

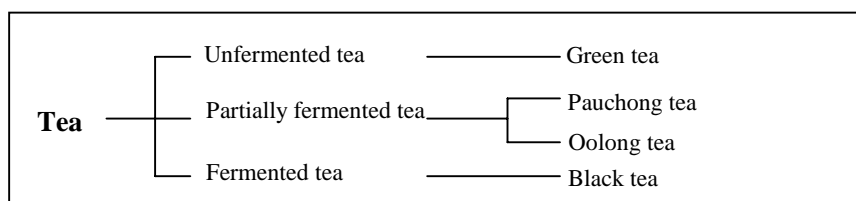
5. Black Tea

1. Definition of Category

Fermenting the leaves of tea shrubs and plants makes black tea.

HS Numbers	Commodity
0902.30-010	Black tea (ready-to-brew tea)
0902.40-210	Black tea (in bulk)
2101.20-110	Instant tea

Fig. 1 Classification of tea



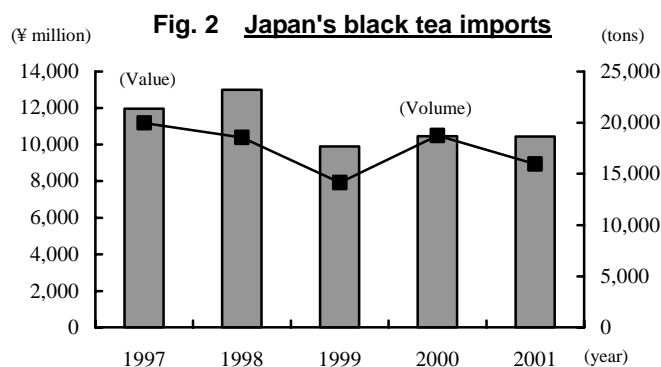
Note: Other varieties of tea, such as green tea (unfermented tea), Oolong tea and Pauchong tea (partially fermented tea) are also made from the same leaf materials, but are classified differently due to the differences in production method, as shown above.

2. Import Trends

(1) Recent Trends in Black Tea Imports

There are three basic types of imported black tea: ready-to-brew tea that is packaged for retail sale in containers of 3 kg or less and can be sold as is; bulk tea imported unprocessed or blended and then processed and packaged in Japan; and instant tea used mainly for vending machines or confections.

Most black tea is imported in bulk form, for use as a raw material for black tea drinks (sold in cans or PET bottles). Imports of tea in bulk form have shown a steady rise due to the expansion of the canned-tea market starting around 1990. In 1997 tea imports grew to almost 20,000 tons worth roughly ¥12.0 billion. However a price spike in 1998 in the producer nations combined with a decline in sales of black tea drinks produced a drop in import volume compared to the year before. This was followed by another, even steeper decline in 1999, when bulk tea imports fell by 23.8% from the year before, sinking to just 14,144 tons.



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Black tea (Ready-to-brew tea)	2,261	4,736	2,193	5,291	1,764	3,892	1,996	3,836	2,123	4,498
Black tea (in bulk)	17,522	6,974	16,147	7,413	12,043	4,591	15,953	5,635	13,058	4,951
Instant tea	191	272	213	298	337	1,403	790	978	782	991
TOTAL	19,974	11,981	18,552	13,001	14,144	9,887	18,739	10,449	15,962	10,440

Units: tons, ¥ million

Source: Japan Exports and Imports

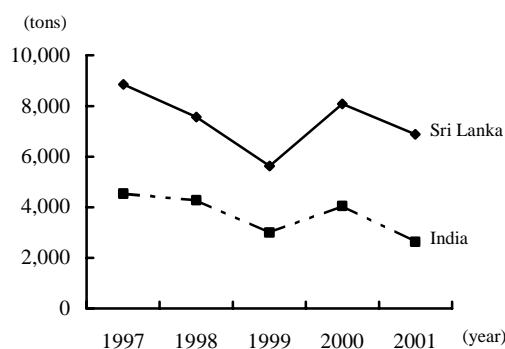
After a bit of a recovery during 2000, imports of black tea turned back downward in 2001 to 15,962 tons (down 18.1% from the year before), due mainly to weak sales of black tea drinks in Japan (see Fig. 8). Imports of tea packaged for retail sale, however, remained strong, and total imports held steady on a value basis at ¥10.44 billion.

