

## 2. Coffee and Black Tea

### 1. Definition of Category

#### <Coffee>

Coffee beans (unroasted beans <sup>(Note 1)</sup> and roasted beans <sup>(Note 2)</sup>), instant coffee and coffee extracts. <sup>(Note 3)</sup>

#### HS Numbers

0901.11-000, 12-000  
0901.21-000, 22-000  
2101.11-210, 12-121  
2101.11-100, 11-290, 12-110, 12-122

#### Commodity

Green coffee beans  
Regular coffee  
Instant coffee  
Coffee extract and essence

*Note 1: Coffee beans are stripped of their outer skin, flesh and inner skin and then are dried or otherwise processed using the seed part only.*

*Note 2: Includes roasted coffee beans ground or blended. Commonly referred to as regular coffee.*

*Note 3: The extract is removed from the coffee bean and stored as a concentrate. Used commercially and in processed foods such as canned coffee and coffee candy.*

#### <Black Tea>

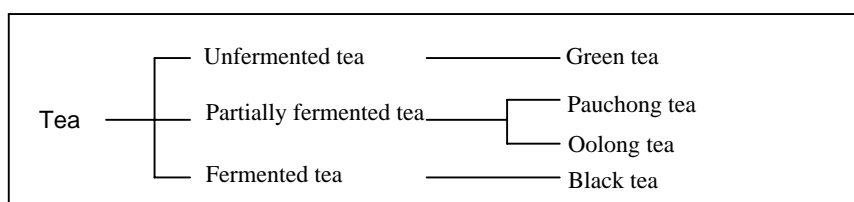
Fermenting the leaves of tea shrubs and plants makes black tea.

#### HS Numbers

0902.30-010  
0902.40-210  
2101.20-110

#### Commodity

Black tea (ready-to-brew tea)  
Black tea (in bulk)  
Instant 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 Coffee Imports

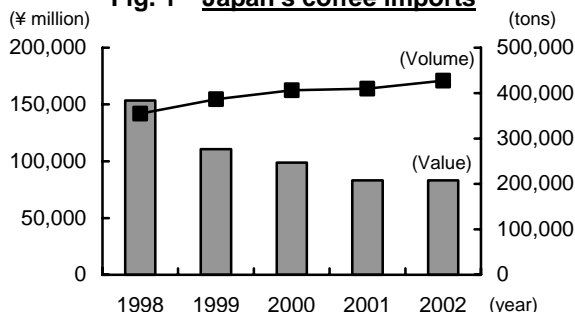
##### <Coffee>

Japan does not produce any coffee beans at all and therefore relies on imports for its entire supply. Most coffee beans are imported unprocessed (as green beans), then are roasted, ground, and packaged for sale afterward. Japan also imports roasted coffee beans, instant coffee, and coffee extracts, but in much lower quantities than green coffee beans.

The producer price of green coffee beans depends on the weather and on supply and demand factors. Twice in the 1990s (in 1994 and 1997) there were green coffee bean price spikes, and both had a major impact on companies in the coffee industry in Japan, as well as on consumption. The price of green coffee beans in international market maintained low levels since 1999 onward, and the 2002 average price per ton of imported green coffee (¥164,995) was down about 5% from the year before, and represents a 40% decline compared to the price level of 1998. With abundant supplies available, coffee and coffee product imports have been increasingly steadily. In 2002 total import volume of 427,685 tons (up 4.4% from the year before) set an all-time record for the fifth straight year. On a volume basis, these imports were worth about the same as the year before (¥83.34 billion, up 0.1%). Growth was especially notable in green coffee in 2002, with imports topping the 400,000-ton mark for the first time ever.

Finished product coffee imports consist mainly of coffee extract and coffee essence, which are used to make canned coffee drinks and in other commercial applications. The upscale trend in beverage demand in recent years has been accompanied by a changeover to domestic coffee products (made from imported coffee beans and roasted and ground in Japan). Imports of coffee extract and essence totaled 14,379 tons in 2002, about the same as an average year. In contrast, new all-time records were set in finished product imports of instant coffee (8,465 tons) and regular coffee (4,070 tons).

**Fig. 1 Japan's coffee imports**



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Green coffee beans	332,386	133,992	363,418	95,931	382,230	84,467	381,745	66,028	400,771	66,125
Regular coffee	1,580	2,815	1,817	2,269	2,749	2,788	3,630	3,894	4,070	4,294
Instant coffee	6,923	9,430	6,569	6,877	7,177	6,460	8,387	7,531	8,465	7,773
Coffee extract and essence	13,570	7,211	14,329	5,589	14,398	4,920	16,034	5,794	14,379	5,144
<b>TOTAL</b>	<b>354,459</b>	<b>153,447</b>	<b>386,132</b>	<b>110,665</b>	<b>406,553</b>	<b>98,634</b>	<b>409,797</b>	<b>83,246</b>	<b>427,685</b>	<b>83,336</b>

Units: tons, ¥ million

Source: Japan Exports and Imports

**<Black tea>**

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. 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. 13). Black tea packaged for retail sale failed to maintain the previous year's growth level in 2002. Instant tea also finished the year lower. However, the drop in bulk tea appears to have stopped. Overall, tea imports slipped by 2.1% from the year before to 15,083 tons. (see Fig. 2)

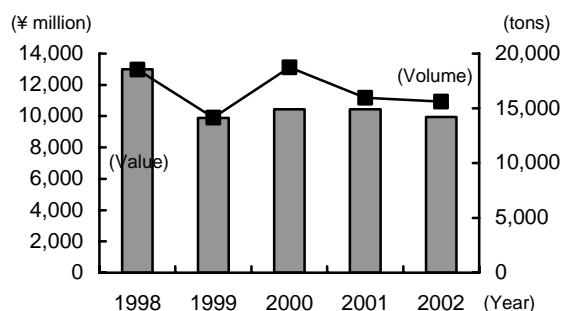
**(2) Imports by Place of Origin**

**<Coffee>**

Japan imports green coffee beans from over 40 countries. Almost all of these are developing countries located in the belt 25 degrees to the North and South of the equator. The main suppliers are Brazil (23.4%), Colombia (21.3%), and Indonesia (14.5%). These three countries provide Japan with 59.2% of its green coffee beans in 2002. Japan imports Arabica beans from Brazil and Columbia, and inexpensive Robusta beans mainly from Indonesia. (see Fig. 3)

Imports from Colombia soared by 27.5% in 2002 to 85,479 tons, a new record for Colombian coffee exports to Japan. Some observers had maintained that large-scale rejuvenation of coffee trees had dampened Colombia's export capacity, but its exports to Japan recovered just short of those of top-ranked Brazil. Other noteworthy developments include the steadily growing import volume of high-quality Guatemalan coffee from Central America and high-grade coffee from Ethiopia in Africa. Indonesian coffee imports, consisting mainly of lower-priced Robusta coffee, have been down two years in a row. Indonesia is now about to be overtaken by Vietnam as a coffee exporter to Japan. As is clear from Fig. 4, the United States (60.1%) lead in regular coffee, Brazil (42.5%), in instant coffee, and also Brazil (70.6%) in coffee extracts and essence.

