

No. **58** (AG-83)

March
2001

JETRO
Japanese Market
Report –Regulations & Practices–

Cut Flowers

Introduction

Japan has what is considered one of the world's most important cut flower industries, in production, consumption and import, ranking just after Holland and the U.S.A.

Though demand for cut flowers grew steadily from the late 1980s to the mid-1990s, the latter half of the 1990s saw a slowdown, with both domestic production and imports losing their former vitality. This was caused by sluggish demand for flowers by businesses due to Japan's economic recession.

However, there have been notable changes in the latest import trends, with greatly increased import volume, while nations considered major exporters have shifted in rank. The dramatic growth of imports from Asian nations is especially noteworthy.

This report on the cut flower market in Japan is intended as a practical reference, with covered subjects (and tariff numbers) as follows:

Orchids - fresh -	(0603.10 – 010)
Chrysanthemums - fresh -	(0603.10 – 020)
Lilies - fresh -	(0603.10 – 030)
Others - fresh -	(0603.10 – 090)
Other cut flowers	(0603.90 – 000)

Table of Contents

Summary	1
I. Market Overview	3
A. General Outlook.....	3
B. Market Scale.....	3
C. Domestic Production Trends.....	4
D. Import Trends.....	7
E. Demand Trends	10
II. The Import System and Related Regulations	12
A. Overview	12
B. Import Procedure under the Plant Quarantine Law (see Figure 1)	12
C. Custom Tariffs and Sales Tax	15
III. Distribution Trends.....	16
A. Overview	16
C. Trends in Volume and Prices at Wholesale Markets.....	17
D. Auctions at Wholesale Markets and the Required Time	18
E. Retailing Trends.....	18
IV. Consumption Trends.....	20
A. Overview	20
B. Household Consumption Trends.....	20
V. Advice on Market Access	22
A. Understanding Japanese Import Demands	22
B. Understanding Japanese Tastes and Consumption Habits	22
D. Gaining an Understanding of, and Facilitating the Japanese Import System	23
E. Advice on Entry into the Japanese Market.....	24
. Reference.....	25

Appendix

Yen - Dollar Exchange Rates

Year	Yen / US\$
1996	109
1997	121
1998	131
1999	114
2000	108

Source: Bank of Japan, "Financial and Economic Statistics Monthly"

Summary

Market Scale

Both domestic production and importation grew rapidly in the late 1980s, but there has been only slight growth in the late 1990s due to the prolonged economic recession. Total market value in 1998 remained at 323.3 billion yen, including imports valued at 22.4 billion yen, representing 7% of the total business.

Domestic Production Trends

While flower farms are decreasing in number, average planted area is increasing slightly, with greater greenhouse cultivation. In terms of products, chrysanthemums dominate the market, constituting 40% (2 billion pieces) of the total annual business, followed by carnations and roses.

Import Trends

Flower imports grew rapidly for ten years, beginning in 1985, but remained sluggish after the peak in 1995. In 1999, however, import volume grew 13.6%, despite a 3.1% fall in value. This is due to increased imports of low-priced flowers from Asian nations, Republic of South Korea and China. Among imports, orchids have the highest share at 10%, followed by carnations, roses and chrysanthemums.

Trends

In the past, demand for flowers was mainly limited to professional use in venues for ceremonies, various events and flower arrangement classes. However, from the mid-1980s, private consumption increased as home delivery and mail order systems became popular. Also, demand for larger volumes of flowers tends to exist on holidays such as New Year's Day, Mother's Day and the Equinoxes, which are occasions to pay respects at the graves of ancestors.

Importation System

Cut flower importing is not restricted, but inspection under the Plant Protection Law is required at customs clearance. If pests are found, sterilization needs to take place.

Some items (specific strains) require permission from registered agents of those varieties, under the Seed and Seedling Law, or special permission from the exporting countries under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Distribution Trends

Most harvested flowers go to wholesale markets, and after auctioning, are distributed to retailers for final sale. Imported flowers are brought to wholesale markets or sold directly by importers to retailers, 70% of which are conventional flower shops. Recent years have seen the emergence of various new sales channels, such as supermarkets, home improvement centers, home delivery services, and mail order.

Consumption Trends

Annual household consumption has slowed since peaking in 1997, but families with heads of household over 40, regardless of their income, tend to consume a considerable volume of flowers. Self-employed households, such as those of growers and shop owners, are likely to consume even more.

Advice on Market Access

Major points for consideration for entering the Japanese market or improving existing business in Japan are: 1) understand Japanese demand for imported items, 2) understand consumption customs peculiar to the Japanese, 3) choose appropriate importers, and 4) understand the Japanese importation system.

. Market Overview

A. General Outlook

The geography of the islands making up Japan, which stretch from the cold north to the semi-tropical south, enables the cultivation and harvesting of various flowers in all four seasons. The Japanese have long appreciated flowers, not only for special occasions, but also to add color and comfort to their daily lives. In recent years, much of the domestic production has shifted from outdoor farming to greenhouse farming, which has allowed the cultivation of more varieties throughout the year. Even strains hitherto imported for curiosity value can now be cultivated domestically by importing or developing seeds, seedlings and bulbs. This adds variety and volume to the markets of mass-produced and low-priced flowers.

B. Market Scale

The market for cut flowers varies a great deal depending on the stage, whether it be production or wholesale or retailing. Below is total shipment data, including imports. It should also be noted that Japan's annual exports of cut flowers in recent years have been as much as 10 million yen annually.

Table 1. Market Trends

(billions of yen)

	1994	1995	1996	1997	1998
Domestic production	286.0	289.4	291.9	295.3	300.9
Import	22.0	23.4	22.6	21.8	22.4
Total shipment	308.0	312.8	314.5	317.1	323.3
Import ratio (%)	7.1	7.5	7.2	6.9	6.9

Source: Compiled from the Japan Flower Promotion Center's "1999 Flower Data Book," and data from Statistics and Information Department, the Ministry of Agriculture, Forestry and Fisheries

The market size of both domestic flowers and imports expanded drastically in the late 1980s, but in the 1990s, growth slowed down as seen in Table 1. Since 1994, the market has failed to recover due to Japan's prolonged economic recession. Domestic production in 1998 was 300.9 billion yen, while imports came to 22.4 billion yen (representing 7% of the market), for a combined total of 323.3 billion yen.

C. Domestic Production Trends

1. Overview

Traditionally, the production of cut flowers in Japan has been performed by a comparatively small number of flower growers, and this remains largely the case today. However, due to recent technological advances in the biochemistry and energy fields, and their various applications, enterprises from entirely different industries have begun entering the flower and cut flower industries by developing new strains and seedlings. Their production volume seems to constitute a significant market share.