(2) Imports by Place of Origin

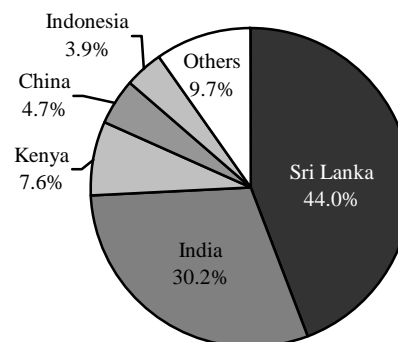
The leading exporters of bulk black tea to Japan are Sri Lanka (52.7%) and India (20.2%). Together these two countries account for 72.9% of all imports on a value basis. The next leading exporters are Kenya (10.6%) and Indonesia (7.6%).

Fig. 3 Principal exporters of black tea (in bulk) to Japan

Trends in import volume by leading exporters



Shares of bulk black tea imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Value	Value	Value	Value	Volume	Value	Volume	Value	Volume
Sri Lanka	8,864	7,561	5,632	8,082	2,422	6,876	52.7%	2,181	44.0%
India	4,542	4,287	3,005	4,057	1,977	2,631	20.2%	1,494	30.2%
Kenya	1,177	1,081	757	532	142	1,380	10.6%	375	7.6%
Indonesia	1,271	1,294	926	971	185	988	7.6%	192	3.9%
China	461	563	328	553	170	482	3.7%	231	4.7%
Other	1,206	1,362	1,394	1,759	738	699	5.4%	479	9.7%
TOTAL	17,522	16,147	12,043	15,953	5,635	13,058	100.0%	4,951	100.0%
(E U)	731	508	477	419	368	326	2.5%	337	6.8%

Units: tons, ¥ million

Source: Japan Exports and Imports

The United Kingdom is a leading exporter of name-brand black tea packaged for retail sale, while Sri Lanka and Indonesia export low-cost packaged teas that are sold mainly at mass merchandiser outlets. The latter enjoyed substantial growth over the year before on a volume basis.

Fig. 4 Principal exporters of black tea (ready-to-brew tea) to Japan

	1997	1998	1999	2000		2001			
	Value	Value	Value	Value	Volume	Value	Volume	Value	Volume
Sri Lanka	346	389	317	460	721	626	29.5%	924	20.5%
U.K.	440	486	467	441	1,118	467	22.0%	1,309	29.1%
India	256	192	198	230	727	277	13.1%	892	19.8%
Indonesia	809	770	480	244	198	143	6.7%	119	2.7%
Singapore	7	2	31	125	96	133	6.3%	121	2.7%
Other	404	354	271	494	977	477	22.5%	1,132	25.2%
TOTAL	2,261	2,193	1,764	1,996	3,836	2,123	100.0%	4,498	100.0%
(E U)	699	709	599	585	1,615	617	29.1%	1,919	42.7%

Units: tons, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

Domestic black tea production is nearly zero. Thus Japan imports virtually its entire supply of black tea.

3. Key Considerations related to Importing

(1) Regulations and Procedural Requirements at the Time of Importation

Tea imports are subject to the Food Sanitation Law.

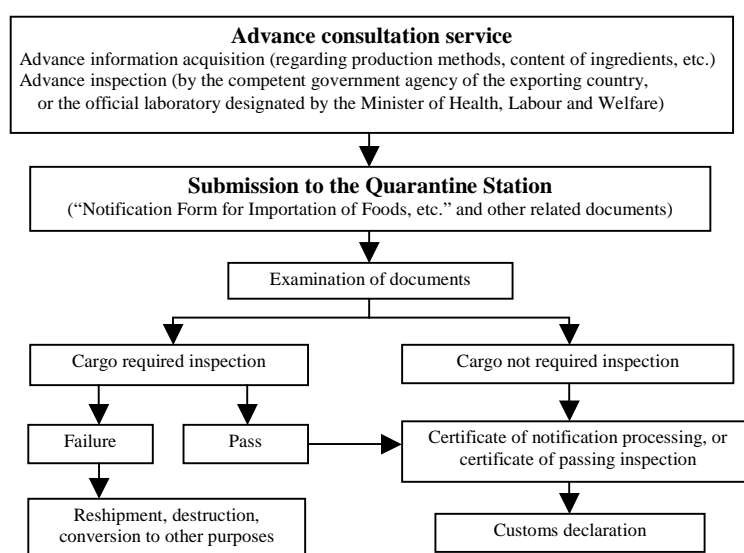
1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for black tea being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed “Notification Form for Importation of Foods, etc.” to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required. The inspection by quarantine officer also includes a check of the paper and tea bags included in the retail packaging for fluorescence. Prospective importers should be aware that some shipments have been rejected on this basis.

Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites the quarantine clearance process.

In addition, importers who wish to submit their notifications by computer may make use of the computerized FAINS (Food Automated Import Inspection and Notification System) for processing import-related documentation. Importers who have the required hardware and software may apply for a security code from the Minister of Health, Labour and Welfare to access the system.

Fig. 5 Procedures required under the Food Sanitation Law



(2) Regulations and Procedural Requirements at the Time of Sale

The sale of black tea is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Containers and Packaging Recycling Law, the Law for Promotion of Effective Utilization of Resources, and local government ordinances.

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling black tea sealed in wrapping or containers, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

2) JAS Law

(Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products)

The JAS Law establishes quality labeling standard for all food and beverage products sold to ordinary consumers. (see 4. Labeling)

3) Measurement Law

Black tea sealed in wrapping or containers is required the labeling of the net content to certain accuracy (range of error specified by Cabinet Ordinance). (see 4. Labeling)

4) Containers and Packaging Recycling Law (Law for Promotion of Sorted Collection and Recycling of Containers and Packaging)

The Containers and Packaging Recycling Law was enacted to promote recycling of container and packaging waste materials. It provides for sorting by consumers, sorted collection by municipalities, and product reuse (recycling) by product makers and distributors for glass bottles, PET bottles, paper and plastic containers and packaging. Consequently, black tea importers incur the obligation for recycling of containers and packaging (although stipulated small-scale importers are exempt). Please consult the competent government agencies listed below for more information.

5) Law for Promotion of Effective Utilization of Resources

As of April of 2001, new identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials, in addition to previously existing labeling requirements for steel and aluminum cans or PET bottles. (see 4. Labeling)

(3) Competent Agencies

- Food Sanitation Law
Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau,
Ministry of Health, Labour and Welfare
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- JAS Law
Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 <http://www.maff.go.jp>
- Measurement Law
Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment
Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
- Containers and Packaging Recycling Law / Law for Promotion of Effective Utilization of Resources
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau,
Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 <http://www.env.go.jp>
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 <http://www.maff.go.jp>

4. Labeling

(1) Legally Required Labeling

When selling black tea and black tea beverages sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law.

<Labeling items to be listed all together>

- 1) Product name
- 2) List of ingredients
- 3) Net content
- 4) Date of minimum durability or best-before date
- 5) Preservation method
- 6) Country of origin
- 7) Importer's name and address

<Labeling under the Local Government Ordinances >

Under the Tokyo Metropolitan Consumer Protection Ordinance established by the Tokyo Metropolitan Government, the following information must be provided on labels for black tea.

- Date of minimum durability (or best-before date)
- Preservation method
- Usage instructions

<Labeling under the Law for Promotion of Effective Utilization of Resources>

The Law requires that all canned or PET-bottled black tea and black tea beverages, whether produced in Japan or elsewhere, display an identifying mark affixed to or printed on at least one spot on the side of the container. Aluminum cans and PET bottle display a triangular symbol, while steel cans display a circular symbol. They are overlaid with the appropriate terms in Japanese. In addition, as of April of 2001, new identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials



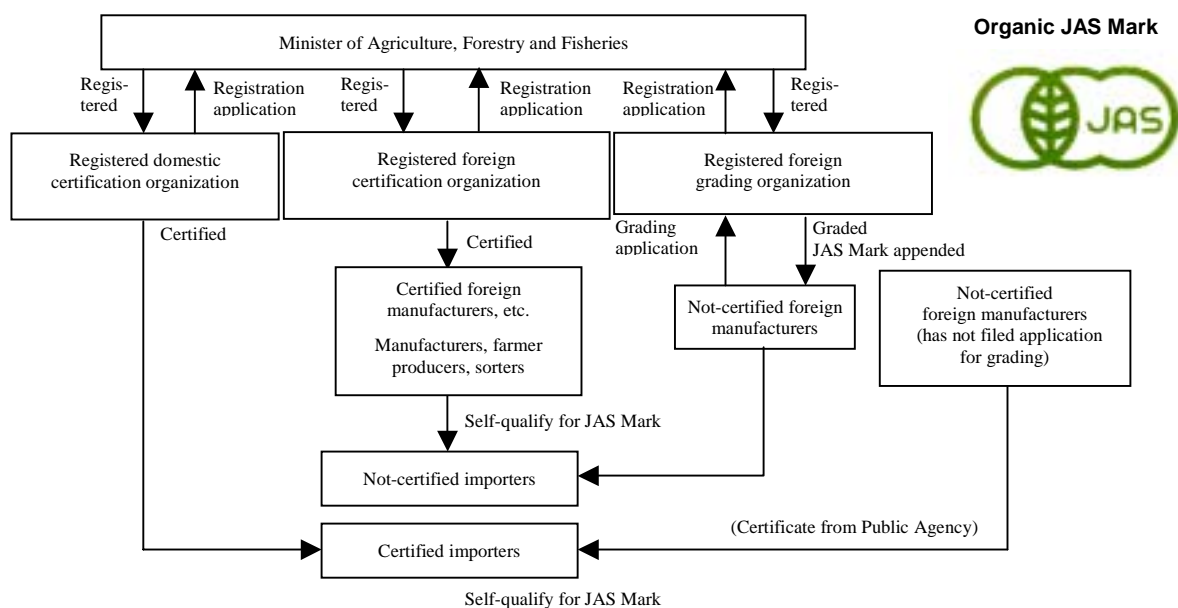
(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

The JAS Law established a “special JAS standard” for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase “organic” and to display the Organic JAS Mark.

Fig. 6 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase “organic” and to display the Organic JAS Mark.

- 1) Product is qualified by a foreign grading organization registered with Japan’s Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
- 2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.

- 3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

Contact:

Center for Food Quality, Labeling and Consumer Services Headquarters
Standard and Labeling Department TEL: 048-600-2371 <http://www.cfqlcs.go.jp>

2) Labeling under the Nutrition Improvement Law

When employing labeling for nutritional ingredients or calories in Japanese, either on the packaging or in accompanying documentation, labeling must be in accordance with the requirements under the Nutrition Improvement Law.

<Example> Labeling must contain the quantities of calories, proteins, fats, carbohydrates, sodium, and other nutritional ingredients present, in descending order by content volume.

(3) Voluntary Industry Labeling

<Recycling Mark for Paper Beverage Containers>

Paper beverage containers not containing aluminum are not required by law to include identifier labeling, but the industry has voluntarily introduced an identifier mark program.

Contacts:

- Paper Beverage Container Recycling Association

TEL: 03-3264-3903

Paper pack



5. Taxes

(1) Customs Duties

The following table presents customs duties on black tea.

Fig. 7 Customs duties on black tea

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0902.30-010	Black tea, in immediate packings of content not exceeding 3kg:	20%	12%	12%	
0902.40-210	Other black tea	5%	3%	*Free	
2101.20-110	Instant tea	16%	10%	2.5%	
				*Free	
				8%	
				*Free	

Note 1: “*Free” in Preferential Rate is applicable only for Least Less Developed Countries.

Note 2: Refer to “Customs Tariff Schedules of Japan” (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

(1) Classifications by producer countries

Black tea is produced in some 20 different countries of the world, and each variety has certain distinctive characteristics that reflect the soil and climate of its place of origin. Darjeeling tea from India, Uva tea from Sri Lanka and Keemun tea from China are three of the world’s most famous and best-liked black teas. These black teas are noted for the following characteristics. There are few differences in quality standards or distribution methods among different tea-producing countries.

- Darjeeling (India)

Darjeeling black tea comes from the Himalayan uplands of north India. Its flavorful and distinctive aroma has given it the nickname “the champagne of black teas.”

- Uva (Sri Lanka)

This black tea is known for its bright color and delicate flavor and aroma.

- Keemun (China)

This black tea comes from the southern part of Anhui Province in China. It is known for its bright color and natural smoky fragrance.

(2) Grades of black tea

The quality of black tea is affected greatly by climate and weather conditions as are all agricultural products. Buyers at auction can check the quality for themselves with no problem, but black teas purchased under standard contract need to undergo some sort of quality check.

