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# How do Japan, UK and Italy promote local food consumption in the HMR industry?\*

Young-Sang CHO\*\* Young-Arm KWAK\*\*\*

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## Abstract

**Purpose** - This study is aiming to provide policy makers with new insights to promote the consumption of locally-grown produces in the HMR industry by exploring what kinds of policies Japan, UK and Italy have developed. **Research design** - After introduction, the research starts to review the existing literature related to the promotion of local produce consumption, and then, compares the policies introduced by the above countries. Finally, the authors draw conclusions on the basis of research findings. **Results** - Firstly, central government has to collaborate with local authorities to promote local food consumption in the HMR industry. Secondly, countries have strengthened food label system to enhance local food consumption, in terms of country of origin. Thirdly, all of nations has highlighted food safety to protect customers. Fourthly, the government has created the business environment forcing HMR operators and retailers to follow the government's policy. Fifthly, it is necessary to support the social communities to enhance their social responsibility, from the government's point of view. Lastly, the social responsibility and the ethical administration of retailers should be sustainably strengthened by social atmosphere. **Conclusions** - In line with the growth of HMR products, governments have to make a considerable effort to develop innovative methods to promote local food consumption in the HMR industry.

**Keywords:** HMR, local food, Japan, UK, Italy

**JEL Classification Code:** L88, N50, N60, Q18, Q28

## 1. Introduction

According to the research agency which is Grand View Research in 2020, the world home meal replacement market has continued its growth and been expected to reach to 159.1 billion dollars in 2019. Furthermore, Home Meal Replacement (HMR) sector should be estimated that its annual growth rate will achieve 5.5 % to 2027. With the increasing number of HMR demands over the world, some countries like Japan, UK and Italy have made a significant effort to promote the consumption of domestic produce such as fruits, vegetables, fish and meat, in the HMR industry.

Similar to the above cases, the South Korean customers have started to enjoy consuming HMR products as a meal, instead of cooking in a house. Basically, there are many different reasons why customers purchase HMR foods. First of all, consumers tend to buy more HMR products because of the time lack of cooking, the increase of dual-income family, changing social structure, the increasing number of working women, the increasing number

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\*\* First Author, Professor of Industrial Channels and Logistics, Kong-Ju National University, Korea. Tel: \*\*\* - \*\*\*\* - \*\*\*\* , E-mail: choyskr1@kongju.ac.kr

\*\*\* Corresponding Author, Professor, Department of Global Trade Management, Shinhan University, Korea. Tel: +82-31-870-3542, E-mail: yakyak@shinhan.ac.kr

of single households, and the spread of electronic home appliances like microwave, refrigerator and freezer. In addition, customers are more likely to avoid spending their time on cooking at home.

As a result, the shopping patterns discourage customers to buy domestic vegetables, fish and meats. With the decreasing consumption of local foods, governments have paid considerable attention to the protection of local farmers. How to promote the consumption of local produce is, thus, regarded as one of the most important social issues. From the government's perspectives, it should be mentioned that HMR foods should be cooked with local produce to protect primary industry.

It is, nevertheless, difficult to find out the researches that academicians have explored how governments have developed the policies to promote the consumption of domestic food in the HMR sector, although there are many studies related to local food consumption (Penney & Prior, 2014; Arsil et al., 2013; Jones et al., 2004; Morris & Buller, 2003).

This study is, thus, aiming at providing the government's policymakers with new insights to promote local produce consumption in the HMR industry by exploring what kinds of policies Japan, UK and Italy have developed. By examining the three countries, moreover, authors will provide some implications for policy makers in Korea. The next section will introduce each case and mention how governments have built its own methods to boost the consumption of local produces and then, illustrate some implications. Based on the comparison analysis, finally, the fourth section will present research findings.

## 2. Promotion policies of domestic foods consumption

In order to take the advantage of price competitiveness, many food manufacturers including HMR producers are more likely to import raw materials from overseas markets. If manufacturers are able to lower production cost, they tend to import raw materials, regardless of countries. Basically, they avoid purchasing local produce, because of higher price. Due to fierce competition in the food industry, also, they have focused on strengthening the import of overseas foods to maximize profits.

Although governments have introduced a variety of policies to protect workers in the primary sector (Ilbery et al., 2006), it should be noted that food-related manufacturers have continuously increased the import of agricultural products. Consequently, local farmers have been struggling, due to the decreased consumption of domestic foods. First of all, the declining number of the customers who cook in a house results in the consumption decrease of domestic agricultural food.

Governments have, nonetheless, developed various policies to boost the consumption of local agricultural products. The authors will investigate what kinds of regulations to encourage HMR manufacturers to use more local foods have been introduced by Japan, UK and Italy in more detail.

### 2.1. Japan

As one of the representative countries which consume lots of HMR foods, Japanese market was worthwhile about 18 billion dollars in 2018 (Statista, 2018). After India, Japan has led HMR market in Asia. Together with HMR market growth, HMR manufacturers have made an effort to import overseas cheaper agricultural foods in order to survive in market as well as improve profit structure.

While the trend has continued, the Japanese government realized that it would be difficult to protect local farmers without building the promotion policy of local food consumption. Generally speaking, Japan started a campaign for which local produce should be consumed first locally in 1981. In other words, local foods should be purchased by local consumers without bring foods from other areas, that is, "local production for local consumption".