2. Production Trends

Production of cut flowers can be affected by the number of growers, planting area and equipment, as well as by weather and demand trends. Table 2. shows the number of flower growers and planting area in recent years. The number of flower growers grew rapidly until peaking at 87,772 in 1992. It then began declining 1994, dropping to 83,800 in 1997. Planting area, however, is still increasing, albeit slightly, reaching 19,700 hectares in 1998.

Table 2. The Number of Flower Growers and Planting Area

	1994	1995	1996	1997	1998
Flower growers	85,100	83,000	83,300	83,800	Unknown
Planting area (hectares)	18,700	19,000	19,400	19,500	19,700

Source: Statistics and Information Department, The Ministry of Agriculture, Forestry and Fisheries
“Horticultural Statistics, 1999 edition”

The extent of greenhouse cultivation varies greatly by flower variety. Over 90% of carnations, roses, orchids and gerberas are produced in greenhouses, while most chrysanthemums (Japan’s largest production item), especially smaller ones, are conventionally cultivated outdoors. For large and medium-size chrysanthemums, though, greenhouse cultivation is more prevalent. Table 3. shows planting area and total shipment of both greenhouse and outdoor cultivation. It should be noted that in terms of shipment per hectare, house cultivation exceeds outdoor cultivation.

Table 3. Planting Area and Shipment of Cut Flowers:
Comparison of Outdoor and Greenhouse Cultivation (1997)

	Outdoor	Greenhouse	Total
Planting Area (hectares)	10,900	8,640	19,540
Shipments (million pieces)	1,961	3,782	5,743

Source: Statistics and Information Department, The Ministry of Agriculture, Forestry and Fisheries
“Statistics of flower production and shipment”

3. Production Trends by Item

Chrysanthemums are traditionally the most popular flowers in Japan, and naturally dominate cultivation. They are used on various occasions, sometimes even as edible flowers. Chrysanthemum production in 1994 was at 1,989 million pieces, accounting for 40% of total volume. The share of production declined in 1997 due to growth in total volume, but production remains constant at two billion pieces a year.

Table 4 shows the production volume of major items for the four-year period between 1994 and 1997. Apart from chrysanthemums, the eight major items were carnations, roses, sea lavender, gerberas, bluebells, autumn bellflowers, tulips and baby’s breath (the first two, as a group, account for 500-550 million pieces, with the remainder totaling 100-200 million pieces). Production of lilies, gerberas, bluebells, autumn bellflowers, and tulips is steadily growing, with annual growth between 1994 and 1997 for each variety as follows: lilies: 2.9 - 3.4%; gerberas: 2.1 - 2.3%; bluebells: 2.0 - 2.2%; autumn bellflowers: 1.8 - 2.0%; tulips: 1.8 - 1.9%. The production growth of lilies is one example of the successful introduction of a new strain, the Oriental Hybrid). Notable varieties in decline are carnations and baby’s breath.

In production value, chrysanthemums are number one at 98.8 billion yen in 1997, representing 30% of total shipments. The relatively high performance of roses, lilies and bluebells also should be noted. The most expensive item per piece is orchids, which cost about five times more than chrysanthemums. Items showing steady growth in recent years are lilies and gerberas, while declining items are carnations and baby’s breath.

Table 4. Production of Major Cut Flower Items

(in millions of pieces and billions of yen)

		1994	1995	1996	1997	1998
Chrysanthemums	Volume value	1,989 97.3	2,040 96.8	2,081 95.4	2,068 98.8	2,002 104.3
Carnations	Volume value	611 25.5	588 25.2	568 23.4	540 23.1	527 22.8
Roses	Volume value	477 30.8	468 30.8	475 30.7	488 29.9	476 29.9
Lilies	Volume value	163 18.2	176 20.3	200 22.8	197 23.3	208 25.0
Sea Lavender	Volume value	146 6.6	147 6.9	143 6.7	135 6.4	134 6.6
Gerberas	Volume value	114 3.1	115 3.2	127 3.6	134 3.8	152 4.1
Bluebells	Volume value	112 -	115 -	121 8.8	125 9.9	131 10.0
Autumn Bellflowers	Volume value	99 5.1	101 4.7	99 4.2	112 4.4	109 4.3
Tulips	Volume value	98 5.1	101 4.7	99 4.2	112 4.4	109 6.0
Baby's Breath	Volume value	110 8.1	106 7.9	106 7.3	96 6.7	93 6.5
Orchids	Volume value	31 7.7	30 7.4	31 7.7	31 7.5	30 7.0
(Branches)	Volume value	298 13.0	287 13.4	289 12.9	288 13.0	270 12.2
(Leaves)	Volume value	210 5.6	204 5.8	211 6.0	206 5.9	209 5.5
Others	Volume value	633 45.9	637 47.9	713 -	731 -	- -
Total	Volume value	5,547 286.0	5,582 289.4	5,756 291.9	5,743 295.3	- 300.9

Source: Compiled from the Japan Flower Promotion Center, "1999 Flower Data Book", and data from
Production Statistics Division, Statistics and Information Department, the Ministry of Agriculture,
Forestry and Fisheries

Note: - Data unknown

D. Import Trends

1. Overview

Cut flower imports into Japan started in the late 1960s with chrysanthemums from Taiwan, followed by orchids from Southeast Asian countries like Thailand. Imports leveled off for a long time after that, but increased rapidly after 1985. In the 1990s, imports kept growing except for a temporary drop immediately after the start of the economic downturn. Growth remained somewhat sluggish following the peak in 1995. In 1999, however, import volume jumped to 28,216 tons, 13.6% more than the previous year, despite the fall of import figures to 21,700 million yen, 3.1% less than the previous year. This is assumed to be due to the huge increase in the importation of chrysanthemums from Malaysia, Republic of Korea and Taiwan, and of roses and lilies from Republic of Korea.

2. Import Trends by Country

Japan imports cut flowers from 35 countries. Since the 1980s, the two largest trading partners have been Holland and Thailand, which together account for 45% of the total. Holland is well-regarded as a pioneer nation in the flower industry, thus a dependable trading partner, despite its high-priced merchandise. Since Japanese plant quarantine officers are stationed in Holland to inspect exports, customs clearance proceeds much faster than when importing from other countries.

Imports from Thailand are primarily orchids which, like domestic chrysanthemums, are very popular among the Japanese, who admire the exotic beauty of this southern flower. Orchid shows are held everywhere in Japan, and growers compete with each other in cultivation skills. Thus, orchids are steadily imported at a constant pace to supplement domestic supply. Judging from the import trends from these two nations in the past couple of years, however, the ratio to total imports is either slowing down or declining. The share of these items fell in 1999 to less than 40%. In particular, the decline from Holland, is significant both in yen value and volume.