It should be noted that phrases such as BOP (broken orange pekoe) and OP (orange pekoe) refer only to the size and external appearance of the tea leaves, not the quality of the leaves. You can check with major auction houses to find out common auction prices for black tea. The most important auction in a consumer country occurs in London. Important auction houses are also located in Calcutta, Colombo, Cochin, Mombasa, and Jakarta, all of which are in producer countries.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

The idea took hold among consumers that black tea is healthy and adds vitality, and by 1997 Japan had set an all-time record consumption level of 18,600 tons. A major contributor to this growth was industrial demand for use in making black tea drinks sold in cans or PET bottles. This accounted for 55.4% (10,300 tons) of total consumption in 1997. Not surprisingly, black tea drink production topped the 1.0 million kiloliters mark for the first time in 1997, with factory shipments of ¥222.8 billion, which is five times the level of packaged tea (teabag and leaf tea). Nevertheless, from 1998 onward production of black tea drinks turned downward, falling to 789,000 kiloliters (down 12.4% from the year before, with estimated black tea consumption of 6,900 tons) in 2000. Over the past five years, green tea and other tea drinks have grown from 1.3 million kiloliters to 2.3 million kiloliters. Clearly, black tea has fallen by the wayside to a degree in competition with green tea and other tea drinks. (see Fig. 8)

Fig. 8 Trends in soft drink production

	1996	1997	1998	1999	2000	2000/1999
Coffee drinks	2,483,000	2,568,000	2,562,000	2,600,000	2,610,000	100.4
Tea drinks	931,000	1,011,000	985,000	901,000	789,000	87.6
Oolong-tea drinks	1,207,000	1,260,000	1,210,000	1,280,000	1,295,000	101.2
Green tea and other tea drinks	1,311,000	1,605,000	1,795,000	1,876,000	2,296,000	122.4
Cola drinks	1,112,000	1,152,000	1,149,000	1,170,000	1,160,000	99.1
Other carbonated drinks	1,813,000	1,854,000	1,704,000	1,722,000	1,644,000	95.5
Soft drinks containing fruit juices	838,000	829,000	880,000	1,055,000	1,050,000	99.5
Natural fruit juices	620,000	573,000	570,000	550,000	556,000	101.1
Other fruit drinks	434,000	412,000	600,000	609,000	649,000	106.6
Mineral water	485,900	646,000	714,600	956,400	894,300	93.5
Sport drinks	993,000	1,068,000	1,065,000	1,156,000	1,378,000	119.2
Other soft drinks	560,100	989,000	1,237,000	1,291,500	1,172,000	90.7
TOTAL	13,149,000	13,967,000	14,471,600	15,166,900	15,493,300	
(Yearly change)		(103.3)	(106.2)	(103.6)	(104.8)	(102.2)

Unit: kiloliters

Source: The Japan Soft Drinks Association

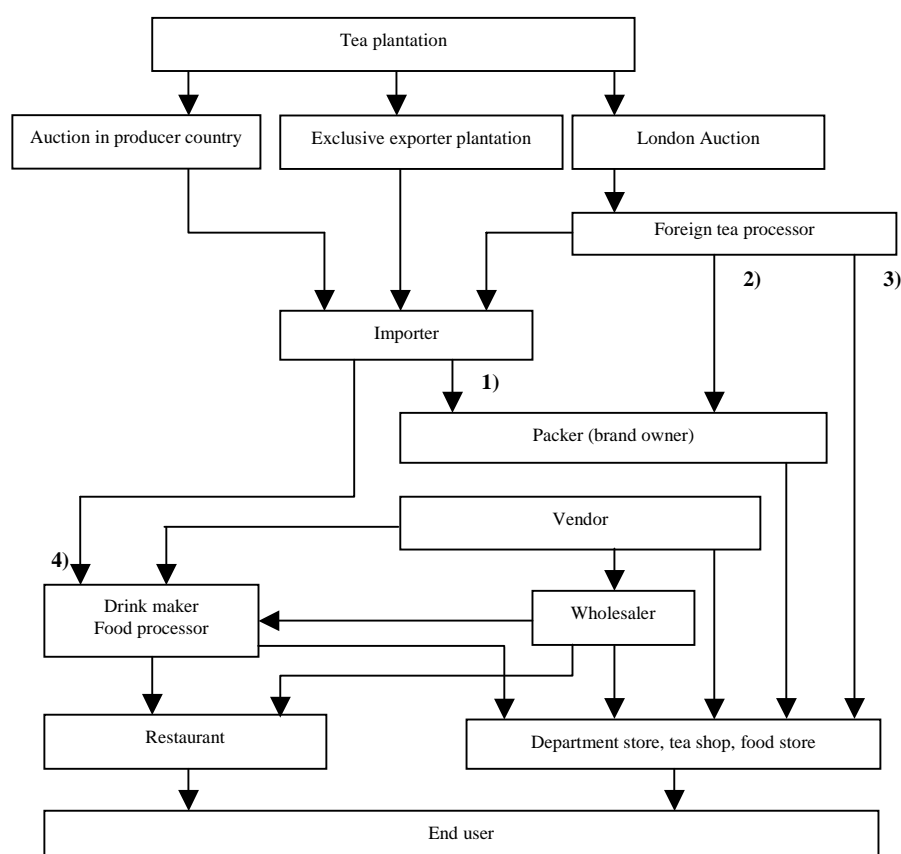
For its part, estimates of packaged black tea consumption for 2000 put teabag tea at 6,300 tons and leaf tea at 2,450 tons, both of which are slightly up over the year before. Gift purchase demand has declined totally, but consumers now tend to buy as gifts black teas that appeal to the personal tastes of the recipient, instead of buying standard pre-packaged sets as in the past. Home use demand remained strong. In the leaf tea sector, Earl Grey and other flavored teas such as apple tea continued to show growth, as did Darjeeling and other straight teas. Earl Grey is especially popular. In the teabag sector, sales have been comparatively strong for leaf bags, with leaf tea sold in teabag packaging and other higher added value products. Teabag tea no longer has to appeal to consumers mainly on price alone.