On the basis of this policy, the government has financially supported local farmers to open their grocery shops in their region, and further, encouraged them to open their shops within multiple retailers' store. In fact, it is hard to see that big box retailers allocate selling spaces within retail outlets to local producers, without the help of local or central government. Local governments have actively connected local farmers to large retailers in terms of win-win strategy. In order to promote local food consumption, on the other hand, local governments have cooperated fully with regional educational institutions and governmental bodies. It means that local authorities required partner institutions to use local agricultural products without buying foods produced in other regions. Local governments have, moreover, kept a good relationship with private companies as well as regional communities to boost local food consumption.

In the same vein, the Japanese government has encouraged food manufacturers to purchase more local raw materials for processed foods. In order for general foods manufacturers and HMR producers to trade with local farmers easily, the government has provided them with producer-related information. Thanks to the government's effort, the degree of local food consumption has been improved.

### 2.1.1. Consumption context of local agricultural foods

According to the research carried by the Ministry of Agriculture, Forestry and Fisheries (MAFF) in 2011, the production volume of the primary sector decreased from 123 billion dollars in 2011 to 92 billion dollars in 1980. In contrast, the consumption scale of domestic agricultural food at the final stage increased by 763 billion dollars in 2011 from 495 billion dollars in 1980 over the last three decades (MAFF, 2011).

During the same period, more interestingly, the import size of overseas agricultural products rose marginally from 12 billion dollars to 13 billion dollars. Considering the growth of inflation rate over the past 30 years, it would be difficult to say that the import scale of overseas produce outstandingly increased. It is, therefore, necessary to look at the background why Japanese customers did not purchase overseas food as well as the finished products including them as a raw material. In a word, its answer is quite simple. It should be, here, mentioned that many different policies based on the campaign which is “the local production for local consumption” has promoted local food consumption. In other words, thanks to the support policies for local farmers by the central and local governments, it can be said that the demands for foreign agricultural food were successfully restrained.

Based on the analysis result that the government explored who mainly consume domestic foods in 2011, the authors found that the key player is a food company accounting for 59.4%, while the final users who purchase them to cook at home show 31.3 %, amongst 92 billion dollars. The rest of them was involved in the food service industry, that is to say, its market share was 9.2%. Needless to say, it is evident that food companies play an important role in consuming local products. It means that the government has to encourage them to use more domestic foods as raw materials. At the same time, the Japanese government has to make general customers to purchase the processed foods including local products as main materials.

In terms of promoting local food consumption, surprisingly, the degree of dependence on food manufacturers slightly increased to 68.6% in 2011 from 66.7% in 2000 (MAFF, 2011). In associated with the promotion of domestic food consumption, the food companies’ role has become more and more important than ever. Given that food manufacturers always try to import produces because of lower prices, how to encourage them to purchase local produce depends on the government’s support policy without doubt.

In addition, what is interesting is that most of the food companies consuming mainly local products are small- and medium-sized. It is, thus, very important to protect them to boost domestic food consumption from the government’s point of view. Furthermore, considering that most HMR manufacturers are characterized by a small business, the fact that the government supports them is closely related to the degree of local food consumption.

Indeed, it is apparent that HMR market trends are led by large convenience store retailers like Seven Eleven, Lawson, Family Mart and Mini Stop. According to the announcement delivered by the Japan Ready-made Meal Association(JRMA) in 2019, convenience stores accounted for 32.6% of the HMR market in Japan, compared to 31.6% in 2016. What is evident is that convenience stores will continuously increase their market shares in the HMR sector with the sophisticated retail knowhow. On the other hand, the market power of specialty shops carrying HMR foods declined by 28.1% in 2019 from 29.5% in 2016 (JRMA, 2020).

First of all, what is important is that HMR market has appeared as the key player to consume domestic foods. Its market share increased to 14.24% in 2018 from 12.68% in 2007 (JRMA, 2020). Given that the HMR industry continues to grow, the roles of HMR manufacturers have become important in terms of promoting local food consumption. Accordingly, the Japanese government has started to pay its attention to HMR producers.

### 2.1.2. Promotion policies of local food consumption

Before noting how Japan develops the promotion methods to make food companies as well as consumers purchase local agricultural products, it should be kept in mind that every policy is on the basis of the campaign of “local production for local consumption”. At the earlier stage, rather than promoting the consumption of domestically farmed produces, the government used to focus on protecting farmers directly, that is, introduce producer-oriented policies.

The government, however, realized that there were limitations in protecting farmers by supporting financially. Consequently, Japan tried to develop new concepts to maintain existing farmers. As a result, the promotion policies have been enlarged from farmers’ perspectives to customers’ ones.

As part of the representative policies, Japan has actively introduced the innovative concept which is the sixth sector market that the government connects the primary industry to the second and third ones, improved label standards on packaging design and strengthened food safety. The authors will investigate the above policies in more detail.

#### 2.1.2.1. Sixth industry and HMR sector

The whole agricultural incomes have declined to 28 billion dollars in 2014 from 48 billion dollars in 1990 (MAFF, 2017). To stop the trend, thus, the "Sixth sector" concept which is an innovative idea was developed by the late professor, Imamura who had worked for the University of Tokyo in 1994. In terms of protecting primary industry, he argued that one of the biggest obstacles for farmers was to pioneer selling channels. Even though farmers produce better rice, if there is no distribution channel, they are not able to keep their own business. After adopting this concept in rice market, Japan has spread it over the whole primary sector.

Compared to the past when all farmers had to cultivate produce, regardless of the requirement of food companies, retailers and final customers, they started to reflect user's preferences on producing agricultural food. In other words, by producing the specialized local foods required by manufacturers, retailers and customers, farmers are able to gain safe selling channel, and further, create added value. Through the sixth industry, farmers, forestry workers and fishery workers have a possibility to improve their income levels by using mass retail network in the Japanese market.

