Markets as part of the realignment of Central Wholesale Markets, are making efforts to brand regional vegetables to boost the supply of unique products that are not available elsewhere.

The right to establish Nagaoka Seika Shijo, a Regional Wholesale Market, was transferred in 2002 from the city to Nagaoka Chuoseika, a wholesaler of fruits and vegetables. Nagaoka Chuoseika aims to brand Nagaoka vegetables that have been produced and consumed only locally, such as *kinchaku* (eggplants), *sakanamame* (beans), and *kagura namban* (bell peppers), and actively seeks to preserve these vegetables and expand their production and consumption. The company promotes these vegetables by holding various events and introducing recipes. Demand for these products is growing mainly in Nagaoka City, as well as in other parts of the nation.

Shonan Fujisawa Shijo converted from a central wholesaler market to a local wholesaler market in 2005 and was privatized in 2007. In the market, we are working on branding Shonan vegetables, aiming for “local production for local consumption”. “Shonan vegetables” are shipped to two markets in Yokohama City through Yokohama Marunaka Fruit and Vegetables Co., Ltd., a fruit and vegetable wholesaler within the group, including this market. However, recently, while the demand for locally grown vegetables has increased, we are facing a supply shortage due to the aging of farmers. Therefore, the founder of the market, Seika Shonan, is working to secure locally produced vegetables and use the idle farmland around the market to produce vegetables to strengthen vegetable production and sales. The next section describes trading.

While Hiroka, which is located in the apple-producing area, and Nagaoka Chuo Fruit and Vegetables Co., Ltd., which is located in the traditional vegetable-producing area, are branding efforts that take advantage of the strengths of the producing area, the Shonan Fujisawa Regional Wholesale Market has branded the area called “Shonan” and is unique. However, as competition between markets intensifies in the future, it is thought that in-house production will be an advantage for markets located in the

suburbs of cities. Agricultural production by Shonan Fruit and Vegetables Co., Ltd. will be discussed in the next section.

4. Strategies and Outlook as Regional Wholesale Markets Enter Agriculture

(1) Overview of Shonan Fujisawa Regional Wholesale Market and Shonan Seika

Shonan Fujisawa Regional Wholesale Market (Shonan Fujisawa Market) was established in 1981 as a Central Wholesale Market in Fujisawa City, Kanagawa Prefecture; Shonan Fruit and Vegetables Co., Ltd. was established as a fruit and vegetable wholesale company in the Shonan Fujisawa Market by the merger of four wholesale companies in Fujisawa City.

Shonan Fujisawa Market had transactions worth 12.7 billion yen in 1991, which declined to around 6 billion yen in 2004 as the use of wholesale markets fell nationwide due to changes in the distribution environment, such as an increase in direct purchases from production centers and an economic downturn. When the Wholesale Market Act was revised in 2004, Shonan Fujisawa Market became subject to the government's plan to realign wholesale markets and transitioned to a Regional Wholesale Market in 2007. Fujisawa City transferred the right to establish Shonan Fujisawa Market to Shonan Seika in 2012 after adopting a designated administrator system in 2009 to rebuild the core functions of the wholesale market and restore its financial health. In 2012, Yokohama Shonan Seichu, the largest wholesaler of fruits and vegetables in Kanagawa Prefecture, made Shonan Shonan a subsidiary of the group when the operating rights of the Shonan Fujisawa market were transferred from Fujisawa City. As a result, there will be two market wholesalers, Shonan Fruit and Vegetables Co., Ltd. and Yokohama Marunaka Fruit and Vegetables Co., Ltd. Shonan Branch Office, but in 2016 Shonan Fruit and Vegetables Co., Ltd. suspended wholesale and concentrated on the business of the founder. Currently, Shonan Seika operates and operates the market on behalf of the parent company.