**Fig. 2 Japan's black tea imports**



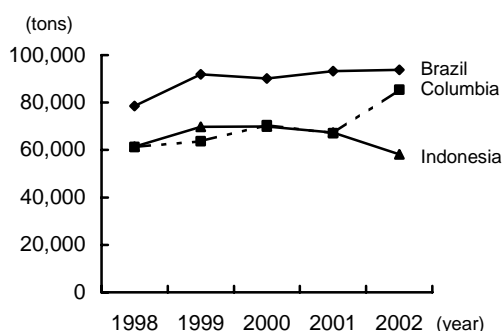
	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Black tea (Ready-to-brew tea)	2,193	5,291	1,764	3,892	1,996	3,836	2,123	4,498	1,940	4,128
Black tea (in bulk)	16,147	7,413	12,043	4,591	15,953	5,635	13,058	4,951	13,089	4,928
Instant tea	213	298	337	1,403	790	978	782	991	590	888
<b>TOTAL</b>	<b>18,552</b>	<b>13,001</b>	<b>14,144</b>	<b>9,887</b>	<b>18,739</b>	<b>10,449</b>	<b>15,962</b>	<b>10,440</b>	<b>15,619</b>	<b>9,944</b>

Units: tons, ¥ million

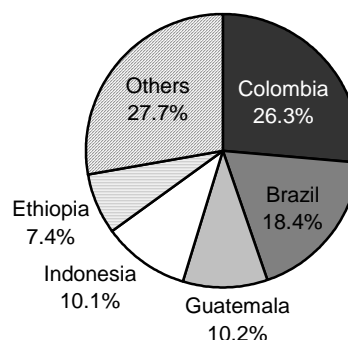
Source: Japan Exports and Imports

**Fig. 3 Principal exporters of green coffee beans to Japan**

**Trends in import volume by leading exporters**



**Shares of green coffee bean imports in 2002 (value basis)**



	1998	1999	2000	2001		2002		Value	Share (%)
	Volume	Volume	Volume	Volume	Value	Volume	Value		
Brazil	78,499	91,901	90,104	93,185	15,148	93,830	23.4%	12,175	18.4%
Colombia	61,202	63,761	70,463	67,027	14,272	85,479	21.3%	17,367	26.3%
Indonesia	61,405	69,808	69,906	67,399	6,922	58,177	14.5%	6,658	10.1%
Guatemala	19,032	26,045	28,060	31,260	6,289	33,678	8.4%	6,730	10.2%
Ethiopia	23,187	24,214	26,757	24,588	4,771	32,329	8.1%	4,877	7.4%
Other	89,062	87,687	96,940	98,286	18,626	97,278	24.3%	18,318	27.7%
<b>TOTAL</b>	<b>332,386</b>	<b>363,418</b>	<b>382,230</b>	<b>381,745</b>	<b>66,028</b>	<b>400,771</b>	<b>100.0%</b>	<b>66,125</b>	<b>100.0%</b>
(E U)	856	813	602	461	121	457	0.1%	111	0.2%

Units: tons, ¥ million

Source: Japan Exports and Imports

**Fig. 4 Principal exporters of coffee products to Japan (2002)**

	Regular coffee				Instant coffee				Coffee extract and essence		
	Volume	Share	Yearly change		Volume	Share	Yearly change		Volume	Share	Yearly change
U.S.A.	2,446	60.1%	119.7	Brazil	3,593	42.5%	100.6	Brazil	10,155	70.6%	92.5
Italy	360	8.8%	81.5	Columbia	1,386	16.4%	121.2	Malaysia	1,626	11.3%	82.4
Brazil	275	6.8%	111.7	Germany	1,075	12.7%	99.8	Columbia	1,602	11.1%	88.7
U.K.	254	6.2%	87.3	Ecuador	940	11.1%	89.6	Netherlands	689	4.8%	74.3
Indonesia	175	4.3%	192.3	Philippines	326	3.8%	137.5	Ecuador	113	0.8%	42.1

Unit: tons

Source: Japan Exports and Imports

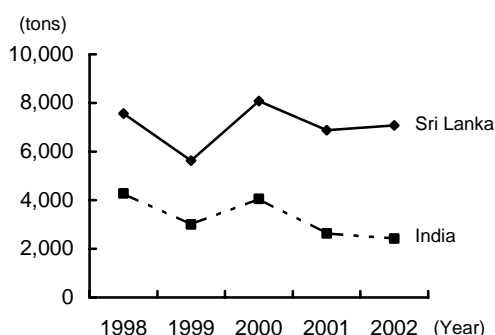
**<Black Tea>**

Japan imports bulk black tea from 23 countries. The leading exporters to Japan is Sri Lanka (7,074 tons, share 54.0%) The next leading exporters are India (18.5%), Kenya (9.4%), Indonesia (8.7 %) and China (4.9%). Together these five countries account for 95.5% of all imports on a volume basis.

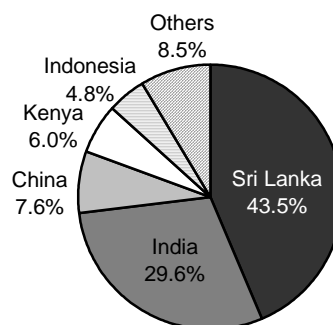
India is the world's leading producer of black tea. Much of this production is consumed at home, and less than 30% is exported. In contrast, Sri Lanka exports nearly its entire production to the rest of the world, making it the world's largest exporter nation. Japan's bulk tea imports reflect this situation. Other countries experiencing increases in black tea exports to Japan in 2002 were Indonesia and China. Kenya was also able to sustain a high level of exports even after the rapid growth of the year before.