When it comes to the sixth sector, added value at each step of processing, distribution, and sale of local food as well as their production should be improved. Together with a value chain starting from production, processing, distribution and to sales, the expertise and ideas of food business operators and retailers are able to maximize its effect (MAFF, 2020)

It should be, also, noted here that the support programs for the primary industry have had an impact on the HMR sector. As mentioned earlier, the HMR market has been led by retailers. On the assumption that retailers can consume lots of domestic products to provide HMR foods for their own stores, local authorities have made an effort to collaborate with them, in order to give farmers safe distribution channels. Moreover, local governments have collected farmer-related information and examined who produces HMR food in a region. The data including farmer-related, food company-related and HMR-related information were shared by stakeholders.

In fact, before Japan started a variety of support projects for the sixth industry, selecting right suppliers or farmers is one of the most difficult jobs from a HMR firm's point of view. Although there were many existing local farmers in a region, HMR manufacturers did not know what kind of local foods were cultivated, that is, not get any information related to supplier base. In other words, farmers and HMR companies did not know each other.

In line with the introduction of the sixth sector, however, the process searching for farmers and distribution channels is more likely to become easier than ever. What is apparent is that Japan has already known that there are limitations to consume more local foods, if HMR firms do not purchase domestic foods as raw materials to manufacture HMR products.

In order to promote the sixth industry project, Japan has developed various support laws like the Act on Promotion of the "Sixth Industry" to create new value added using agricultural products in rural areas. Based on the code, the government has helped farmers, forestry workers and fishery workers to develop new products, to introduce new business models to efficiently sell their products and to cooperate with other industries.

Furthermore, Japan has established new cooperation system between farmers and food manufacturers as well as retailers, considering customer needs and wants. In order to manage the good relationship between governments and private sectors like farmers, food business operators, retailers and food service operators, the Japanese government has established a specified education program and trained many experts as the sixth-industry's planner (MAFF, 2020). Through an established program, they can acquire the necessary knowledge for management, communication skills, marketing, financing, etc. In addition to this, as part of the regular education program, they experience internship training in the field.

As an important role of planners, they collect the information related to farmers, HMR business operators, retailers and customers, and then, distribute to the related organization. By connecting farmers, forestry workers and fishery workers to HMR manufacturers, the sixth industry's planners can improve local farmers' profits, and further, create added value. As a result, planners play a very important role in promoting domestic food consumption in a HMR industry.

Moreover, to promote local food consumption cross the country, Japan has operated the internet website providing various kinds of information related to retailers, food companies, food service firms and farmers, since June in 2017. Whenever they want to find out their business partners, it is easier to gather and search for information. In other words, from a HMR operator's point of view, it can be said that they can save their time and efforts, when selecting right suppliers.

To sum up, by supporting the sixth industry concept, the Japanese government has distinctly achieved its goal, while encouraging HMR operators to use more local food as raw materials. Based on the policy, as the demand of HMR products increases, it is evident that the consumption of local agricultural food should be promoted, with no doubt.

#### **2.1.2.2. Country of origin labelling**

With the increasing interest in food information, Japan has continuously amended food label standards. Rather than deregulating food labelling system, the government tends to strengthen label standards, because customer attitudes towards food products change. Over time, customers want more food-related information such as what kinds of raw material are included, where it is produced, when it is made, and how it is processed, and further, nutrition elements. In addition, country of origin is regarded as one of the most important social issues. With respect to the effect of country of origin when customers make buying decisions, there are a huge number of literature (e.g. Nagashima, 1970; Bilkey & Nes, 1982; Shimp & Sharma, 1987; Ettenson, Wagner, & Gaeth, 1988). Based on the previous literature, it is found that customers are more likely to be influenced by country of origin, when purchasing products.

In parallel with the enhancement of customer right to know, it is natural that governments require food manufacturers to deliver much more information on product packing. Similarly, Japan is one of the countries which emphasise country of origin amongst food labelling standards. Basically, it should be clearly understood why governments have introduced such a regulation. In a word, it is because they want to protect their own farmers, forestry workers and fishery workers against the import of cheap products from overseas.

What is interesting is, nevertheless, that there is no restriction on HMR food labelling, whilst processed items are strongly regulated. With regard to finished foods and produces, the Japanese government has established precise labelling standards. More surprisingly, however, the government has not built any law regulating HMR manufacturers as well as food service operators to provide customers with the information concerned about country-of-origin.

Due to the characteristics of HMR products, it is difficult for the government to develop restrictions on a packaging label. Generally speaking, practitioners in the HMR industry argue that HMR products are basically different from processed ones, with respect to the procurement methods of raw materials and food preservation techniques (JRMA, 2020). Whenever HMR operators purchase raw materials to make dishes and launch boxes, they tend to change suppliers, because of price gap or quality difference. It is, therefore, very hard to deliver the information associated with the country-of-origin of raw materials on product packaging.

In the end, Japan has recommended HMR manufacturers to spontaneously inform their customers its country-of-origin, rather than regulating as a mandatory element on food labelling standards (JRMA, 2020). At the same time, the government has supported many HMR firms to take part in the policy. Associated with the country-of-origin of raw material, 51.3% of Japanese customers want to know, according to the research done by Tokyo City (Tokyo Metropolitan Government, 2019). By contrast, whether HMR manufacturers notify the country of origin on HMR food packaging or not depends on themselves. Even though they do not announce country of origin on packaging, it is not illegal. Thus, in order to encourage HMR companies to actively participate in informing customer of country-of-origin, the government has introduced many support projects.