Since 2010, the Shonan Fujisawa Market has been completely rebuilt at the expense of the Yokohama Marunaka Group, and the buildings in the market owned by Fujisawa City have been completely rebuilt. At the time of privatization, the buildings in the market, including the transfer from Fujisawa City, became the property of Yokohama Marunaka Fruit and Vegetables Co., Ltd., Shonan Fruit and Vegetables

Co., Ltd. and their group companies. Yokohama Marunaka Seika built a new wholesale wing, which was a compact building reflecting the size of its transaction volume. The company also built a delivery wing at its premises, and invited Kokubu, Japan's largest food wholesaler, as a tenant. This allowed the company to coordinate the distribution of perishable products with that of processed foods. Resultantly, Shonan Fujisawa Market became the distribution hub of the Shonan district, a seaside area near Tokyo. Shonan Fujisawa Market, thus, reorganized its operations by combining wholesale functions with other businesses. Consequently, the value of its annual transactions increased to about 7.6 billion yen in 2018.

Shonan Fujisawa Market also pursues various initiatives for the community. The market, for example, holds "Shonan Morning Market" every Saturday, inviting area residents to buildings on its premises to sell local vegetables and fish, and sponsors tasting events and cooking classes.

(2) Shonan Fujisawa Market's Initiative to Brand Locally Produced Vegetables

Shonan Fujisawa Market, when it was still a Central Wholesale Market, began to realize an increase in the volume of vegetables delivered from larger Central Wholesale Markets located in other areas, such as Yokohama, as vegetable production centers expanded in scale across the nation. Under such circumstances, the market sought to increase the handling of locally produced vegetables and serve as the main distribution center in the region by systematically strengthening joint sales campaigns with local agricultural cooperatives and expanding shipment capabilities. Additionally, Fujisawa City has been partly subsidizing the cost of collecting locally produced vegetables since the city was managing and operating the market to help improve the market's collection and distribution capabilities. In addition, since the time when Fujisawa City was managing and operating, a part of the collection cost of local vegetables was subsidized by the city, and efforts have been made to improve the collection and distribution system by the container method.

Furthermore, Shonan Fujisawa Market, besides ensuring the safety and security of consumers, has been pursuing efforts to brand Shonan vegetables to increase the visibility of the production area and expand sales channels. Shonan Fujisawa Market established the Shonan Vegetable Shipping Promotion Council (the shipping council)

in 1986 with the support of Fujisawa City and registered “Shonan Vegetables” as a trademark in 1994. Shonan Vegetables is a certified brand used by unions and producers belonging to the shipping council when they directly ship their vegetables to Shonan Fujisawa Market. There are 255 registered producers of Shonan Vegetables, most of whom are in Fujisawa City, Chigasaki City, and Samukawa Town. The council’s annual shipment volume is about 8,000 tons, with total annual sales valued at about 1.4 billion yen.

Shonan Vegetable products are collected and sold by the Shonan branch office of Yokohama Marunaka Seika, a wholesaler in Shonan Fujisawa Market. Sales are expanding, mainly through local supermarkets. Shonan Fujisawa Market is strengthening the collection of Shonan Vegetables, locally produced vegetables that make the most of the characteristics of the region, in response to Fujisawa City’s campaign to promote local production for local consumption.

Yokohama Marunaka Fruit and Vegetables Co., Ltd., which is home to the Yokohama Central Wholesale Market, has been trying to differentiate itself by having different functions from wholesalers in large-scale base markets such as the neighboring Daejeon Market and Tsukiji Market.

However, it is expected that the revised Market Law will ease trade restrictions and overlap the trade areas of each market, intensifying competition between markets. Under such circumstances, it can be said that it is important for Yokohama Marunaka Fruit and Vegetables Co., Ltd. to work on establishing the Shonan Fujisawa market brand and expanding sales channels in order to survive.

(3) Local Production for Local Consumption in Fujisawa City and Shonan Fujisawa Market

Fujisawa City, where Shonan Fujisawa Market is located, produces a variety of vegetables in small quantities. Efforts are currently underway to create brands such as “Shonan Tomato.” Agricultural products cultivated in the city are distributed to retail stores in the city and in the Tokyo metropolitan area in collaboration with agricultural cooperatives and through Shonan Fujisawa Market. These products are also sold directly at produce stands in the city and supplied to consumers in many areas of Japan. The city is designated by the state as a production center for tomatoes (grown

Table 5 Changes in the handling volume of the Shonan Fujisawa Market

Unit : %, t

Year	Made in Fujisawa City	
	Quantity	Proportion
2014	1,869	6.1
2015	2,109	5.9
2016	1,976	5.5
2017	1,935	5.3
2018	2,038	5.6

Source: Data materials of Shonan Seika Co., Ltd.

indoors in winter and spring) and cabbage (outdoors in spring) .