(2) Distribution Channels

There are four basic types of imported black tea, as illustrated in Fig. 9:

- 1) Unprocessed tealeaves are imported from abroad, processed, blended and packed in Japan, and sold under a Japanese brand label.
- 2) A Japanese company linked with a foreign tea processing company imports tea leaves from the foreign company processed according to certain brand specifications and re-packages it for retail sale in Japan.
- 3) Tea is imported pre-processed and pre-packaged for retail and sold in Japan.
- 4) Bulk tea is imported, processed and packaged in cans or paper wrappers for retail sale as instant tea, or instant tea is imported and sugar and flavoring is added before retail sale in Japan.

Fig. 9 Distribution channels for black tea



Almost all Japanese black tea companies have exclusive agent contracts with major foreign tea processors granting exclusive rights to use the original brand name or logo, the right to repackage the product, and the right to sell the product in Japan. Industry sources estimate that there are some 40 Japanese companies operating under such business relationships. There are three major players in the Japanese black tea market. These were Mitsui Norin Co., Ltd. (Nitto Tea), Nippon Lever K.K. (Lipton and Brookbond), and Kataoka & Co., Ltd. (Twinings and Fortnam Mason).

Although they are few in number, recently there have appeared some black tea specialty stores and tea shops with menus emphasizing black tea. These stores and tea shops are seeking to evangelize the unique properties and qualities of black teas from various producing areas, various ways of making tea, and the pleasures of black tea generally.

(3) Key Considerations for entering the Japanese Market

The import channels for black tea are comparatively restricted and specialized. Thus, in order to enter the market, it is essential first to identify and secure an import distribution channel. Also, since black tea oxidizes and degrades in quality from exposure to air, it is also important to consider how the tea will be stored while being imported, and afterward.

8. After-Sales Service

Normally the importer or retailer is responsible for deciding how to deal with defective merchandise.

9. Related Product Categories

1) Chinese teas

- Subject to same customs and regulatory treatment as black tea.
- Please refer to “Quality Labeling Guidelines of Partially Fermented Teas,” a publication of the Ministry of Agriculture, Forestry and Fisheries.

Note: Because problems have been noted with the purity of certain imports of Pu-Erh tea and Oolong tea, these products may receive closer scrutiny at customs.

2) Herbal teas

- Herbal teas may be classified either as food products or medicinal products according to projected use, even when made from the same raw materials. Prospective importers should note that any tea, which claims medicinal or other health benefits, is subject to regulation under the Pharmaceutical Affairs Law.
- Tea leaves, which are dried but otherwise unprocessed, are subject to provisions of the Plant Protection Law. Check to determine whether a particular product is subject to such treatment.
(Contact: Tokyo Branch of Yokohama Plant Protection Station, TEL: 03-3471-4113)

3) Tea beverages

- Subject to the Food Sanitation Law as black tea.
- For labeling method, please refer to the Processed Food Product Quality Labeling Standards under provisions of the amended JAS Law.

10. Direct Imports by Individuals

Individual may import black tea for personal consumption without any regulations. However, imports of black tea to provide to a multiple non-specific persons are subject to provisions of the Food Sanitation Law.

11. Related Organizations

• Japan Tea Association

TEL: 03-3431-6509

<http://www.tea-a.gr.jp>