As examples, Japan has firstly organized HMR firms as the JRMA (Japan Ready-made Meal Association) and operated the education programs, seminar and workshop for the members of JRMA (JRMA, 2020). Also, the government has published the guideline for HMR foods and distributed them to HMR operators, collaborating with JRMA.

Even though there is no evidence for whether the guideline works very well or not, it should be mentioned that such an effort of the Japanese government positively influences the promotion of local food consumption.

### **2.1.2.3. Food safety**

As the number of customers who buy premium HMR foods increases, food safety is regarded as one of the most interesting and important issues. With the increasing interest of customers in food safety, food manufacturers have paid considerable attention to quality management. As pointed by Taniguchi (2009), customers require food firms to seriously control quality levels. By experiencing many food scandals, they have become very sensitive to food poisoning and food hygiene. As one of the representative cases, the food poisoning occurred by Yukijirushi in 2000 has made an impact on Japanese society, that is to say, Japanese customers have been aware of the importance of food safety.

Thus, how HMR operators can make customers trust their foods is closely related to the performance improvement and a company's growth. If HMR firms provoke social problems like food poisoning, needless to say, they should go out of business. It can be, therefore, said that food safety has become more and more important than ever.

In the same vein, the Japanese government has reinforced food labelling system in terms of food safety. By strengthening label standards concerned about the country-of-origin of raw materials in the HMR sector, Japan requires HMR manufacturers to allocate their resources to quality management. Based on the guideline recommended by the government and JRMA, HMR companies inform customers of the country-of-origin of major raw materials. Rather than using overseas foods that customers are not able to trust, in other words, HMR firms tend to purchase local foods to easily get trust from customers. Given that most of HMR operators are small-



and medium-sized, however, it is expected that it is difficult to manage food sanitation and cleanness. In fact, a food safety management system is not a legal requirement, but HMR firms should establish the system to avoid food safety hazards.

As part of efforts to encourage HMR operators to follow the above guideline, JRMA has introduced the new program in 2007 that JRMA hygienically admits the process of managing HMR food quality. Through the support project for JRMA's members, JRMA have gained customer trust and promoted local food consumption.

Briefly speaking, it can be said that the enhancement of food safety results in the increase of domestic food consumption.

## 2.2. UK

Since Marks & Spencer (M & S) which has been operating department stores, launched the first HMR product, chicken kive in 1979, the structure of the UK's food market has dramatically changed. In other words, M & S has opened a new market for HMR foods, and gradually increased the number of HMR products as a retailer brand.

As seen in the above M & S case, the UK's HMR industry has been led by large multiple retailers. It can be, thus, said that the United Kingdom is one of the representative HMR markets amongst European countries. According to the survey conducted by Eating Better (2020), 2,404 ready meals have been distributed in market in 2020. Through the report, it has become apparent that the UK's HMR market is led by retail giants such as Tesco, Sainsbury's, Morrison, Asda, and etc. Moreover, what is interesting is that 16 % of 2,404 types of ready-to-eat meals being sold by 11 large retailers is plant-based, whilst the rest 84% of them includes meat, fish or cheese. The market share of plant-based meals increased to 16 % in 2020 from 3 % in 2018 (Eating Better, 2020). Interestingly, the British customers have started to pay their attention to plant-based HMR products as a premium option, although price levels are relatively higher than meat-based ones (Eating Better, 2020).

With regard to the HMR market size, although there are different research results, it is estimated that HMR market value was worthwhile about 7 billion dollars at least in 2017, according to Euromonitor, whilst Statista which is a market agency expects that its market will grow to around 16 billion dollars in 2020. Considering the market trend, it is clear that the UK's HMR market will keep growing.

In line with the growth of a HMR sector, it is necessary to look at how the British government promotes local agricultural foods. Surprisingly, it should be, however, noted that unlike Japan, the UK government does not intervene in food chain system. Basically speaking, without importing foreign agricultural foods, it is impossible to provide enough quantities of foods for the British customers. From a government's point of view, there is no need to promote the consumption of "home grown" products. Considering this situation, furthermore, it is not easy to find what percentage of local foods is used in a HMR sector.

Nonetheless, there are social trends to encourage customers to buy more local foods. To promote the consumption of 'home grown' foods in the HMR industry, the authors will examine what kinds of social campaigns or movements there are in detail.

### 2.2.1. Consumption context of local agricultural foods

Although the UK cultivates agricultural produce over 70 % of the country's land area, it imports significant quantities of agricultural products from overseas market, including fruits, vegetables, dairy and meat. According to the data published by the Department of Environment Food & Rural Affairs(DEFRA) in 2018, in terms of the country of origin of the produce consumed in UK, the 'home-grown' one accounted for 50 %, EU 30 %, Africa 4 %, Asia 4%, South America 4 %, North America 4 %, and etc. 4 % in 2017. Basically, it is inevitable to import considerable quantities of fruits and vegetables, because of the lack of production in the UK.

In terms of the export and import of fruits and vegetables, the UK exported about 1.7 billion dollars, but imported about 15.5 billion dollars in 2016 (DEFRA, 2018). In more detail, only 23 % of the fruits and vegetables consumed in the United Kingdom are 'home grown' (DEFRA, 2016). Also, 62 % of the cereals as well as 80 % of meat and dairy are cultivated in the UK. According to DEFRA in 2020, British food self-sufficiency has sharply dropped to 64 % in 2019 from 78 % in 1984. Given a food security issue as well as a declining food self-sufficiency ratio, it is expected that the import of foreign agricultural products will, to some extent, increase.