Table 5. shows the importation of cut flowers and flower buds (in the narrow sense) from ten major nations and regions in the past four years. Holland's share both in yen value (28.2% to 20.6%) and volume (22.2% to 14.8%) was obviously lessening between 1996 and 1999. The same can be said of most of the top-ten partner nations, seven of which recorded declines in volume.

On the other hand, nations and regions whose export volume is on the rise are Malaysia, Republic of Korea, Taiwan and other rapidly growing Asian countries such as

China. One example of particular growth is Republic of Korea, which, despite its absence in the top ranking in 1996, increased 2.2 times in value and 2.7 times in volume between 1996 and 1999, when it ranked fifth in yen value and fourth in volume. In 1999, China increased 1.9 times in value to 166.5 million yen, and 4.6 times in volume to 400 tons, putting it tenth in volume after Malaysia.

Import volume rose dramatically by 18.5% in 1999, despite a slowdown in import value and volume, from major exporting countries due to rapid growth in the import of low-cost items from Asian nations, particularly China and Republic of Korea.

From the Japanese perspective, these trends prove that importers have shifted their sources to Asian nations, especially China and Republic of Korea, and that imported flowers represent serious competition to Japanese growers.

Table 5. Cut Flower (*) Imports by Country and Region

(tons, millions of yen)

Country and region	1996		1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Holland	3,280	5,245	2,864	4,361	2,727	4,350	2,675	3,591
Thailand	3,489	3,535	3,488	3,409	4,212	3,509	4,202	3,171
New Zealand	1,333	2,709	1,267	2,588	1,229	2,159	1,305	2,191
Taiwan	2,019	833	1,711	843	1,347	1,084	2,549	1,453
Republic of Korea	96	179	206	300	797	1,130	1,726	1,443
Colombia	698	888	566	805	643	942	783	1,009
Australia	1,280	1,185	1,274	1,219	1,241	923	1,349	990
Singapore	883	1,452	836	1,290	695	950	636	743
Malaysia	196	311	217	317	385	437	671	593
USA	277	495	231	457	200	422	220	360
Others	1,241	1,757	1,504	1,823	1,751	2,039	1,924	1,867
Total	14,792	18,589	14,164	17,412	15,227	17,945	18,040	17,411

Source: Compiled from the Ministry of Finance, "Japan Exports and Imports"

Note : Cut flowers means "cut flowers and flower buds" (HS0603). "Leaves and branches" (HS0604) are not included.

3. Import Trends by Item

Table 6. shows import volume trends of major items by Plant Quarantine statistics. Orchid imports in 1998 constitute a significant ratio of 11.4% in total cut flower imports, which include leaves and branches. This is followed by carnations (3.3%), roses (2.9%) and chrysanthemums (2.6%). Orchid imports had been slowing until this grand jump in 1998.

Roses and carnations have experienced recent growth, with roses being particularly successful. In contrast, lilies have continued to decline substantially, falling to almost half within four years. Gladiolus import volume is quite unpredictable from year to year.

Table 6. Import Trends by Item, Nation and Region

(millions of pieces)

	1995	1996	1997	1998
Orchids	158.3	138.7	128.8	157.5
Thailand	117.9	98.1	93.0	118.8
Singapore	29.9	28.1	23.4	20.5
Malaysia	6.2	5.9	5.1	8.4
Taiwan	0.7	2.5	4.0	6.7
New Zealand	3.1	3.1	8.8	2.7
Carnations	47.2	40.8	39.1	45.5
Colombia	28.8	29.0	21.9	25.4
Holland	6.3	3.6	4.0	3.4
China	0.1	0.2	0.3	1.0
New Zealand	0.7	0.7	0.9	0.9
Australia	0.4	0.2	0.2	0.3
Roses	23.8	31.5	36.5	39.4
India	3.2	16.8	24.2	19.2
Republic of Korea	0.0	0.1	0.1	11.0
Holland	16.6	10.7	9.2	5.7
Chrysanthemums	41.1	29.7	25.3	36.0
Holland	24.5	16.9	15.5	22.1
Taiwan	14.1	10.8	8.0	9.4
China	1.2	0.5	0.4	1.7
Republic of Korea	0.3	0.1	0.0	0.8
Tulips	14.1	12.9	12.0	10.7
Holland	13.0	11.8	11.1	9.5
New Zealand	0.2	0.4	0.5	0.6
Freesias	13.5	13.5	9.1	10.7
Holland	13.5	13.5	9.1	10.3
Wax Flowers	10.2	9.6	7.9	9.4
Australia	9.4	8.9	7.5	8.9
Anthuriums	11.9	8.8	9.2	8.3
USA	4.8	3.6	3.5	2.8
Taiwan	0.3	-	0.6	0.9
Lilies	13.9	9.6	7.5	6.4
Holland	11.7	7.6	5.4	2.8
Republic of Korea	1.1	0.7	1.3	2.7
New Zealand	0.7	0.7	0.6	0.8
Gladiolus	8.6	15.1	10.2	5.5
Taiwan	7.1	14.1	9.7	4.0
Holland	0.9	0.7	0.4	0.2

Source: Japan Flower Promotion Center, "1999 Flower Data Book" and data by Production Statistics Division, Statistics Information Department, the Ministry of Agriculture, Forestry and Fisheries

It should be noted that some items are provided by only one or two nations; in particular, the export of freesias (Holland), wax flowers (Australia) and gladiolus (Taiwan) represent a near-monopoly situation. Some items enable newly emerging exporting countries to mount a challenge; examples are orchids (Taiwan), carnations (China), roses, chrysanthemums and lilies (Republic of Korea). Republic of Korea has proven particularly

competitive, particularly with roses from India and lilies from Holland for the number one ranking.

E. Demand Trends

1. Overview

Although the Japanese have traditionally loved and enjoyed flowers, purchasing flowers was not much of a custom in the daily lives of the Japanese. Thus, flower demands in the Japanese market were concentrated mainly on ceremonial occasions such as weddings, coming-of-age celebrations, funerals and other events. Other sources of demand include flower arrangement classes designed to teach *ikebana* and other traditional flower arts. Since the mid-1980s, however, as home delivery and mail order systems began to function nationwide, demands for flowers as gifts and family use took off, which then rapidly increased in the early 1990s.

Table 7 shows such trends in consumer demands examined by the added price of production and import over an extended period.

