

# Japanese Market Information on Specified Products



## 1. The Japanese Market

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### (1) General

Coffee consumption in Japan is not low, but it still falls below that of Western countries in per capita terms. Possible reasons for this include the abundance of other beverages available and the role played by green tea. Despite this, coffee is solidly established in Japan and its consumption is still growing.

In the past, regular coffee was consumed mainly in restaurants and instant coffee was consumed mainly in the home. In recent years, however, people have come to drink regular coffee even in their homes, which has resulted in the demand for regular coffee to grow at the expense of instant coffee.

### (2) Regular Coffee

Home consumption of regular coffee has grown, particularly those sold in large cans. A notable part of such demand has been coffee that comes in "cassettes," i.e., coffee packed with disposable filters. There are signs, however, that growth in home demand is slowing. Industrial demand for making canned coffee and iced coffee, which had been showing strong growth because of increased manufacturer emphasis on higher quality items, also seems to have peaked. Sales of coffee at commercial establishments have declined, primarily because of the drop in the number of sit-down coffee shops in Japan. Even fast food restaurants and stand-up coffee shops are buying less. On the other hand, businesses are buying coffee more for in-office use, largely offsetting the decline in sales to the food services industry.

### (3) Instant Coffee

Instant coffee is used mainly in the home, but is being replaced by regular coffee.

### (4) Market Entry

Green coffee beans are imported in minimum lots of 250 bags, each of which contains 60kg of coffee beans. The importer must pay for storage at bonded warehouses while the merchandise clears quarantine. It is important to take such costs into consideration before selling coffee in Japan. Green coffee bean producers must choose an exporter who is knowledgeable about the product and who can undertake rigorous quality control.

Regular coffee becomes volatile as soon as it is processed. Coffee oxidizes on contact with air, causing its quality to deteriorate. Coffee remains fresh up to a year and a half if sealed in an airtight container, but prospective importers are still required to take the proper quality control measures during and after import.

## 2. Imports

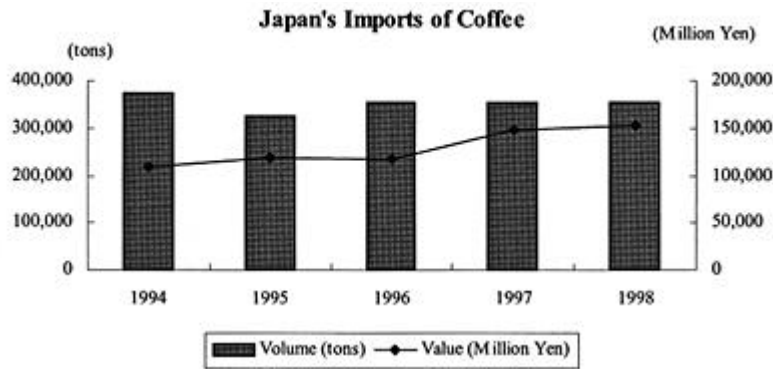
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### (1) Recent Developments

Japan does not produce any coffee beans and thus must rely on imports for its entire supply. Most coffee beans are imported unprocessed (as green beans) and are roasted, ground, and packaged afterward. Japan also imports roasted coffee beans, instant coffee, and coffee extracts, but in much lower quantities.

Imports of green coffee beans, regular coffee, and instant coffee have not changed much over the last three years in volume. By value, however, imports of coffee have increased gradually because of higher international coffee prices.

The volume of green coffee bean imports is largely affected by international price fluctuations. Imports of instant coffee have declined over the long term.



	1994		1995		1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Green Coffee Beans	345,280	96,333	300,563	102,510	326,914	97,955	325,233	129,675	332,386	133,992
Regular Coffee	2,339	1,728	2,131	2,130	3,338	3,463	1,795	2,643	1,580	2,815
Instant Coffee	5,507	5,174	6,268	7,490	6,056	7,445	5,945	7,084	6,923	9,430
Coffee Extract and Essence	19,541	5,428	17,590	6,405	17,996	7,665	20,056	9,020	13,570	7,211
<b>Total</b>	<b>372,668</b>	<b>108,663</b>	<b>326,552</b>	<b>118,535</b>	<b>354,304</b>	<b>116,529</b>	<b>353,029</b>	<b>148,422</b>	<b>354,459</b>	<b>153,447</b>

Unit: tons, Million Yen

Source: Japan Exports and Imports

(2) Countries of Origin

Japan imports green coffee beans from over 40 countries, mostly developing countries located within a belt 25 degrees north and south of the equator. The main suppliers to Japan are Brazil, Colombia, and Indonesia. These three countries provide about 60% of Japan's import of green coffee beans. Japan tends to import inexpensive Robusta beans from Indonesia.

The United States and the United Kingdom lead in exports of regular coffee. Brazil is the leading coffee extracts and essences exporter.