Before mentioning the promotion policies of domestic foods, there is a need to investigate what kinds of distribution channels farmers have used to sell their 'home grown' products within the UK. Unlike Japan which operates many different types of wholesale markets, depending on local food categories like crops, fish and meat, the distribution channel the British farmers use is quite simple, that is to say, 96.2 % of domestic agricultural products are sold by large retailers. In a word, it can be said that the degree of dependence on retailers has become stronger than ever, from farmers' perspectives.

As said earlier, without importing overseas agricultural products, it is impossible for the UK to become self-sufficient in food consumption. Nevertheless, the report published by Morrisons in 2017 shows that 67 % of

British shoppers prefer to purchase domestic agricultural foods, rather than overseas foods. In order to respond to the customer preferences for “home grown” products, many promotions methods have been introduced by retailers and social communities in the British market. Although it is difficult to find out the government’s policies to encourage customers to buy more local foods, the British customer preferences for ‘home grown’ products stimulate retailers to use them in producing their HMR foods. In order to attract customers, it is inevitable that retailers have to try to display more local foods on their store shelves. Concerned about the relationship between the consumption of locally grown foods and the roles of retailers, the researchers will investigate later.

### **2.2.2. Promotion policies of local food consumption**

Due to the lack of local food production within the UK, there is no particular policy introduced by the British government to encourage the British people to buy more domestically grown produce. From a government perspective, it is not necessary to entice customers to consume more ‘home grown’ foods on purpose. Even though the government promote the consumption of local foods, it is inevitable to import overseas produce.

With the increase in the import of overseas agricultural foods, however, customers suddenly started to doubt whether the quality of imported produce is able to trust or not, in terms of food safety in particular. In parallel with the social trend, many social communities have appeared to make customers become aware of food safety for overseas agricultural produce imported over time. What is interesting is that the most of promotion policies to consume more domestically grown produce are influenced by community enterprises, rather than by a government without doubt.

In addition, given that importers tend to search for the suppliers who are able to provide foods at the lowest price, regardless of food quality, it is natural that the UK has to protect customers from food poisoning and pesticide residue in foods. As for the agricultural foods imported overseas, the UK has paid its own specific attention to food safety policies.

Accordingly, the authors will explore how the consumption promotion of ‘home grown’ produce has been evolved in the UK.

#### **2.2.2.1. Advent of community enterprises for the consumption of locally grown foods**

At the early stage of import of overseas produce with lower price, it was witnessed that the British customers were more likely to buy them, rather than local foods. At that time, although customers knew that local foods are better than foreign produce, in terms of product quality, they tend to avoid them, because of relatively higher price. Accordingly, the customers purchasing British-grown produce remained at just 30 % in 2019, compared with 24 % in 2018 (Simon-Kucher & Partners, 2019). As seen in the survey conducted by Simon-Kucher & Partners in 2019, it is found that higher price levels are one of the most important reasons why customers hesitate to buy local foods. Against the shopping trend preferring overseas agricultural produce thank to lower price, new social community enterprises have appeared to change such a shopping habit.

Top priority of the community enterprises sponsored by general customers or companies is, thus, to change the consumption culture seeking after lower price. At the same time, their aim is to promote local produce consumption by reconnecting farmers and customers. Through various social activities, they have made a contribution to promoting the consumption of British-grown produce. As part of their efforts to encourage customers to pick local foods, they have launched the social campaign to let customers know the seriousness of the environmental problems occurred by buying foreign agricultural products and argued that it is difficult to preserve the earth from environmental issues without consuming ‘home grown’ products. In other word, it means that purchasing overseas products should damage environment. To persuade customers, many community enterprises have took part in building website about the environment-related articles to promote local food consumption for media, newspapers and magazine, and attracted customers’ interest in environmental problems as well as domestic agricultural foods.

First of all, social enterprises have been interested in working out a variety of the environmental issues provoked by consuming agricultural products. As a solution, they try to create a new consumption culture which makes consumers buy more local produce. If not so, owing to the increasing import of overseas products, they argue that environment has become worse and worse. According to their argument, whenever firms import products from overseas market, the degree of greenhouse gas emission will become more intense and finally damage the environment.

What is important is that the argument of community enterprises has not only influenced customer shopping patterns, but also encouraged retailers to actively use local agricultural produce as a raw material in producing HMR products.

As one of the representative social enterprises promoting local produce consumption, there is the ‘Country Markets’ who has been operating more than 100 years. Organising about 250 traditional markets in England and

Wales, this enterprise has operated the homepage called as 'Local Food Britain' to communicate with customers on the internet, and then, introduced many different types of HMR products used 'home grown' foods. Furthermore, the 'Country Markets' helps the companies which want to purchase British-grown produce to search for suppliers with ease.

The roles of social enterprises are closely related to the increase of local food consumption, and further, have stimulated retailers to introduce premium HMR foods with domestic ingredients.

#### **2.2.2.2. Enhancement of retailers' role**

As mentioned earlier, the growth of HMR market has been led by multiple retailers like Tesco, Asda, Sainsbury's, Aldi, Morrisons, etc., as M & S introduced the first HMR food. Indeed, when it comes to the British HMR industry, it is hard to find out large HMR food manufacturers in the UK. Most of HMR food categories have been developed by retailers and spread across the country. In addition, when discussing how farmers distribute their produce in a HMR sector, retailers' role has become more and more important.

In the same vein, Morrisons announced in 2017 that all of the meat being sold on shelves within its stores must be raised on the country's land and will stop selling overseas meat, including fresh New Zealand lamb (Food Manufacturer, 2020). With respect to the degree of British-grown meats sold by retailers, it accounted for 52 % on average, but Morrisons reached to 66 % (The Sterling Choic, 2020). After its announcement, this retailer has made a considerable effort to sell 'home grown' produce.