Table 7. Trends of Cut Flower Demands

(billions of yen)

	1980	1985	1990	1995	1998
Production	113.0	157.7	244.4	289.4	300.9
Import price	4.0	5.3	16.6	20.3	22.4
Total	117.0	163.0	261.0	309.7	323.3

Source: Same as Table 6

2. Shifts in Types of Demand

Though demand has remained stagnant recently, the types of demand are still shifting. Table 8 shows the change within the past ten years. While conventional flower demand, such as for ceremonial occasions and flower arrangement classes, lost a great deal of its share (39.7% to 32.7%), shop sales oriented toward household consumption and demand is increasing (60.3% to 67.3%) for gift flowers through home delivery systems, for which orders are taken at shops, by phone or over the Internet. It is significant that shop sales have dropped in share while order-and-delivery sales have been increasing over the past three years.

Table 8. Cut Flower Demands by Business Types

(%)

	1989	1992	1995	1998
Business use	39.7	35.9	32.9	32.7
Order and delivery	9.8	10.5	10.3	11.6
Shop sales	50.5	53.6	56.8	55.7
Total	100.0	100.0	100.0	100.0

Source: Japan Florist Telegraph Delivery Association (JFTD) survey on flower demand by type of sales (from Agricultural Production Bureau, the Ministry of Agriculture, Forestry and Fisheries of Japan data of February 1, 2000)

3. Special Demands on Ceremonial Holidays

In the past, flower demand on ceremonial holidays in Japan, such as New Year's Day, Mother's Day, and the Spring and Autumn Equinox holidays, tended to rise dramatically. Naturally, due to supply limitations, prices often rose to remarkable levels. Lately, however, since large quantities of flowers are imported to meet the high demand on such occasions, prices sometimes drop to lower than usual levels. Demand used to decline during January / February and June/July, when there are not many special holidays. This situation has also improved because new demands for personal enjoyment and gifts have developed, lessening the differences between busy months and slow months.

II. The Import System and Related Regulations

A. Overview

Cut flowers are living plants, therefore susceptible to infestation by pests, germs and funguses. They are also expected to wilt and expire, as time passes. Naturally, at customs clearance, there are regulations to protect the domestic environment, just as there are when importing any other plant or animal.

Cut flower importation to Japan is essentially free, except for Plant Quarantine Law restrictions at customs clearance, which requires certain procedures. Some items are registered under the species registration system of the Seeds and Seedlings Law, and permission is required to import from species registration agents who may charge royalties depending upon the item. Importing endangered species is prohibited by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), while some flowers require export permits from the exporting country.

B. Import Procedure under the Plant Quarantine Law (see Figure 1)

All imported cut flowers must undergo inspection under the Plant Quarantine Law. Imports that are the personal effects of travelers or mail dispatch items are not considered exceptions. Since cut flowers are fresh items, efficient inspection is required, for which the mutual understanding and cooperation of both the importing and exporting parties are essential.

1. Prohibited Imported Items and Countermeasures

Plant Quarantine Law prohibits the importation of the following items:

- a. Harmful animals and plants (quarantine pests, as defined by the Ministry of Agriculture, Forestry and Fishery regulations)
- b. Soil or plants in soil
- c. Plants determined as illegal by the Ministry of Agriculture, Forestry and Fishery regulations
- d. Containers and wrappings made from illegal items

Some cut flower imports may fall into the above categories. In order to prevent this, exporters are advised to be well prepared before shipment. If category a is found during import inspection, sometimes fumigation takes place. Since fumigated items are not

welcome in the market, as it is claimed that this disrupts the freshness of the flowers, consultation with importers beforehand about the elimination of pests during cultivation is recommended.

Category b is the easiest for inspectors to notice and is subject to immediate return or destruction. Extreme caution is advised for harvesting and packing procedures at the farm.

Although c and d are fairly unlikely to occur with cut flowers, since there is still a possibility depending upon the items, prior consultation with importers is recommended. As the import of wheat and rice straw from certain areas is prohibited, it is advisable to confirm what materials are used for wrapping and packing.

2. Attachment of the Plant Quarantine Certificate

Import inspection proceeds at the request of the Japanese importers, but a Plant Quarantine Certificate issued in the exporting country must be attached to related documents, such as invoices, upon application. Therefore, exporters are advised to contact the proper authorities promptly to acquire a certificate before shipping so that they can send items to Japan without delay.

3. Import Inspection

Import inspection is conducted by plant quarantine officers. They check documents a) bill of lading, b) nation of origin statement and c) extract samples of fixed numbers by item and volume (example: more than 20% where there are less than 1,500 pieces of cargo, more than 450 pieces in cases of more than 75,000 pieces of cargo), and primarily visual inspection for Plant Quarantine Law violations.

Inspections of air shipments take place at the plant quarantine stations of airports (or where the inspectors designate) in the case of air cargo, for marine shipments at an inspection spot at the container yards. Customs clearance and disembarkation are enforced at various seaports and airports in order to respond to nationwide market demands, but since plants and flowers need to be closer to wholesale markets, those seaports and airports tend to be specified for distribution purposes.

Since 1985, Japanese plant quarantine officers have been stationed in Holland to perform pre-export inspection on the order of what is usually conducted at the point of importation. Pre-inspected cargo never fails import inspection in Japan, and thus clears customs quickly. This system can be introduced at the request of the exporting country, after undergoing technical talks between the two nations and carrying out on-site inspections. The following precedents need to be established for efficient inspections.

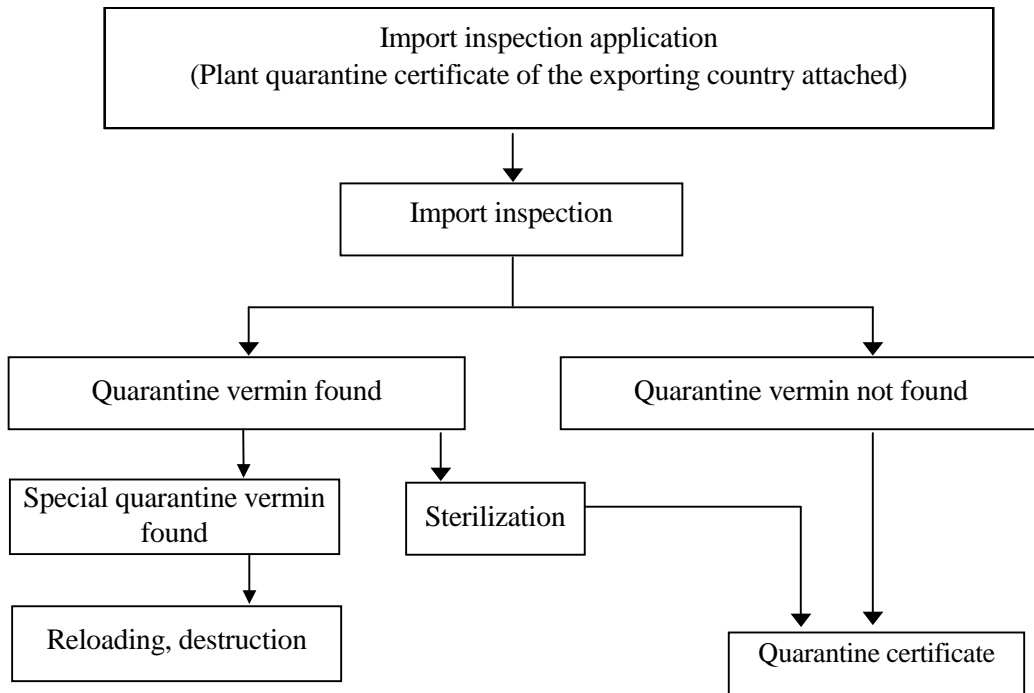
- a. Constant and steady export of large volumes of flowers to Japan have been secured.
- b. Very few vermin have been found in previously exported flowers, and efficient export is anticipated.
- c. Once this system is introduced, all flower exports to Japan must go through this channel, and items that fail pre-export inspection must not be exported to Japan. The inspection points should be concentrated in one area.
- d. Ordinarily, the expenses of inspectors are to be paid by the exporting nation. However, expenses could be shared by both nations depending upon the other party's level of development.