### Principal Exporters of Coffee to Japan

<Green Coffee Beans>

COUNTRY	1994	1995	1996	1997	1998	
	Value	Value	Value	Value	Value	Volume
BRAZIL	21,496	23,970	21,477	31,647	32,300	78,499
COLUMBIA	21,722	20,910	23,452	30,807	28,859	61,202
INDONESIA	17,986	14,295	13,522	15,880	15,564	61,405
GUATMAL	5,709	6,609	5,530	7,546	9,383	19,032
ETHIOP	5,889	5,093	5,856	7,503	8,997	23,187
OTHERS	23,531	31,632	28,118	36,291	38,889	89,062
<b>TOTAL</b>	<b>96,333</b>	<b>102,510</b>	<b>97,955</b>	<b>129,675</b>	<b>133,992</b>	<b>332,386</b>

Unit: Million Yen, tons

Source: Japan Exports and Imports



<Regular Coffee>

COUNTRY	1994	1995	1996	1997	1998	
	Value	Value	Value	Value	Value	Volume
USA	1,129	1,166	1,191	902	1,038	853
UK	168	279	500	647	933	177
BELGIUM	142	238	341	217	223	88
ITALY	31	31	99	179	143	99
SWITZLD	36	0	93	107	114	48
OTHERS	222	416	1,240	591	363	314
<b>TOTAL</b>	<b>1,728</b>	<b>2,130</b>	<b>3,463</b>	<b>2,643</b>	<b>2,815</b>	<b>1,580</b>

Unit: Million Yen, tons

Source: Japan Exports and Imports



(3) Share Accounted for by Imports

Japan relies on imports for all of its green coffee beans. Most of regular coffee and instant coffee sold in Japan, however, are produced domestically using imported beans. Therefore, imports account for a small share of the final product market.

## Import's Share in the Japanese Market

### <Regular Coffee>

	1993	1994	1995	1996	1997
Domestic Products	122,096	138,354	138,111	137,726	138,410
Imported Products	2,687	2,339	2,131	3,338	1,795
Domestic Distribution	124,783	140,693	140,242	141,064	140,205
Import's Share	2.2%	1.7%	1.5%	2.4%	1.3%

### <Instant Coffee>

	1993	1994	1995	1996	1997
Domestic Products	35,217	33,669	32,286	35,055	33,157
Imported Products	5,827	5,507	6,268	6,056	5,945
Domestic Distribution	41,044	39,176	38,554	41,111	39,102
Import's Share	14.2%	14.1%	16.3%	14.7%	15.2%

Unit: tons

Source: Japan Exports and Imports

### 3. Laws and Regulations

#### (1) Food Sanitation Law

The importation of green coffee beans, instant coffee, and coffee extracts or essences into Japan is subject to the provisions of the Food Sanitation Law. The importer must submit a "Notification Form for Importation of Foods, etc." to the quarantine station at the port of entry.

"The Notification Form for Importation of Foods, etc." includes space for listing the production method. Instant coffee and coffee extracts or essences produced using certain prohibited solvents may not be imported into Japan. Instant coffee is examined for E. coli, arsenic, lead, and other materials by food sanitation inspectors.

The procedures can also be sped up by arranging for voluntary inspections at a laboratory approved by the Ministry of Health and Welfare. Inspections of items examined at such laboratories will be waived at the port of entry.

#### (2) Plant Protection Law

Green coffee bean imports are also subject to the provisions of the Plant Protection Law, which is designed to prevent the spread of any injurious plants to Japan.

At the port of entry, the importer must submit to the plant protection station an "Application for Import Inspection of Plants and Import-Prohibited Articles" along with a "Phytosanitary Certificate" issued by the relevant government agency of the exporting country. Plants may be imported only through ports with plant quarantine facilities. If an infestation is detected, the importer will be ordered to decontaminate, discard, or return the cargo to the shipper.

### 4. Taxes

#### (1) Customs Duties

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion:				
0901.11-000	1. Coffee, not roasted:	Free	(Free)		
	(1) Not decaffeinated				
0901.12-000	(2) Decaffeinated	Free	(Free)		
0901.21-000	2. Coffee, roasted:	20%	14.7%	10%	
	(1) Not decaffeinated			*Free	
0901.22-000	(2) Decaffeinated	20%	14.7%	10%	
				*Free	
2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof:				
2101.11	1. Extracts, essences and concentrates				
2101.11-100	(1) Containing added sugar	24%	(26%)	15%	
				*Free	
-210	(2) Other	12.3%	11.7%		
	A Instant coffee				
-290	B Other	16%	(18.3%)	Free	
2101.12	2. Preparations with a basis of extracts, essences or concentrates or with a basis of coffee				
-110	(1) Containing added sugar	24%	(26%)	15%	
				*Free	
-121	(2) Other	12.3%	11.7%		
	A Instant coffee				
-122	B Other	16%	(18.3%)	Free	

Note: \*The produce from the least Less Developed Countries is tariff free.