**Fig. 5 Principal exporters of black tea (in bulk) to Japan**

**Trends in import volume by leading exporters**



**Shares of bulk black tea imports in 2002 (value basis)**



	1998	1999	2000	2001		2002			
	Value	Value	Value	Value	Volume	Value	Volume	Value	Volume
Sri Lanka	7,561	5,632	8,082	6,876	2,181	7,074	54.0%	2,145	43.5%
India	4,287	3,005	4,057	2,631	1,494	2,426	18.5%	1,457	29.6%
Kenya	1,081	757	532	1,380	375	1,227	9.4%	297	6.0%
Indonesia	1,294	926	971	988	192	1,137	8.7%	236	4.8%
China	563	328	553	482	231	638	4.9%	375	7.6%
Other	1,362	1,394	1,759	699	479	586	4.5%	419	8.5%
<b>TOTAL</b>	<b>16,147</b>	<b>12,043</b>	<b>15,953</b>	<b>13,058</b>	<b>4,951</b>	<b>13,089</b>	<b>100.0%</b>	<b>4,928</b>	<b>100.0%</b>
(E U)	508	477	419	326	337	273	2.1%	329	6.7%

Units: tons, ¥ million

Source: Japan Exports and Imports

The United Kingdom is a leading exporter of name-brand tea packaged for retail sale, while Sri Lanka and India export low-cost packaged teas that are sold mainly at mass merchandiser outlets. In 2002 imports from Sri Lanka increased from 626 tons to 842 tons, while imports from the United Kingdom also registered growth from 467 tons to 508 tons, indicating polarization of consumer demands. The leading exporters of instant tea are India (30.9%), the United States (24.6%) and Indonesia (20.1%).

**Fig. 6 Principal exporters of black tea (packaged for retail sale) to Japan**

	1998	1999	2000	2001		2002			
	Value	Value	Value	Value	Volume	Value	Volume	Value	Volume
Sri Lanka	389	317	460	626	924	842	43.4%	1,023	24.8%
U.K.	486	467	441	467	1,309	508	26.2%	1,412	34.2%
India	192	198	230	277	892	224	11.5%	732	17.7%
U.S.A.	30	48	83	110	155	120	6.2%	178	4.3%
France	210	117	127	128	557	96	5.0%	426	10.3%
Other	886	617	654	515	661	149	7.7%	358	8.7%
<b>TOTAL</b>	<b>2,193</b>	<b>1,764</b>	<b>1,996</b>	<b>2,123</b>	<b>4,498</b>	<b>1,940</b>	<b>100.0%</b>	<b>4,128</b>	<b>100.0%</b>
(E U)	709	599	585	617	1,919	629	32.4%	1,924	46.6%

Units: tons, ¥ million

Source: Japan Exports and Imports

**(3) Imports' Market Share in Japan**

Domestic production of green coffee beans and black tea is nearly zero. Thus Japan relies on imports for all of its entire supply. The overwhelming majority of the regular coffee sold in Japan, however, is produced domestically using imported beans, so imports account for only around 2% of the market in terms of final products.

Most instant coffee imports consist of bulk imports by coffee makers. Imports tend to rise and fall in counterpoint to rises and falls in domestic production. Domestic shipments and finished product imports of instant coffee set new records in 2001. Imports have a 20.4% share of the instant coffee market, and that share is growing.

**Fig. 7 Imports' share in the Japanese market**

		1997	1998	1999	2000	2001
Regular coffee	Domestic production	136,615	139,094	139,788	145,701	149,635
	Imports	1,795	1,580	1,817	2,749	3,630
	Total	138,410	140,674	141,605	148,450	153,265
	Imports' share	1.3%	1.1%	1.3%	1.9%	2.4%
Instant coffee	Domestic production	33,157	31,410	32,067	33,764	37,012
	Imports	5,945	6,923	6,569	7,177	8,387
	Exports	551	188	429	1,898	4,363
	Total	38,551	38,145	38,207	39,043	41,036
	Imports' share	15.4%	18.1%	17.2%	18.4%	20.4%

Unit: tons

Source: Ministry of Agriculture, Forestry and Fisheries, Japan Exports and Imports

### 3. Key Considerations related to Importing

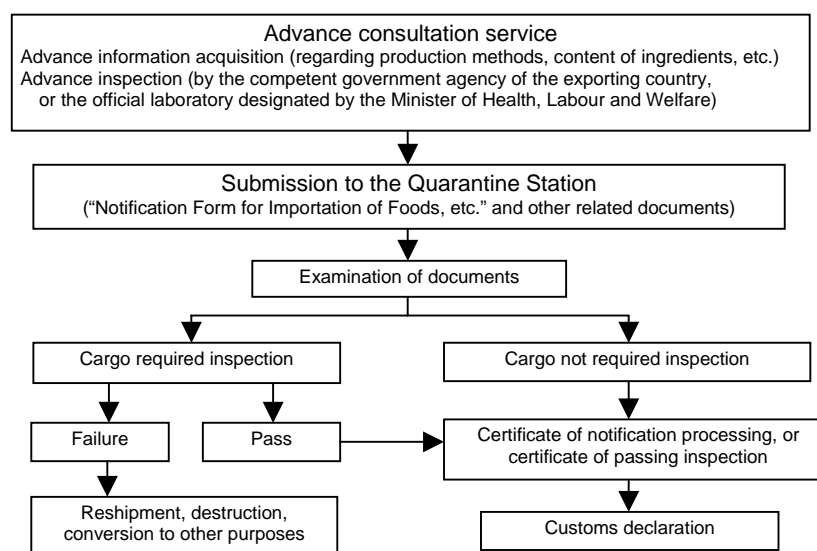
#### (1) Regulations and Procedural Requirements at the Time of Importation

The importation of green coffee beans, regular coffee, instant coffee, coffee extracts or essences and black tea is subject to provisions of the Food Sanitation Law. Green coffee bean imports are also subject to provisions of the Plant Protection Law.

##### 1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for green coffee beans, coffee products and 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.

**Fig. 8 Procedures required under the Food Sanitation Law**



The "Notification Form for Importation of Foods, etc." includes a space for listing the production method. Importers should be aware that instant coffee and coffee extracts or essences produced using certain prohibited solvents might not be imported into Japan. Instant coffee is checked for E. coli and the presence of arsenic, lead, etc. under food sanitation inspections. 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.