4. Measures taken upon inspection failure

Should vermin be found, the items are sterilized (usually through fumigation). After sterilization, they can clear customs as well-conditioned items. Based on the type of vermin discovered, though, sorting, destruction or reloading will take place. If effective measures to eliminate the pests are not found, the cargo has to be destroyed or reloaded back onto the original vessel.

Plant inspection itself is free of charge, but expenses for sterilization and destruction must be paid by the importers. Since trouble can be expected in distributing sterilized items, they usually are handled separately after consultation between exporters and importers.

Figure 1. The Import Process under Plant Quarantine Law



C. Custom Tariffs and Sales Tax

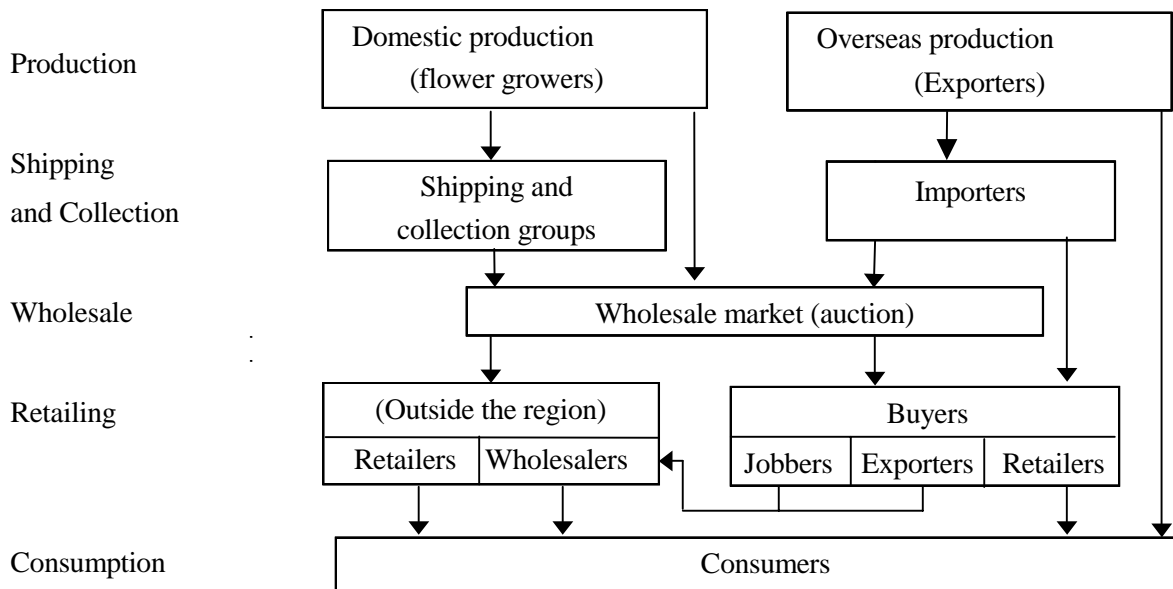
1. According to the Uruguay Round Agreements Act, custom tariffs tend to be relaxed year by year, and “cut flowers and flower buds”(HS0603) are free from taxation. As for “plant leaves and branches”(HS0604), tariff rates are the 5% General tariff, the 3.3% WTO tariff and the 0% preferential tariff.
2. Sales tax of 5% is charged at each handling stage: at the importing stage, it is 5% of the CIF price.

III. Distribution Trends

A. Overview

After harvesting, domestic cut flowers are collected by local Agricultural Cooperative Associations or Gardening Cooperatives and shipped primarily to local wholesale markets (some are sent directly to retailers). After auction, goods are distributed by the buyers or retailers to the shops for general consumption. Imported flowers, however, are brought to wholesale markets or sold directly to retailers by importers. Figure 2 shows the general distribution routes.

Figure 2. Distribution Routes of Cut Flowers



B. The Role of Wholesalers and their Current Status

Wholesale markets operate between production and consumption, and play a crucial role in coordinating smooth interaction between supply and demand, thus ensuring that fair prices emerge from free trade. As of June, 1999 there were 277 wholesale markets throughout Japan handling flowers. There are 23 central wholesale markets in the local core cities and 42 general wholesale markets in various regions. This proliferation of markets reflects the widespread production and consumption of cut flowers throughout Japan, representing a unique wholesale market situation. Many differences can be cited between the Japanese wholesale market operation and that of Holland, the most advanced market in the flower industry. This is shown in Table 9.

Table 9. Comparison of wholesale markets in Japan and Holland

	Japan	Holland
Distribution Measures		
Shipping parties	Individuals, unions, groups	Individuals, companies
Shipping packaging	Cardboard	Mainly reusable transit buckets
Transport to market	Transport agents	Individual transportation
Re-loading during Transportation	Yes	No
Numbers and scale of markets		
Numbers of markets	277	7
Scale of major markets		
Area	4.5 hectares (Ohta Market)	70 he. (Aalsmeer Market)
Monetary figures (*)	31 billion yen	117 billion yen equivalent
Management, facilities		
Management body	Independent companies etc.	Cooperative Associations of growers
Handling fee	About 10%	About 5%
Middle trader system	Undeveloped	Well-established (some 3,000 agents)
Quality inspection	Quality standards according to each place of origin and producer (markets are not involved)	Ranking by the markets' official inspectors
Low temperature storage	No (Central markets have started building these)	Yes

Source: Fruit and Flower Division, Agricultural Production Bureau Ministry of Agriculture, Forestry and Fisheries "Circumstances of Flowers (Kaki wo Meguru Zijo)"

* Note: Monetary figures are from 1997.