Fujisawa City labels vegetables produced in the city as “Made in Fujisawa.” The city not only seeks to increase the demand for agricultural products made in Fujisawa and ensure stable supply at stores and mass retailers but also expand supply as it promotes local production for local consumption. Shonan Fujisawa Market is strengthening the collection and the sale of agricultural products made in Fujisawa City to deliver safe and secure agricultural products to consumers in the Fujisawa area in response to the city’s recent efforts to promote local production for local consumption.

Shonan Fujisawa Market increased its volume and share in 2018 as the supply of Fujisawa farm products was strengthened, even though the volume somewhat fluctuates yearly (Table 5) . Nevertheless, it has become difficult for the areas surrounding Shonan Fujisawa Market to secure enough vegetables and maintain production to meet the city’s objective because farmers are aging and idle land is expanding.

(4) Shonan Seika Enters Agriculture

1) Background of Shonan Fujisawa Market’s Agricultural Entry

As mentioned above, demand for locally produced vegetables is increasing even as farmers age and idle farmland expands, creating a supply shortage in local vegetables at Shonan Fujisawa Market. Shonan Seika has begun agricultural production to address this situation by utilizing local idle farmland to revitalize agriculture and expand the market.

The Yokohama Marunaka Group, which has Shonan Seika under its umbrella, has

two pillars of operations. The first pillar is to revitalize idle farmland and expand market shipments. The second is to build a support system for local producers eager to expand production, including individual farmers supplying products to the market, and create a mechanism to help them increase output.

Shonan Seika and Yokohama Marunaka Group, in starting agricultural production, sought to minimize cost and worker deployment in the available farmland and aimed for low-risk and low-cost farm management. The group leased 12 acres of farmland adjacent to the market and began agricultural production in December 2018.

2) Efforts to Enter Agriculture

The company initially started agricultural production in April 2019 as an experimental endeavor. Under the guidance of an experienced farmer, an employee of the market undertook the initiative without quitting work at the market. The work was usually carried out using spades and hoes without any farm machinery as the company sought to minimize expenses, although machinery was rented several times to cultivate the land. Therefore, the planting period was delayed, and only about two-thirds of the 12 acres were used for cultivation. However, eggplant harvesting began in early July. These eggplants were shipped to Shonan Fujisawa Market and then sold to area retailers through intermediate wholesalers. The company managed to supply some produce right from year one, even though the quantities were small. The goal for year two is to establish an agricultural business using eggplants and further expand production.

This year, the company plans to use all 12 acres. Crops other than eggplants (taro, tomatoes, cucumbers, etc.) will also be grown on an experimental basis. Moreover, eggplants began to be planted on the 13 acres of land leased in December 2019. Along with an expansion in acreage, the company this year increased the number of workers on the farm. Three employees from Shonan Seika were added, and the number of workers was accordingly increased to four. This year marks the second year of the company's entry into agriculture. Eggplant harvest began in late June, and an average of 100 eggplants were shipped to Shonan Fujisawa Market daily under the Shonan Vegetables brand (Table 6). These are sold to area retailers through the Shonan branch of Yokohama Marunaka Seika, a group company that handles wholesale

Table 6 Changes in the shipment quantity of eggplant

Unit : number

Year	June	July	August	September	October	Total
2019	—	1,366	6,000	4,230	1,370	12,966
2020	109	2,580	8,340	2,700	—	13,729

Source: Same as Table 5

Notes: The shipping period from June 11th to October 11th, 2019 and June 22nd to September 10th, 2020 is tabulated.

operations.

However, the planting on the initially leased land was delayed this year because of extended rains, forcing the company to scrap its earlier production plan. The company has not been able to use all 12 acres so far this year in part because the farmland has poor drainage. However, eggplant production is about to be established since the collection, shipment and distribution mechanism is already in place. During this fiscal year, the company will build a hydroponic greenhouse on the premises of the market to grow tomatoes in collaboration with local farmers. The tomato production in the greenhouse will be outsourced to local farmers, and the harvested tomatoes will be shipped to the market.