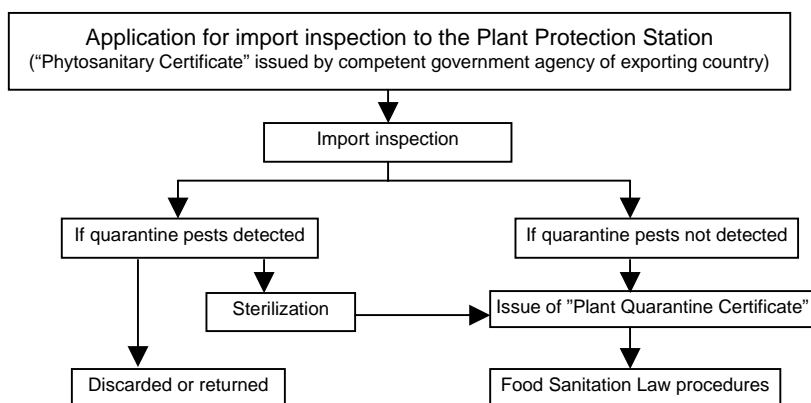
Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites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

## 2) Plant Protection Law

Green coffee bean imports are also subject to provisions of the Plant Protection Law, whose purpose is to prevent the spread of any injurious plants into Japan. Upon arrival at the port of entry, the importer must promptly 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 competent government agency of the exporting country. Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If an infestation is detected, and then the importer will be ordered to decontaminate, discard, or return to the shipper.

**Fig. 9 Plant Protection Law Procedures**



## 3) Other Required Procedures

Under the International Coffee Agreement (ICA), an export allocation system had been established to restrict the exports of the member producing countries so as to try to stabilize international coffee prices. But since October 1989, this export allocation system has been suspended. At the present time, the coffee market is liberalized. Certain procedures might be required once again, however, as a result of study of a new agreement by the International Coffee Board.

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

The sale of green coffee beans, regular coffee, instant coffee, coffee extracts or essences and black tea is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

Containers and packaging may also be subject to identifier labeling provisions of the Law for Promotion of Effective Utilization of Resources, and recycling provisions of the Containers and Packaging Recycling Law. Please contact one of the agencies listed below for more complete information about affected packaging, the definition of specific providers (certain small-scale providers are exempt from regulation), and labeling methods.

### 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 packaged coffee and tea products, they must be labeled in accordance with provisions of the Food Sanitation Law (see 4. Labeling). But there is no legally required labeling for green coffee beans. Existing labeling practices reflect international business practices, coffee wholesale exchange standards and producer country standards.

**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**

Green coffee beans, coffee and tea products sealed in wrapping or containers are required the labeling of the net content to certain accuracy.

**4) Health Promotion Law (former Nutrition Improvement Law)**

The Health Promotion Law was adopted in August of 2002 (and goes into effect in May of 2003). The former Nutrition Improvement Law was repealed, and the regulatory system in effect under the former Law will continue in force under the new Law. When employing labeling for nutritional ingredients or calories, labeling must be in accordance with the requirements under the Law. (see 4. Labeling)

**5) Act Against Unjustifiable Premiums and Misleading Representations**

The Act prohibits a form of improper labeling exaggerated or false labeling that misleads consumers about the nature or quality of products. Also, vague or confusing labeling that makes it difficult to discern the actual country of origin is also prohibited as a form of improper labeling.

**<Fair Competition Code Concerning Representations of Regular Coffee and Instant Coffee>**

The industry has voluntarily adopted these guidelines in order to assure consumer product choice availability and preserve fair competition, based on the Act Against Unjustifiable Premiums and Misleading Representations. (see 4. Labeling)

**6) Law for Promotion of Effective Utilization of Resources**

Identifier labeling is required for steel and aluminum cans, paper (not including beverage containers not containing aluminum) and plastic container materials. (see 4. Labeling)

**7) 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, coffee or tea product importers and vendors 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.

**(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>
- Plant Protection Law  
Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries  
TEL: 03-3502-8111 <http://www.maff.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>
- Health Promotion Law (former Nutrition Improvement Law)  
Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare  
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- Act Against Unjustifiable Premiums and Misleading Representations  
Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan  
TEL: 03-3581-5471 <http://www.jftc.go.jp>

- International Coffee Agreement  
International Economic Affairs Division, Trade Policy Bureau, Ministry of Economy, Trade and Industry  
TEL: 03-3502-8111 <http://www.maff.go.jp>
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law  
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 coffee or tea products 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, name of food additives (if used) |
| 3) Net content                 | 4) Best-before date                                      |
| 5) Preservation method         | 6) Country of origin                                     |
| 7) Importer's name and address |  |

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

The Law requires that all canned or PET-bottled coffee and coffee drinks, 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, 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>

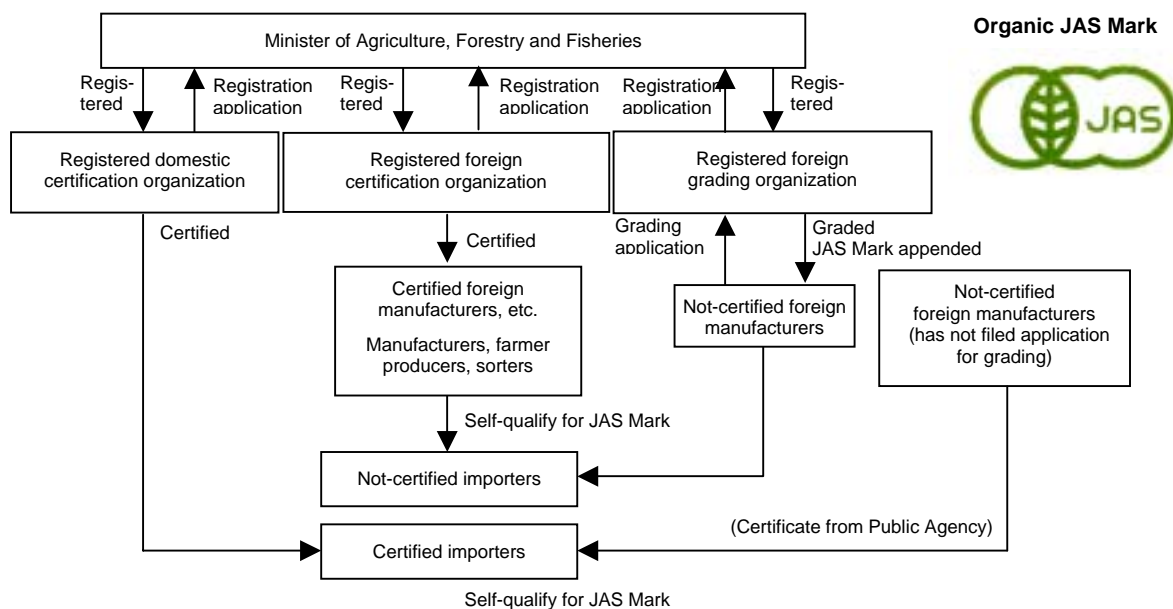
The JAS Law establishes a "special JAS standard" for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase "organic" and to display the Organic JAS Mark. Organic agricultural products 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. (see Fig. 10)

- 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.