According to one of market research agencies, 77 % of the 1,350 HMR food types distributed by 10 large retailers as a retailer brand are based on meat. In other words, meat is the key raw material for HMR products (Food Navigator, 2020). More interestingly, more than 80 % of premium HMR items are based on the British-grown meat, whilst price-oriented HMR foods are involved in 32 % with 'home grown' meat.

With the increasing interest of customers in domestic produce consumption, retailers have developed premium HMR products used local foods. For instance, Coop and Waitrose have launched the HMR products that use 100 % of the British meat as their own brands (Food Navigator, 2020). Considering that customers tend to buy ready-to-eat meals based on local produce, it is inevitable that retailers have to introduce premium HMR goods. Accordingly, retailers should be faced with the difficulty of supplying domestically grown produce to manufacture HMR foods. In order for retailers to solve such supply problems, there is a trend to directly trade with farmers. By making a contract with farmers, retailers are able to supply "home grown" produce to manufacturers providing HMR foods as a retailer brand.

After all, the social campaign which promotes local food consumption, led by community enterprises, has strongly influenced retailers to purchase more local foods to produce HMR foods. From a retailer's point of view, furthermore, the activities of community enterprises are perceived as part of social pressure. If retailers do not consume more domestic agricultural produce, in other words, they should believe that their corporate reputation should be damaged in market.

Basically speaking, retailers are legally exempt from country of origin labelling requirement for HMR foods, although customers want to know where the main raw materials are from. So, it is investigated that the proportion of HMR products displaying country of origin was around 70 %, whilst 30 % of HMR foods do not inform (Food Navigator, 2020). It means that retailers still seem quite passive in displaying country of origin on HMR products.

Generally, it is apparent that the campaign activities of community enterprises as well as retailers promote local food consumption, rather than the UK government.

#### **2.2.2.3. Strengthening label standards**

In terms of 'customer right to know', the British government has legally established food labelling standards for processed foods. As for processed foods, food labelling has to include the followings: product name, name of raw materials, allergy-related information, product size, keeping method, sell by date or use by date, manufacturer's name and address, where it produced, country of origin of main raw materials, cooking method, and nutrition elements.

Regarding displaying the country of origin on HMR food labels, depending on the food packaging methods, there are two options to choose. In the case of the HMR products being able to keep longer time and packaged before displaying on store shelves like general finished goods, its country of origin must be legally written on product labels. However, in the case of packaging foods on the selling space, retailers do not have to display country of origin on HMR products.

Also, in the event of HMR foods requiring to write country of origin, the country of origin of major raw produce must be legally displayed on the packaging at the same time. Accordingly, HMR manufacturers have to pay their attention to food labelling requirement.



Surprisingly, however, according to the recent survey, it is frequently found that retailers do not write country of origin on HMR food packaging, although used 100 % British-grown meat (The Sterling Choice, 2020). As customers become aware of country of origin on food labeling, nevertheless, retailers have strengthened its display on HMR products. First of all, to in order to win trust that retailers use local foods to produce HMR foods, rather than foreign produce, they emphasise the importance of displaying country of origin on HMR products (The Sterling Choice, 2020).

Over time, the British government has strengthened the display of country of origin on HMR product packaging, in terms of 'customer right to know'. Such a policy, consequently, results in the consumption promotion of domestically grown produce. In line with changing customer awareness as well enhancing activities of community enterprises, the government will actively reflect customer reactions on developing the promotion policies to promote local food consumption.

### **2.3. Italy**

Over the world, Italian foods have become more and more popular, and further, been developed as HMR products. Nonetheless, Italian HMR products are not popular than expected in Italy. In terms of the growth rate and market size of HMR foods, the Italian market is relatively inferior to the UK. As one of the reasons why the growth of Italian HMR market is so slow, it can be argued that Italian customers tend to adhere to the traditional thinking which meals should be prepared within a house, as pointed by Fonte (2002) who highlighted that historical tradition tends to discourage customers to change their eating habits. In other words, customers are likely to perceive HMR products as junk food. The perception, accordingly, has a negative impact on the growth of HMR food industry in Italy. What is important is, however, that the Italian HMR market is continuously growing. As evidence, according to Federazione Italiana Pubblici Esercizi (FIPE), the number of customers cooking at home decreased to 64.2 % in 2016 from 84 % in 2001.

Farming in Italy is one of Italy's key economic industries, accounts for about 42 % of the country's land area and produces 13 % of the amount of agricultural production in European countries in 2016 (MAFF, 2019). Italy is, nevertheless, a net importer of foreign agricultural produce and a major food processor. With respect to a rising level of import of overseas foods, the Italian government has made an effort to protect farmers from cheap foreign produce, unlike the UK government.

Before starting to identify the promotion policies of local food consumption, it should be noted that Italian customers are very proud of domestically grown produce, compared with other countries. The government has, thus, reflected favourable customer perception referred to 'made in Italy' on developing the consumption promotion policies of 'home grown' produce. On the base of strong support from customers, Italy has evolved the consumption policies of local food, and further, encouraged HMR manufacturers to purchase more 'made in Italy' produce as a raw material.

It is, thus, necessary to look at how Italy promotes local food consumption in a HMR sector.

#### **2.3.1. Consumption context of local agricultural produce**

The total value of the primary sector consisting of agriculture, forestry and fishing registered a sustainable drop (-3.9 %) in 2016, compared to 2015, accounting for slightly below 56 billion Euro (CREA, 2017). According to the research data published by CREA (2017), the export of agricultural products was worth 38.6 billion Euro, whilst its import was equal to 42 billion Euro, in 2016. As a result, the Italian agri-food trade performance was recorded as a deficit, equal to -3.4 billion Euro.