C. Trends in Volume and Prices at Wholesale Markets

In recent years, both the volume handled and sales value from wholesale markets have been steadily growing. The total wholesale value in 1998 was 421.6 billion yen, 3% over the previous year. Wholesale volume in the same year, however, came to 6,881.39 million pieces, 3% less than the previous year. This is considered to reflect production failures due to bad weather. Also, per piece prices had been hovering at low levels for years, but 1998 saw a rise. This was due to a big price jump in chrysanthemums, a major category that had seen previous declines in production.

Table 10. Volume and Yen Value for Cut Flowers in Wholesale Markets

(million pieces, billion yen, yen)

	1994	1995	1996	1997	1998
Wholesale volume	6710.8	6743.0	7039.2	7066.7	6881.4
Wholesale yen value	394.1	391.0	400.2	409.5	421.6
Wholesale unit prices	59	58	57	58	61

Source: Statistics and Information Department, The Ministry of Agriculture, Forestry and Fisheries of Japan "Flower Distribution Survey, 1998 edition"

D. Auctions at Wholesale Markets and the Required Time

Auctions at wholesale markets are usually held in the morning. From harvesting to the auction, domestic flowers from neighboring regions take a day or two, while products from more distant locations take two or three days. Imported flowers need at least 36 hours to clear the processes of "harvest, packing, quarantine, inspection and securing shipment vessels," then they require two (Republic of Korea) to twenty-two (Holland) more hours before arriving in Japan. If arrival is at night, customs clearance has to wait until the next morning, and another day will pass before the flowers go to the next morning's auction. To sum up, it takes two to three days for domestic flowers to move from harvest to retailer, and two to four days for imported flowers.

E. Retailing Trends

During the 1990s, the retail sector developed many new sales channels apart from conventional routes. This is due to the popularization of home delivery and mail order systems, and new direct distribution systems between wholesalers and retailers through computer networks.

Therefore, while sales from wholesalers to conventional flower specialty shops declined from 73% (1991) to 70% (1997), sales to supermarkets rose from 8% (1991) to 12% (1997). Large supermarkets invariably have a cut flower corner offering small bouquets for household use.

However, flower specialty shops still remain at the mainstream of retailing. These places are well equipped with the variety and quality of merchandise to make them ready to meet consumer demands for bouquet arrangements, etc. Table 11 shows recent retailing trends: flower specialty shops are steadily growing in number, as well as in employees and sales, while sales per shop are also constantly increasing.

Table 11. The Numbers and Sales of Flower Specialty Shops

	1991	1994	1997
Shops (1000)	25.9	26.3	26.7
Employees(1000)	78.9	87.4	90.7
Annual sales (billion yen)	729.6	822.8	876.3
Employees/ shop	3.0	3.3	3.4
Annual sales/ shop	28.1	31.3	32.8

Source: Compiled from the Ministry of International Trade and Industry (from 2001, the Ministry of Economy, Trade and Industry), "Commercial Statistics"

IV. Consumption Trends

A. Overview

As mentioned above (in I - E Demand Trends), demand in recent years has been stagnant due to the slowdown in business activity brought on by the economic recession. Nonetheless, the following is an examination of a positive look at household consumption as a growing model.

B. Household Consumption Trends

1. Recent Cut Flower Purchases

Annual household consumption of cut flowers, as seen in the “Household Expenditure Survey” by the Management and Coordination Agency, reached its peak of 13,130 yen in 1997, and has been declining since to the 12,000-yen range. It was 12,094 yen in 1999.

2. Purchase Types

Table 13 shows household consumption by income, and Table 16 by age group of the head of household. The higher the income and the older the subject, the greater is the tendency to purchase flowers. Flowers seem to be considered as hobby or luxury items, from this perspective. However, even low-income groups spend more than 10,000 yen a year, and the lowest group spends more, even though very slightly, than the second and third groups. This indicates that families consistently purchase a certain volume of flowers, regardless of income. In terms of the age group of the head of household, the younger a family is, the less it spends.

This data reveals that a family with an over-40 head of household tends to consistently purchase a certain amount of flowers, regardless of income. According to industry experts, the main applications are a) ceremonial occasions b) gifts c) household use including those for casual decorative use.

The Ministry of Public Management, Home Affairs, Posts and Telecommunications “Household Expenditure Survey” also shows household consumption by major city in Japan. According to this study, expenditure is higher in rather traditional and conservative cities, like those in the Northeast (Tohoku) Region or Southern Kyushu. Also, the families of growers and merchants tend to spend more than white-collar workers. This is because the

former group still values tradition quite highly and purchases more flowers for ceremonial events and gifts, as well as for flower arrangement or tea ceremony situations.

Table 12. Annual Expenditure on Flowers by Income Group

(unit: 1,000 yen)

Income group	I	II	III	IV	V
	10.8	10.5	10.3	11.8	17.0

Source: Compiled from the Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Household Expenditure Survey, 1999"

Income range notes:

I: up to 4.05 million yen

II: from 4.05 million yen to 5.68 million yen

III: from 5.68 million yen to 7.46 million yen

IV: from 7.46 million yen to 10.4 million yen

V: 10.4 million yen or more

Table 13. Annual Expenditure on Flowers by Age of the Head of Household

(1,000 yen)

Age	-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-
	2.6	4.4	5.3	5.7	8.4	10.3	13.0	17.9	15.9	16.0

Source: Same as Table 12

Table 14. Household Expenditure on Flowers by Month (1999)

(1,000 yen)

Month	1	2	3	4	5	6	7	8	9	10	11	12
	0.8	0.8	1.4	1.0	1.1	0.8	0.8	1.3	1.1	0.8	0.7	1.6

Source: Same as Table 12

Table 14 shows monthly household expenditure on flowers. Although tradition seems to be fading these days, flower consumption still rises during the months of traditional holidays, such as January (New Year's Day), March (Spring Equinox), May (Mother's Day), August (Ancestor worshipping days on the lunar calendar), September (Autumn Equinox) and December (Christmas).

V. Advice on Market Access

After the dramatic growth in the late 1980s and early 1990s, Japan's demand for cut flowers slowed down and remained sluggish. Meanwhile, flower imports from Asian countries, with their high quality and low prices, are rapidly increasing, representing stiff competition to domestic producers and traditional exporting nations. However, Japan still is one of the world's most prominent countries for flower imports, as well as production and consumption. In order to successfully penetrate this attractive market, or to improve performance, the following should be carefully considered.