**Fig. 10 Inspection and certification system for imported organic agricultural products and processed organic agricultural products**



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 Health Promotion 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 Law.

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

## (3) Voluntary Industry Labeling

### <Fair Competition Code Concerning Representation of Regular Coffee and Instant Coffee>

Under this Code, importers are required to label the items listed below. Product descriptions may only use the phrases “regular coffee” and “instant coffee” if they are made from 100% coffee beans, and no other raw materials. Also, if the labeling features the name of the place of production, the variety of coffee, or the blend, then at least 30% of the coffee so indicated must be present as a raw material.

- 1) Product name
- 2) List of ingredients (production place of green beans)
- 3) Net content
- 4) Date of minimum durability (or best-before date)
- 5) Preservation method
- 6) Usage instructions
- 7) Grinding method (regular coffee only)
- 8) Importer and seller's names and address
- 9) Country of origin, etc.

Contacts:

• Japan Coffee Fair Trade Council TEL: 03-3591-5241

### <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.

Paper pack



Contacts:

• Paper Beverage Container Recycling Association TEL: 03-3264-3903

## 5. Taxes

### (1) Customs Duties

Fig. 11 presents tariff rates on coffee and black tea. Regular coffee and other coffee products are subject to different tariff rates for each product category according to the country of origin. Prospective exporters to Japan can confirm the applicable tariff rate in advance with Customs Counselors Offices (advance counseling program).

Imports from developing countries that meet legally stipulated conditions are eligible for the preferential tariff rate, which is lower than other tariff rates. In order to obtain preferential tariff treatment, normally a certificate of preferential country of origin is required. This certificate must be issued by the customs or an authorized chamber of commerce in the eligible exporter nation. The certificate of preferential country of origin is valid for one year from the date of issue, and it must be presented to the customs on each occasion.

However, if the total taxable value of the shipment is no greater than ¥200,000, or if it consists of commodities the country of origin of which is deemed clear by the Director-General of the Customs of Japan based on its type or form, the aforementioned certificate need not be submitted. In addition, imports from the Least Developed Countries (LDCs) are eligible for further preferential programs, including a special preferential tariff rate (duty free, no ceiling).

**Fig. 11 Customs duties on coffee and black tea**

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0901.11-000	Coffee, not roasted:	Free	(Free)		
21-000	Coffee, roasted:	20%	12%	10%	
2101.11-100	1. Extracts, essences and concentrates,	24%	(24%)	15%	
	(1) Containing added sugar			*Free	
-210	(2) Instant coffee, not containing added sugar	12.3%	8.8%		
-290	(3) Other extracts, essences and concentrates, not containing added sugar	16%	15%	Free	
12-110	2. (1) Preparations with a basis of extracts, containing added sugar	24%	(24%)	15%	
-121	(2) Preparations with a basis of extracts (instant coffee, not containing added sugar)	12.3%	8.8%	*Free	
-122	(3) Other preparations with a basis of extracts	16%	15%	Free	
0902.30-010	Black tea, in immediate packings of content not exceeding 3kg:	20%	12%	*Free	
0902.40-210	Other black tea	5%	3%	2.5%	
2101.20-110	Instant tea	16%	10%	8%	
				*Free	

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

Note 2: Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. Also, WTO rates apply when those rates are lower than Temporary or General rates. Refer to “Customs Tariff Schedules of Japan” (published by Japan Tariff Association) etc. for more complete interpretation of tariff table.

### (2) Consumption Tax

(CIF + Customs duty) x 5%

## 6. Product Characteristics

### (1) Green Coffee Beans

There are roughly 200 different varieties of coffees in the world. There are differences in aroma and taste depending on the exact species of coffee and on soil and climate in the place of origin. Coffee beans may be broadly classified as follows:

- Arabica type

Accounts for roughly two-thirds of world production. Originated in Ethiopia, but now produced mainly in Brazil, Colombia and elsewhere in South America. Arabica beans are superior in terms of taste and aroma, but they are highly susceptible to weather conditions. They are generally grown in high-altitude locations.

- Robusta type

Accounts for roughly one-thirds of world production. Originated in the Congo region of Africa, but now produced in Indonesia, Cameroon and many other African and Asian nations. Robusta coffee beans are hardy and disease-resistant, with larger bean than Arabica coffee beans but generally less pleasing taste.

- Liberica Type

Originated in Liberia. Inferior to Arabica coffee beans in flavor and aroma, and produced only in very small quantities. Nearly unavailable in Japan.

The classification system used in the International Coffee Agreement (I.C.A.) divides the Arabica coffee beans into three broad subcategories by place of origin (Colombia mild, Other mild, and Brazil and Other Arabica). Together with Robusta, the Agreement recognizes four categories of coffee in all. The following table lists the main places of origin and the most prominent characteristics of the green coffee beans most commonly used to make regular coffee in Japan. Robusta coffee beans are widely used to make instant coffee and coffee extracts due to their high caffeine content and high extract yield with inexpensive price. The flavor and aroma of regular coffee is affected not only by the properties of the coffee bean used, but also by the roasting technique. Blend coffee, featuring a mixture of several varieties of coffees, is widely used in Japan.

Instant coffee is produced primarily using one of two methods: freeze-drying or spray-drying. Since coffee loses some of its flavor and aroma when exposed to heat, spray drying at high temperatures produces lower-quality coffee than freeze-drying, in which the coffee is processed at a temperature of -40 degrees Celsius. Freeze-dried coffee is more expensive, however. Each coffee maker has its own particular bean selection methods and blending techniques, but there is little to distinguish imported instant coffee from Japanese-made instants.