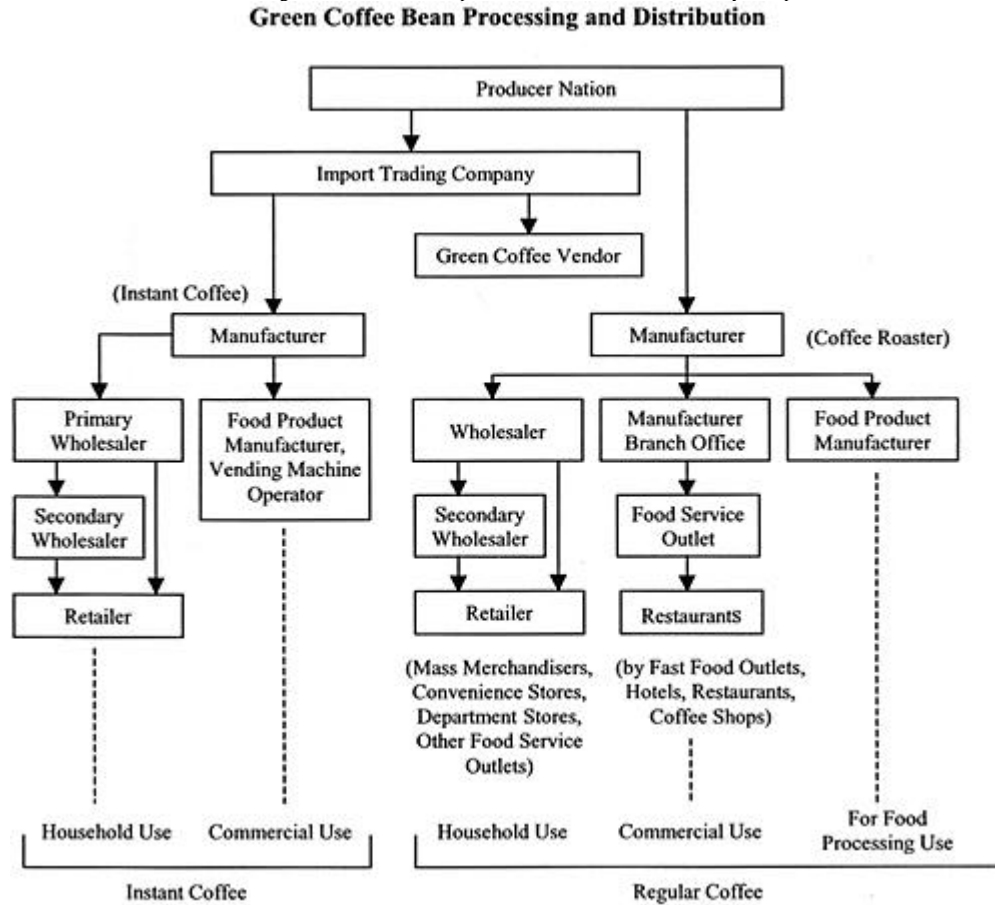
For information on how to use this table, please refer to customs tariff schedules.

- (2) Consumption Tax  
(CIF + Customs Duty) x 5%

## 5. Distribution

### (1) Green Coffee Beans

The chart below illustrates how green coffee beans are processed and distributed after entry to Japan.



### (2) Regular Coffee

Coffee for commercial use are often roasted and delivered the same day. Some large coffee manufacturers operate their own coffee plantations abroad and import green coffee beans directly. Most coffee manufacturers (coffee roasters) are small operators who buy coffee beans from green coffee vendors. These small operators then roast the beans and sell them within a fairly limited area.

Coffee for home use are sold either as beans or ground coffee, sold pre-packaged or measured on site. Most pre-packaged coffee are distributed through wholesalers in vacuum packed, gas-filled, deoxygenated, and/or decarbonated forms to keep them fresher.

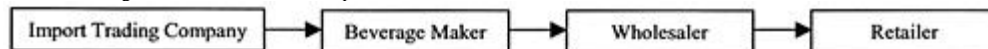
The three largest Japanese coffee manufacturers (UCC-Ueshima Coffee, Key Coffee, and Art Coffee) account for more than half of both commercial and home coffee sales.

### (3) Instant Coffee

Only three companies (Nestle, Ajinomoto-General Foods, and Takasago Coffee) produce instant coffee in Japan. The two foreign-owned coffee manufacturers command about 80% of the Japanese market, which is estimated at ¥250 billion. Other instant coffee companies specialize in importing and selling instant coffee made overseas.

### (4) Coffee Extracts

The following illustrates the distribution pattern of coffee extracts



## 6. Industry Contacts

All Japan Coffee Association  
TEL: +81-3-3580-9870

Japan Coffee Import Association  
TEL: +81-3-3497-6268

Japan Green Coffee Association  
TEL: +81-3-3775-1432

National Coffee Roaster Association of Japan  
TEL: +81-3-3431-3446

Japan Retail Regular Coffee Industry Association  
TEL: +81-3-5401-2866

Japan Instant Coffee Association  
TEL: +81-3-5423-8252

Japan Coffee Trade Fair Trade Council  
TEL: +81-3-3591-5241

Japan Coffee Beverage Association  
TEL: +81-3-3275-1031