A. Understanding Japanese Import Demands

Most cut flowers are imported by air, which usually takes at least four days. This makes it difficult for imported flowers to compete with fresher domestic flowers of the same quality. Therefore, exported flowers should be as follows

- Items less likely to experience qualitative deterioration in time.
- Items less costly than domestic flowers, even if Japan can produce them (example: orchids from Thailand and Singapore).
- Items Japan cannot produce or items that are difficult to produce in Japan (examples: wax flowers and protea from Australia and New Zealand).
- Items that can fill in during Japan's pre-harvest months (examples: chrysanthemums from Taiwan, cymbidium from New Zealand, tulips from Holland).
- Items that can be supplied in great volume per item (examples: carnations from Colombia, roses from India)

The above covers what Japanese importers generally expect of imported items and how they regard their merits. Causes for concern that have been pointed out, as follows;

- Instability of prices caused by fluctuations in exchange rate.
- Instability of transportation costs.
- Risk of possible fumigation.

Exporters are advised to try to meet the importers' expectations, as well as to respond to these areas of concern.

B. Understanding Japanese Tastes and Consumption Habits

As mentioned above, Japan has unique consumption tendencies closely linked to traditional customs that typically translate into greater consumption on particular ceremonial dates. There are also preferences for color and form. Adjusting these to Japanese preferences

will result in greater sales. For example, soft colors are generally preferred to bright colors; sweet and graceful forms are preferred to strong and bony stems.

If exporters are not well aware of these Japanese customs and tastes, they may miss important messages from the Japanese partners implicit in their queries, which may lead to unexpected claims or even destroy the whole business venture. In order to foresee these issues and to export suitable items to the Japanese market, careful consultation with the Japanese importers is absolutely essential. It also is imperative to understand which market the Japanese importers are trying to sell the products.

C. How to Select the Proper Importer and How to Make Use of Fairs

Export partners are usually Japanese importers, and one needs to be careful about selecting them. Presently, cut flower import to Japan is not at all restricted, which invites various import agents. Since domestic wholesale markets that deal in imported flowers are scattered all over Japan, it is hard to get a total picture of the Japanese flower importer scene. Names of some import agents that organize associations are listed in Reference B at the end of this report. However, additional capable agents should be found elsewhere.

Import agents usually handle their domestic business in one of the following three ways:

- They sell exclusively to the wholesale markets in their area.
- They sell to wholesale markets through their own or in-group sales sectors, as well to their own retail channel.
- They import only for their own, in-group sectors, and tie-up companies.

In order to know the facts about importers and to select the most appropriate ones, it is necessary to perform thorough research in advance and collect information. It is thus advisable to attend various flower fairs held in Japan to get acquainted with presenters, as well as to increase understanding of the market. Reference C at the end of this report lists major flower fairs held in Japan.

The latest price list from the Japanese wholesale markets is available at ITC's Market News Service in Geneva.

Website: <http://www.intracen.org/mns/mns.htm>

E-mail: mns@intracen.org

D. Gaining an Understanding of, and Facilitating the Japanese Import System

As previously mentioned, it is necessary to follow certain procedures under the Plant Quarantine Law and observe other regulations, in order to clear customs smoothly. Not

only must export permission required in the home country be prepared, but also it is often necessary to help the Japanese partner with the Japanese side of the procedure. It is advisable to first gain complete knowledge of the Japanese importation system and to coordinate with the partner for smooth customs clearance. If anything goes wrong, it is a good idea to be ready and to react promptly at the request of the Japanese partner.

E. Advice on Entry into the Japanese Market

When entering the Japanese market for the first time, such as available items, planting area, yields, harvest time, equipment and facilities, should be provided to potential Japanese partners. Meanwhile, it is necessary to know Japanese market trends and to be prepared to respond to those conditions. While both direct contact with Japanese importers and attending fairs are possible starts, it is also advisable to send samples to the importers to see the reaction at wholesale markets.

In any case, Japanese importers expect items suited to the Japanese market, of stable quality and volume, with all the merits of imported goods, provided quickly and consistently. It is best to make contact after becoming very familiar with all of these necessary details.

. Reference

A. List of Relevant Ministries and Organizations

Office of Flowers, Fruit and Flower Division, Agricultural Production Bureau,
The Ministry of Agriculture, Forestry and Fisheries of Japan
1-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8950
Phone: 03-3502-8111

<Organizations under the auspices of the Office of Flowers>

Japan Flower Promotion Center
Yamaichi Bldg. 4 F, 3-6-1 Higashi-nihonbashi, Chuo-ku, Tokyo 103-0004
Phone: 03-3664-8739 Fax: 03-3664-8743

Japan Flower Growers Association
No.1 Kyowa Bldg. 2-6-5 Shiba-daimon, Minato-ku, Tokyo 105-0012
Phone: 03-3434-9554 Fax: 03-3434-9536

Japan Flower Wholesale Market Association
Fukuroku Bldg. 6F, 2-7 Kanda-tsukasacho, Chiyoda-ku, Tokyo 101-0048
Phone: 03-3291-6987 Fax: 03-3291-8570

The All Japan Florist's Association
3-9-7 Koenji-minami, Suginami-ku, Tokyo 166-0003
Phone: 03-3312-4057 Fax 03-3312-4345

Japan Florist's Telegraph Delivery Association (JFTD)
Nihon Flower Kaikan, 4-11-9 Kita-shinagawa, Shinagawa-ku, Tokyo 140-8709
Phone: 03-5496-0369 Fax: 03-5496-0388

The Japan Home Garden Association
Hori Bldg. 6F, 17-12 Nihonbashi-kodenmachi, Chuo-ku, Tokyo 103-0001
Phone: 03-3249-0681 Fax: 03-3249-0683

<Other Related Organizations>

Japan Cut Rose Growers Association

c/o Japan Flower Growers Association

Kyowa Bldg. 2-6-5 Shiba-daimon, Minato-ku, Tokyo 105-0012

Phone: 03-3434-9536 Fax: 03-3434-9536

Japan Orchid Growers Association

3-18-16 Hachimanyama, Setagaya-ku, Tokyo 156-0056

Phone: 03-3303-9554 Fax: 03-3303-0298

Japan Seed Trade Association

Shubyo Kaikan Bldg. 7F, 2-26-11 Hongo, Bunkyo-ku, Tokyo 113-0033

Phone: 03-3811-2654 Fax: 03-3818-6039

National Federation of Agricultural Cooperative Associations

JA Bldg. 1-8-3 Otemachi, Chiyoda-ku, Tokyo 100-0004

Phone: 03-3245-7155 Fax: 03-3245-7430

Japan Gardening Business Association

c/o Sogo Engei K.K

326 Fushimi-Shinmachi, Kanazawa, Ishikawa 921-8172

Phone: 076-226-8422

Flower Wholesalers' Association

All Japan Wholesale Market

4-1-20 Wakatake, Miyagino-ku, Sendai, Miyagi 983-0036

Phone: 022-232-8059 Fax: 022-232-8049

B. Japan Cut Flower Importers Association (JCIA) Member's List

Japan Cut Flower Importers Association (JCIA)

2-1-5-324, Omori-minami, Ota-ku, Tokyo

Phone: 03-5705-7056 fax: 03-5411-5295

e-mail : jcia@tkg.att.ne.jp

Flora International Co., Ltd.