The flavor and aroma of coffee extract and essence varies not only with the type of coffee used but also with the extraction method employed. Brazilian coffee extract, a commonly imported variety, has a reputation for moderate acidity and bitterness with a rich aroma.

**Fig. 12 Characteristics of green coffee beans by varieties**

Variety	Place of origin	Characteristics
Mocha	Arabia	Distinctive aroma, slightly acidic, full-bodied
Kilimanjaro	Tanzania	High acidity, sweet aroma, elegant flavor
Brazilian	South America	Moderate taste, acidity and bitterness, rich aroma
Colombian	South America	Sweet aroma, slightly acidic, full-bodied
Venezuelan	South America	Lightly acidic, mild aroma, distinctive bitter flavor
Guatemalan	Central America	Sweet aroma, fine acidity, excellent taste
Mexican	Central America	Moderate acidity and aroma, elegant taste
Costa Rican	Central America	Excellent aroma, moderate acidity, elegant taste
Blue Mountain	Jamaica, West Indies	Well-balanced taste, high-quality product
Kona	Kona District, Hawaii	High acidity, sweet aroma
Robusta	Indonesia, Africa	High acidity, distinctive aroma
Mandarin	Sumatra, Indonesia	Full-bodied, slightly bitter, elegant flavor

## (2) Black tea

### 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. Important auction houses are 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

#### 1) Coffee in general

Japan ranks third in the world in annual coffee consumption behind the United States and Germany. Japanese people drinks more regular coffee than green tea, Japan's traditional beverage, which shows that coffee has established itself as the non-alcoholic beverage of preference for most people in Japan. In the soft drink field as well, coffee drinks (canned or in PET bottled) consumption exceeds that of cola and fruit juice, making it the most popular soft drink of all (see Fig. 13).

Coffee consumption has steadily grown in recent years, partly as a result of falling raw material prices, leading to lower prices for finished goods, as well as to the popularity of Starbucks and other foreign gourmet coffee shops. The driving force in the market during this time period was home use of both regular coffee and instant coffee.

#### 2) Regular coffee

Estimates of regular coffee consumption by mode of use (on a green bean basis) put industrial use (in making canned and PET bottled coffee drinks, etc.) at 40%, commercial use (in coffee shops, restaurants, and hotels, etc.) at 30%, and home use at 30%. In the market for regular coffee for home use, bagged coffee (packs with special valves to release gas buildup after roasting, and packs with vacuum-sealed packaging) outsold canned coffee in recent years. The introduction of easy to handle bagged coffee along with large size packs (400 – 500 grams) that are less expensive in packaging helped expand the market.

There was also solid growth in sales of coffee cassettes (with the coffee sold inside a disposable filter, allowing people to prepare coffee without a coffee maker) and coffee bags (like teabags, both those attached to a string and those fixed to the cup).

Most coffee for processing is used to make canned or PET bottled coffee drinks. A shift in consumer preferences to more upscale and authentic products has made for more growth in regular coffee for coffee drinks. Though canned coffee sales have leveled off in recent years, sales of coffee drinks in PET bottles has made up the difference, so the overall total in 2001 grew to 2.69 million kiloliters.

Coffee drink makers seek to highlight their choice of beans and their unique manufacturing processes and resulting good flavor. They have developed a number of new products, including stronger blends that use more beans and appeal to consumers who want a more authentic coffee, and non-sugar and low-sugar types for health-conscious consumers.

Commercial coffee sales had been stagnant, due to effects of the recession. However, sales have rebounded somewhat due to the advent of Starbucks and European style coffee shops.

#### 3) Instant coffee

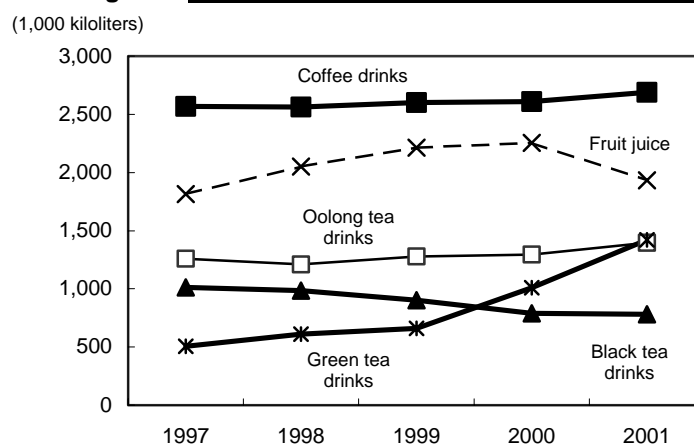
Total production of instant coffee is only about one-third the amount of regular coffee. Nevertheless, domestic shipments and finished product imports of instant coffee set new records in 2001, and continued strong in 2002. Instant coffee is sold primarily in the consumer market (including gift purchases), about 90% in total. The remainder is sold for industrial use in beverages and confections, and for use in vending machines.

The popularity of regular coffee had dampened instant coffee sales. But makers have been using new manufacturing techniques to improve flavor and body, and they have developed new products in an attempt to expand the market. These include instant *cappuccino*, *espresso* and other gourmet coffees, as well as specialized coffee for particular purposes (black coffee, iced coffee, etc.). As a result, the instant coffee market is starting to recover.

#### 4) Coffee drinks

Fig. 13 compares the trends in production of coffee drinks and other types of soft drinks. As is clear from these figures, overall soft drink market showed solid growth from 1996 onward. The leading product in the Japanese soft drink market is coffee drink. But, the fastest growing product category has been non-sugared drinks such as tea drinks and sport drinks, which demonstrates that tastes in the overall soft drink market are shifting toward drinks with fresh taste and health-conscious features such as low sugar/calorie content.