Notwithstanding the second largest country producing agricultural produce in EU, Italy has experienced trading deficit. As a result, the trend has made the Italian government pay its own attention to the consumption promotion of locally-produced foods, although the degree of trading deficit slightly decreased, compared to 2015.

Unfortunately, however, it is very hard to find out the research data involving how much 'home grown' produce is distributed for processed foods, HMR products, food catering service providers and the customers who buy them to cook within a house, unlike Japan. Anyway, there is a limitation to illustrate the consumption context of locally-produced products.

Regarding the consumption of local produce in a HMR industry, what is apparent is that Italian customers prefer to buy 'made in Italy' foods, rather than HMR products based on overseas-grown foods.

#### **2.3.2. Promotion policies of local food consumption**

Owing to the trade deficit in an agricultural food sector, it is natural that the Italian government has been interested in promoting the consumption of locally-grown produce. With the increase in the import of agricultural

foods with cheap price from overseas market, also, it is very important to protect farmers, from a government's point of view.

In addition, it is found that Italian customers believe that 'made in Italy' foods such as pasta and pizza are much more excellent than imported ones, in terms of quality (Toti, 2017).

On the basis of the belief that Italian people are favourable to 'home grown' produce, Italy has developed the promotion policies to consume more local foods. The authors will, thus, look at what kind of promotion methods have been introduced in the HMR industry.

### **2.3.2.1. Establishment of food cluster**

The Italian government has made an effort to build food cluster across the country, in order to encourage food manufacturers in the region to preferentially consume local produce cultivated in the same region. Depending on the industrial characteristics of regions, central government has established an industrial district such as a food cluster, collaborating with local authorities.

Italy with local authorities has developed innovative policies to attract public and private organisations: manufacturers, education institutions, research and development centres that share ideas, skills and resources to strengthen the whole competitiveness of a specified industry in a region. For example, government has helped every enterprise to easily get legal permission within an industrial district, and further, strived to provide better business environment for them.

By operating an agri-food cluster, like 'sixth industry' in Japan, Italy has not only built the network amongst farmers, HMR manufacturers and retailers, but also established a supply chain system to safely supply raw materials to food manufacturers. As for HMR producers, they can save their time to search for suppliers dealing with fresh produce, thanks to the agri-food cluster. At the same time, it is easier for farmers to get the distribution channel for their produce.

Amongst the services provided by the agri-food cluster, it is outstanding that HMR manufacturers can dramatically save the time as well as the budget requiring to develop new HMR foods, compared to the past when they needed a lot of money and time to introduce or launch new HMR food categories (Agrifood Marche, 2020). Whenever starting to develop new HMR products, research and development centres within an agri-food cluster advise and support HMR firms with various experiment data. Furthermore, the agri-food cluster has provided HMR companies with farmer-related information like who cultivates what kind of produce in a region. Accordingly, it would be easier for HMR manufacturers to introduce the HMR foods reflecting customer needs and wants.

In addition, it was not easy for HMR producers to find out the selling channel in the past before an agri-food cluster was established. Nowadays, however, as for HMR manufacturers, it is expected that making a contract with retailers is not one of the most difficult jobs anymore, because all of them within a cluster have built a network system and kept a good working relationship with each other.

By building a cluster for an agricultural industry, it is witnessed that the consumption of 'home grow' produce in a HMR sector has increased, as expected by the Italian government.

Consequently, it can be said that the establishment of agri-food cluster has made a significant contribution to the consumption promotion of locally-grown produce in a region.

### **2.3.2.2. Strengthening label standards**

Ironically, unlike Japan and the UK, the Italian government shows different attitudes towards strengthening food labelling system on packaging. Although the government has to recommend food manufacturers to display various product-related information on a food label, in terms of 'customer right to know', Italy shows a negative viewpoint, particularly about the nutrition elements of foods. As the reason why Italy avoids displaying such an information, it is argued that nutrition-related information might be able to destroy Italian traditional eating culture (The Local, 2020). Before the British government introduced the 'Traffic Light' on food labels in 2013, customers were very favourable to Italian foods in the UK. After adopting the above law, they have shown negative attitudes towards Italian HMR products as well as avoided purchasing them, because customers realized that Italian foods should damage their health, in terms of nutrition problems (The Local, 2020). As a result, the Italian government experienced the decrease of export of produce to the UK. That is why the government does not strengthen food labelling standards.

The Italian customers, in contrast to the government's policy, have started to require manufacturers to give notice of what kinds of nutrition facts are involved on food labels. Furthermore, social communities have argued that the government has to actively regulate food companies to display nutrition facts on product packaging. Accordingly, it will be expected that Italy will introduce the law like the 'Traffic Light' of the UK.

Regarding food labelling system, Italy has categorised foods into two groups (Lexology, 2020). The first category is the prepacked food, whilst the second one is wrapped food. The prepacked products, including many HMR ones, are the processed or finished foods. On the other hand, the wrapped product category means that they are wrapped on site in the shops.

In the case of the prepacked foods, the government has introduced food label standards and regulated food manufacturers to write the followings: product name, the name and weight of raw materials, pure product weight, use by date, brand logo, manufacturer's name and address, keeping methods and country of origin.

By contrast, the wrapped products are not regulated by Italy. In other words, the food label system of the wrapped food category is much blander than that of the prepacked products. As for the HMR foods wrapped on site, there is no legal label standard. Over the years, thus, retailers are more likely to use the distinction between prepacked and wrapped products, with an aim to reduce the burden and cost of labeling and packaging foods.