3-13-12, Roppongi, Minato-ku, Tokyo 106-0032

Phone: 03-3470-5601 fax: 03-3405-5906

e-mail : flora@mb.infoweb.ne.jp

Ocean Trading Co., Ltd.

25 Tairamachi, Nishinoin, Sakyo-ku, Kyoto 615-0022

Phone: 075-314-8720 Fax: 075-313-6150

e-mail: ocean@alles.or.jp

Florimex Japan Ltd.

861 Maebayashi, Taieimachi, Katori-gu, Chiba 287-0022

Phone: 0478-73-4777 Fax: 0478-73-6631

e-mail: florimex@mwa.biglobe.ne.jp

Create Co., Ltd.

2-11-31 Minami-kaneden, Suita, Osaka 564-0044

Phone: 066-389-1121 Fax: 06-6389-1179

e-mail: createtk@pearl.ocn.ne.jp

Kirin Brewery Co., LTD.

Kirin Honsha Bldg. Annex, 2-10-1 Shinkawa, Chuo-ku, Tokyo 104-8288

Phone: 03-5541-5875 Fax 03-5541-5879

Artvahno Corporation

3-13-7 Asagaya-kita, Suginami-ku, Tokyo 166-0001

Phone: 03-5373-4541 Fax: 03-3223-0393

e-mail: mf5h-nbys@asahi-net.or.jp

Yoshikawa Corporation

1855-16-301 Niyamacho, Akashi, Hyogo 673-0842

Phone: 078-914-0738 Fax: 078-913-1813

e-mail: yosco@mta.biglobe.ne.jp

Daikin Palport Co., Ltd.

1-1-43 Katube, Toyonaka, Osaka 561-0894

Phone: 06-6850-3951 FAX 06-6850-0512

Diamond Star Corporation
2-2-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Phone: 03-3213-2626 Fax: 03-3213-0214

Green Tech Tokyo Co., Ltd.
Shinjuku Park Tower S-11F, 3-7-1 Nishi-shinjuku, Tokyo 162-1011
Phone: 03-5322-1181 Fax 03-5322-1186

Proseed Corporation
2-12-8 Ginza, Chuo-ku, Tokyo 104-0061
Phone: 03-3543-2678 Fax: 03-3543-2679
e-mail: fwij7156@mb.infoweb.ne.jp

Success Co., Ltd.
44-1 Minamidai, Tenjinmine, Narita, Chiba 286-0102
Phone: 0476-32-1303 Fax: 0476-32-1305

Japan Flower Import Trading Association
Iemura Bldg. 7F, 1-12-1 Eszakacho, Suita, Osaka 564-0063
Phone: 06-6385-5022 Fax: 06-6385-4876

Allied Co., Ltd.
53-7 Hon-sanrizuka, Narita, Chiba 286-0019
Phone: 0476-35-1441 Fax: 0476-35-3050

Kibun Corporation
7-14-13 Ginza, Chuo-ku, Tokyo 104-0061
Phone: 03-3543-7219 Fax: 03-3546-2007

Classic Japan Co., Ltd.
Sebune Bldg. 1-13F, 12-13 Nibancho, Chiyoda-ku, Tokyo 102-0084
Phone: 03-3264-5523 Fax 03-3264-9992

Shima Trading Co., Ltd.
199-75 Nanaei, Tomosato-cho, Inba-gun, Chiba 286-0221
Phone: 0476-93-9318 Fax 0476-93-9936

Toa Trading Co., Ltd.

Iemura Bldg. 7F, 1-12-1 Ezakacho, Suita, Osaka 564-0063

Phone: 06-6385-5022 Fax: 06-6385-4876

e-mail: toa@mx1.alpha-web.ne.jp

Bankoku Trading Co., Ltd.

1-1-3 Nihonbashi-muromachi, Chuo-ku, Tokyo 103-0022

Phone: 03-3241-4021 Fax: 03-3241-6706

Hilverda Bloemen Tokyo Co., Ltd.

4-10-17-201 Kinuta, Setagaya-ku, Tokyo 157-0073

Phone: 03-3749-8712 Fax: 03-3749-8713

e-mail: hilverda@gol.com

Basic Co., Ltd.

Hanawa Bldg. 1-17-11 Otowa, Bunkyo-ku, Tokyo 112-0013

Phone: 03-5976-0487 Fax: 03-5976-0488

YMS Co., Ltd.

3-3-10 Sone-minamicho, Toyonaka, Osaka 561-0804

Phone: 06-6866-8133 Fax: 03-6866-8135

K.K. Langevelt Japan

Beniya II 3A, 3-20-3 Nishihara, Shibuya-ku, Tokyo 151-0066

Phone: 03-5453-8711 Fax: 03-5453-8712

e-mail: Langeveldj@aol.com

C. List of Major Flower Fairs

Japan Flower & Garden Show

Dates: three days in March every year (scheduled)

Location: Chiba City (Chiba prefecture)

Venue: Makuhari Messe (Japan Convention Center)

Sponsor: The Japan Home Garden Association

Address: Hori Building, 17-12, Nihonbashi Kodenma-cho, Chuo-ku, Tokyo, Japan,
103-0001

Phone : 03-3249-0681 FAX : 03-3249-0683

Section in charge: Executive Office

Articles on exhibition: Seeds and seedlings, bulbs, potted plants, cut flowers, gardening tools,
equipment and utensils, fertilizer, chemicals, earth, bio-chemicals,
gardening exterior utensils, flower-motif exterior, interior, apparel
and accessories, sundries, flower related goods

Open to the public

Tokyo International Flower Show

Dates: four days in April every year

Location: Tokyo

Venue: Tokyo Big Sight (Tokyo International Exhibition Center)

Sponsor: Tokyo International Trade Fair Commission

Address: 3-21-1, Ariake, Koto-ku, Tokyo, Japan, 135-0063

Phone: 03-5530-1121 Fax: 03-5530-1222

Section in charge: Flower Show Team

E-mail: exhibit@bigsight.or.jp

Articles on Exhibition: Flowers, artificial flowers, materials, general information related to
flower industry

Open to public

The most recent show attracted 30,371 people in a venue of 6,840 m²