**Fig. 13 Trends in soft drink production by category**



	1997	1998	1999	2000	2001	Yearly change	Percentage of total	Per capita consumption	Production value
Coffee drinks	2,568	2,562	2,600	2,610	2,688	103.0	16.9	21.1	834,526
Black tea drinks	1,011	985	901	789	781	99.0	4.9	6.1	177,056
Green tea drinks	505	610	661	1,010	1,421	140.7	9.0	11.2	261,748
Oolong-tea drinks	1,260	1,210	1,280	1,295	1,398	108.0	8.8	11.0	211,174
Blend tea drinks	843	930	950	981	804	82.0	5.1	6.3	124,863
Barley tea drinks	187	173	180	218	257	117.9	1.6	2.0	30,675
Other tea drinks	70	82	85	87	167	192.0	1.1	1.3	31,246
Cola drinks	1,152	1,149	1,170	1,160	1,170	100.9	7.4	9.2	234,874
Other carbonated drinks	1,854	1,704	1,722	1,644	1,479	90.0	9.3	11.6	348,515
Fruit juice drinks	1,814	2,050	2,214	2,255	1,934	85.8	12.2	15.2	379,916
Mineral water	646	715	956	894	1,021	114.2	6.4	8.0	85,540
Sport drinks	1,068	1,065	1,156	1,378	1,500	108.8	9.5	11.8	265,911
Other soft drinks	989	1,237	1,292	1,172	1,239	105.7	7.8	9.7	339,313
<b>TOTAL</b>	<b>13,967</b>	<b>14,472</b>	<b>15,167</b>	<b>15,493</b>	<b>15,859</b>	<b>102.4</b>	<b>100.0</b>	<b>124.6</b>	<b>3,525,357</b>
(Yearly change)	(106.2)	(103.6)	(104.8)	(102.2)	(102.4)				

Units: 1,000 kiloliters, Per capita consumption=liters, Production value=¥ million

Source: The Japan Soft Drinks Association

#### 5) Black tea

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, 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) in 2000, and an additional down of 1.0% in 2001 to 781,000 kiloliters with estimated black tea consumption of 6,830 tons.

Because of the high proportion of industrial demand, overall consumption volume of black tea has inevitably fallen. However, consumption of packaged tea continues to grow, both in tea bags (6,320 tons) and in leaf tea form (2,500 tons). Gift purchase sales have declined significantly, but consumers are choosing products that match individual tastes rather than the conventional gift sets of the past. Sales are growing of tea bag products to home users at mass merchandise stores. The packaged leaf tea market shows definite signs of polarization between low-end and high-end merchandise, but as a whole this market segment is faring quite well.

**(2) Distribution Channels**

**1) Green coffee beans**

After being imported by trading companies, green coffee beans are distributed to various makers (or to green coffee vendors) for use in making various coffee products, and for industrial use.

**2) Regular coffee**

The three largest Japanese coffee makers account for more than half of both commercial and household coffee sales. Some large coffee makers own their own coffee plantations in producer nations and are able to import green coffee beans direct. Most other coffee makers (coffee roasters), however, are very small operators who buy green coffee beans from so-called green coffee vendors, roast the coffee, and sell the roasted beans in a very small geographic area. Commercial use coffee is often roasted and delivered to the commercial outlet the same day.

Most regular coffee for home use is distributed through wholesalers. Generally it is supplied from coffee makers through processed food wholesalers to department stores, mass merchandisers, grocery stores, and coffee shops. Home use coffee is sold either as roasted coffee beans or ground coffee, pre-packages or measure as bought. Currently, pre-packaged products hold an overwhelming share of sales of ground coffee, which is generally packed with special valves or vacuum-packed to keep the coffee fresher.

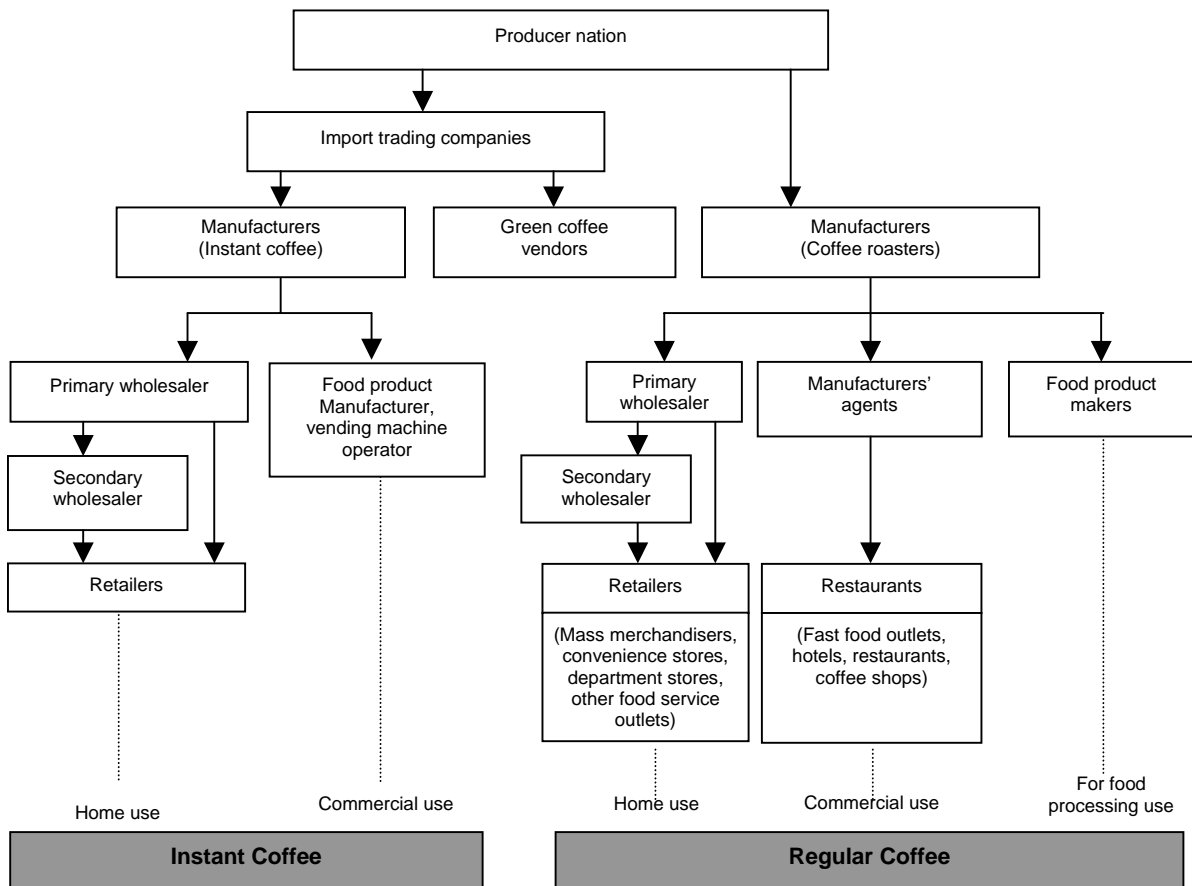
**3) Instant coffee**

Because instant coffee production requires special manufacturing technology and facilities, there are only three companies in Japan who produce instant coffee from the green bean stage onward in-house. Other makers either import powdered in bulk and package it in Japan, or import it as a finished product in the original packaging. Instant coffee for home use is distributed through agents and authorized dealers to secondary wholesalers, and then on to mass merchandisers and other types of retail stores.