As discussed above, Shonan Seika entered agriculture as the founder of a wholesale market, increasing its handling volume of the Shonan Vegetables brand. As part of a measure to help local farmers expand output, the company lets them use the land within the market's premises. Thus, the market's handling volume is expected to increase along with a rise in the production of tomatoes, which are among the most popular vegetables produced in the region.

5. Conclusion

This study focused on Regional Wholesale Markets in the private sector to discuss their initiatives concerning the revised market law. Until now, Regional Wholesale Markets have been earning profits based on their knowhow since they could not make profits using the method of Central Wholesale Markets. It was essential for Regional Wholesale Markets in the private sector to have the knowhow to maintain operations and secure profits. Many Regional Wholesale Markets do not have intermediate wholesalers. Therefore, the primary wholesalers have been performing the task of

cargo sorting. The processing and packaging, as demanded by mass retailers in recent years, have also been handled by wholesalers.

Under such circumstances, securing fruits and vegetables is an important challenge for wholesale markets in establishing a supply chain for perishable products, one of the objectives of the revised market law. Demand for locally produced vegetables is particularly strong among mass retailers, and such demand is increasing amid the COVID-19 pandemic. Regional Wholesale Markets, which have the characteristics of local produce markets, may have the greatest advantage in securing fruits and vegetables to respond to this need. As seen in the above examples, Regional Wholesale Markets have been making various efforts since before the market law was revised to strengthen the collection and the sale of fruits and vegetables, especially locally grown products. The revised market law is expected to benefit Regional Wholesale Markets that have been making such efforts all along.

For Shonan Fujisawa Market, which aims to position itself as a local produce market even though is located near a major city, the challenge is the procurement of local vegetables. Shonan Seika, market founder, is seeking to help expand the volume of locally produced vegetables handled by the market, including the Shonan Vegetable brand of vegetables, by creating a mechanism of shipping such vegetables to the market. Shonan Seika still has room to grow since a group company is expanding its sales routes through the market. There are not many market participants that engage in agricultural production. Shonan Seika's endeavor may help the market distinguish itself from competitors and generate new products to be supplied to the market. Therefore, it may be important for the company to come up with methods to strategically sell these products as it expands output.

Notes

- 1) For the revision to the Wholesale Market Act, see the Ministry of Agriculture, Forestry and Fisheries (2020) . For the background regarding the legal revision and the process through which the law was revised, see Hosoyama (2018) and Hosoyama (2018 : pp.96-105) .
- 2) Local governments saw an alarming increase in deficits related to wholesale markets, while the founders of wholesale markets using public facilities continued to see their finances deteriorate. For this reason, the policy emphasis regarding wholesale markets shifted to the realignment of existing wholesale markets. Thus, Central Wholesale Markets that fit realignment criteria based

on the classification of the products they handled, or criteria established for individual wholesale markets, were converted to Regional Wholesale Markets. Consequently, 22 markets for fruits and vegetables, 22 markets for fishery products, and 12 markets for flowers were converted to Regional Wholesale Markets, apart from those that voluntarily became regional markets.

3) See Yuruka and Shimizu (2020 : pp.17-31) for more information.

4) See Abe (2012 : pp.61-68) and Asanuma (2019 : pp.11-12) for more information.

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Abstract

本稿では、都市近郊に立地する地方卸売市場の開設者（湘南青果株式会社）へのヒアリング調査等を踏まえて、改正卸売市場法への対応と今後のあり方について考察する。都市近郊の地方卸売市場でありながら、市場開設者としての業務だけでなく、市場近隣で農業に参入するなど、従来の事業範囲を超えた事業展開をしている湘南青果株式会社への実態調査をもとに検証を行った。

地方卸売市場は改正市場法以前から、とりわけ地場産の青果物を確保するため、多様な取り組みを行ってきた。そうした中で、農業生産に取り組む市場業者は多くはないため、都市近郊で産地市場の役割を目指そうとする湘南藤沢市場では、競合他市場との差別化商材になりうる可能性があり、注目すべき取り組みといえる。しかし、同じような取り組みが増えることも予想されるため、今後、生産量を拡大していく中で、戦略的な販売方法を検討していくことが重要だと考えられる。