To sum up, it is difficult to find the evidence that the Italian government promotes local food consumption by strengthening food label standards in the HMR industry, although customers tend to increase the purchasing frequency of HMR items, unlike Japan as well as the UK.

### 2.3.2.3. Country of origin

Amongst European countries, Italy is regarded as one of countries which emphasises that food manufacturers have to write country of origin on food packaging label, although most of European Union members argue that it is hard to display country of origin on every product in practice. As the reason why Italy stresses country of origin, it is expected that it tries to promote the consumption of Italian produce over the European countries.

Similarly, the Italian government has regulated food manufacturers to write country of origin on the packaging labels of processed foods using locally-grown produce such as milk, cheese, butter, rice, pasta, tomatoes, and etc. According to Nielsen research in 2016, it is found that more than 70 % of Italian customers prefer to purchase 'made in Italy' foods, that is, are loyal to local food. In investigating how many people agree to the restriction requesting manufacturers to display country of origin on food labels, 85 % of Italian customers positively responded to the question (Food Navigator, 2020). Based on the research result, the government has forced food companies to write country of origin on food products. In particular, as for the food used rice and pasta as a major raw material, including HMR foods, Italy has required manufacturers to write where they are grown and processed on food packaging, since 2018. First of all, the prepacked HMR foods have to follow the existing legal label standards.

However, there is no legal system for the wrapped HMR foods, concerned about country of origin. Nevertheless, it is frequently witnessed that many HMR producers are favourable to displaying where raw materials are cultivated and from on site in a shop. Basically, HMR food sellers have known that Italian customers prefer locally-grown produce to imported produce, and reflected customer preferences, when selling HMR items.

Consequently, it is apparent that the Italian government has developed the promotion policies of local produce consumption, considering customer preferences.

## 3. Results

With the increase in import of overseas produce, it is found that Japan, UK and Italy have made an effort to promote the consumption of local-grown foods in the HMR sector. By analysing and comparing each case, accordingly, the authors will suggest some research implications to benchmark.

As seen in Japanese case, firstly, the central government has to collaborate with local authorities to promote local food consumption in the HMR industry. To protect farmers in the primary sector, the governments have to establish the network between them and HMR food manufacturers, and further, provide much information related to production and distribution for each stakeholder. In promoting the consumption of local-grown produce, it is witnessed that the government plays a very important role. Thanks to the help of governments, farmers are able to get stable distribution channels, whilst HMR firms can secure the suppliers of 'home grown' produce, as seen in the Japanese 'Sixth industry' and the Italian food cluster.

Secondly, as the common feature amongst three cases, it should be noted that countries have strengthened food label system to enhance local food consumption, in terms of country of origin. By informing customers of what kinds of locally-grown produce are involved in HMR products on food labels, the government's goal has been, to some extent, achieved. In addition, the display of country of origin on food packaging should be done, in terms of 'customer right to know'.

In the same vein, thirdly, nations has promoted the consumption of local produce by highlighting food safety to protect customers. Rather than consuming foreign produce with cheap price, thus, HMR manufacturers and retailers tend to purchase more locally-grown foods, considering customer preference.

Apart from prepacked HMR foods, fourthly, it is difficult to introduce the legal system for the wrapped HMR foods on site, regardless of countries. Instead, it is inevitable to depend on the business activities of HMR firms to let customers know country of origin. In other words, without corporation with HMR manufacturers, there is no way to inform customers of country of origin. Accordingly, it is important to encourage them to spontaneously display it on food labels. Together with social community enterprises as well HMR associations, the government have created the business environment forcing HMR operators and retailers to follow the government's policy, suggesting the guideline for country of origin disclosure like Japanese case.

In addition, fifthly, it is found that community enterprises and HMR associations play an important role in encouraging customers and HMR manufacturers to consume more local produce. Accordingly, it is necessary to support the social communities to enhance their social responsibilities, from a government's point of view. Furthermore, the government needs to help HMR-related companies to establish HMR associations, and support them.

Given that retailers have led a HMR industry like Japan as well as the UK, lastly, the social responsibility and the ethical administration of retailers should be sustainably strengthened by social atmosphere. On the basis of case analysis results, it is evident that such a social environment promoted the consumption of locally-grown produce. Rather than directly intervening in HMR markets to consume more local foods, in directly creating such a business environment should be better.

#### 4. Conclusions

Over time, the world HMR market will continuously grow, due to changing social and economic environment. As mentioned earlier, due to a variety of reasons, customers have become favourable to HMR foods, and further tend to increase its buying opportunities. In line with the growth of HMR products, therefore, how governments are able to protect farmers and promote locally-grown food consumption has become more and more important issues. Considering that the HMR market is growing in the South Korea, in the same vein, it is worthwhile benchmarking overseas cases to make HMR manufacturers as well as retailers consume more local produce. On the basis of the evaluation of the policy performances introduced by advanced countries, the South Korea has to develop new policies to encourage customers or HMR companies to consume more local produce.

As seen in overseas cases, in order to protect farmers in the primary sector, it is found that governments have played an important role. What is interesting is that it would be difficult to protect farmers, without promoting local food consumption in the domestic HMR market.

Accordingly, together with community enterprises and HMR associations, governments have to encourage HMR operators to actively take part in the campaign promoting local food consumption and inform customers of where raw materials are from and produced.

Furthermore, by strengthening food label standards in the HMR sector, in terms of 'customer right to know', the consumption of local produce should be promoted, protecting the primary industry at the same time.

In addition, governments have to make a considerable effort to develop innovative methods, with an aim to promote local food consumption.

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