**4) Coffee extracts and essences**

Coffee extracts and essences are delivered from trading companies to food product makers or coffee makers. After processing, they are sold to retail stores through wholesalers.

**Fig. 14 Distribution channels for coffee**

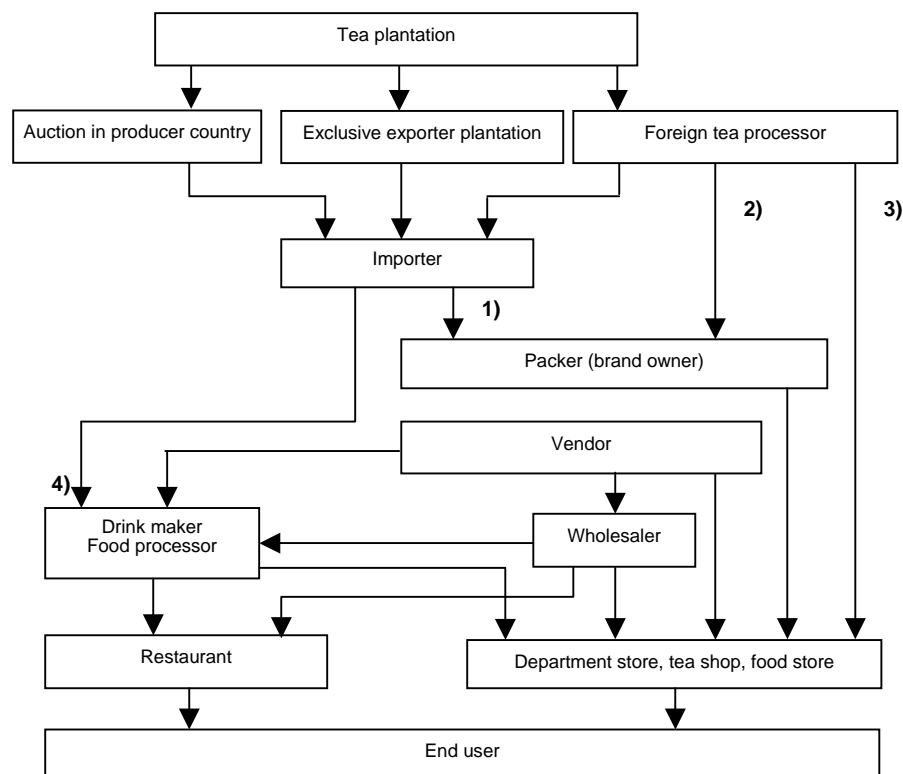


## 5) Black tea

There are four basic types of imported black tea, as illustrated in Fig. 15:

- 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 repackages 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. 15 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

#### <Coffee>

Green coffee beans generally are imported in minimum lots of 250 bags, each of which contains 60 kilograms. The importer must pay for storage charges at the bonded warehouse while the merchandise is awaiting quarantine clearance. It is important to carefully calculate transportation and other costs. Japan has no national standards as those in Europe and the United States. Nevertheless, leading coffee makers have developed their own in-house standards.

Even if beans clear the product quality standards at the sample stage and pass up cup-tests (taste testing by a specialized quality assessment specialists), if the beans do not conform to standards at the actual time of import, they may be rejected. Prospective importers must choose an exporter who knows about green coffee beans and who will undertake rigorous quality control measures.

Regular coffee becomes volatile as soon as it is processed. Coffee oxidizes on contact with air, causing its quality to deteriorate. Experts agree that coffee can remain fresh up to a year and a half sealed in an airtight container, but prospective importers still need to take care that proper quality controls are followed during and after import.

#### <Black tea>

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

Importers and resellers bear legal responsibility for any defects in green coffee beans and coffee products.

### 9. Related Product Categories

#### 1) Coffee drinks, green coffee beans, cacao beans

The following laws and regulations apply to coffee drinks, green coffee beans, and cacao beans.

- Coffee drinks are subject to provisions of the Food Sanitation Law. The industry has adopted voluntarily the Fair Competition Code Concerning Representation of Coffee Drinks based on applicable laws and regulations.
- Green coffee beans are sometimes brought into Japan as a novelty item, and when it is, such imports are subject to quarantine requirements of the Plant Protection Law. Please note that the Law prohibits imports from certain specified countries and regions (areas with Mediterranean fruit fly infestations, including Africa, Central and South America, and the Hawaiian Islands).
- Cacao beans are subject to the same Plant Protection Law and Food Sanitation Law provisions as green coffee beans. Japan is a signatory to the International Cocoa Agreement, but the abolition of export quotas previously in force has freed Japan from the need to follow administrative procedures mandated by the Agreement.

#### 2) 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.*

#### 3) 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)

#### 4) Tea drinks

- 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 JAS Law.



## 10. Direct Imports by Individuals

Individuals may import without restriction quantities of all coffee products except green coffee beans deemed appropriate to personal use. Green coffee bean imports for personal use are subject to Plant Protection Law requirements. The individual importer must apply and submit the materials for inspection to Plant Protection Station at designated ports of entry.

## 11. Related Organizations

- |  |                   |   |
|--|-------------------|---|
| • All Japan Coffee Association                     | TEL: 03-5649-8377 | <a href="http://coffee.ajca.or.jp">http://coffee.ajca.or.jp</a> |
| • Japan Coffee Import Association                  | TEL: 03-3282-4869 |   |
| • Japan Green Coffee Association                   | TEL: 03-3231-7373 |   |
| • National Coffee Roaster Association of Japan     | TEL: 03-3431-3446 |   |
| • Japan Retail Regular Coffee Industry Association | TEL: 078-304-0023 |   |
| • Japan Instant Coffee Association                 | TEL: 03-5769-6213 |   |
| • Japan Coffee Fair Trade Council                  | TEL: 03-5649-8366 |   |
| • Japan Coffee Beverage Association                | TEL: 03-3275-1031 |   |
| • Japan Tea Association                            | TEL: 03-3431-6509 | <a href="http://www.tea-a.gr.jp">http://www.tea-a.gr.jp</a>     |