

Japanese Market Information on Specified Products



Fresh and Frozen Vegetables

1. The Japanese Market

<Fresh Vegetables>

Health and nature have been the two keywords in the vegetable market. One result of this has been the sales of locally grown produce by mass merchandisers. Although it is difficult to ensure a stable supply of locally grown produce because of fluctuations in harvest, there is strong consumer demand for them, hence large supermarket chains nationwide are increasing the number of outlets and space for selling these produce. They assign experts around Japan to buy produce for sales at nearby outlets.

Organically grown vegetables are also making their way into the market. Besides direct home delivery, these vegetables are sold through special corners set up inside supermarkets and department stores. A consumer organization has even set up a supermarket specializing in such products. Restaurants have also increased the number of menus that make use of organically grown vegetables. Department stores, because organically grown vegetables do not sell as quickly as other food, sell them in prepared form as part of gift sets. Among imports, organically grown vegetables from the United States are especially highly regarded.

Also rising in popularity in recent years are pre-cut vegetables. Supermarket chains are selling pre-cut vegetables for use with salads and other dishes, the convenience such mixed vegetables coming in appropriate two- or three-person servings offering the chief sales value. Demand for these vegetables is growing among persons living alone, families with working wives, and elderly couples living on their own.

Prospective fresh vegetable imports must understand how the Japanese auction system works and ensure that they keep distribution costs low. Selling on the wholesale market brings advantages of not needing to find customers yourself and not needing to worry about leftover stock. For this reason, spot imports are better handled through such markets. Fresh vegetables, because of their need for measures designed to minimize damage, high refrigeration costs, and high sorting and packaging costs, incur high distribution costs. The key is whether the imported vegetables can maintain freshness and quality at a price advantage over domestic vegetables. Importers have found success by contracting with mass merchandisers or large food services companies.

There are other cases such as New Zealand pumpkins where the producers themselves have tailored their products to the Japanese market. In this particular case, producers have also employed cultivation methods that aid compliance with Japanese residual pesticide standards and perform inspections before exporting.

Prospective importers of vegetables that are unfamiliar to Japanese consumers must also conduct advertising and public information campaigns to create demand for the product and educate consumers on how to prepare and eat the product.

<Frozen Vegetables>

Frozen vegetable consumption is estimated to break down to 60% commercial and 40% personal. Demand for frozen vegetables is affected somewhat by the prices of fresh vegetables, but their use is fully established especially among the commercial sector.

Sales of frozen vegetables are expected to continue increasing as ordinary households come to accept them more, new uses are developed by restaurants, farm and wholesale prices are maintained, and uses by food service operations (e.g., cafeterias) increase.

Frozen vegetable imports are usually bulk-ordered in shipping container lots. Imports incur freezing, refrigeration, sorting, and packaging costs during the distribution process.

Prospective importers must also ensure that their products meet the exacting Japanese quality and labeling standard requirements regarding product freshness, breakage and spoilage, size, and color. It is especially important that proper food health and safety procedures are followed at every stage.

2. Imports

(1) Recent Developments

<Fresh Vegetables>

Total fresh vegetable imports in 1998 greatly exceeded the previous year, reaching figures of 664,841 tons (up 32.6%) and ¥90,456 million (up 34.2%). Increases were especially marked for onions (up 17.2% in volume), cabbages and broccoli (up 57.7%) and carrots and turnips (up 155.6%).

The major imported vegetables are onions, pumpkins, cabbages, and broccoli, but the diversification of people's diets in recent years has caused imports of less familiar vegetables such as chicory, shallots, leeks, salad beets, and salsify to increase.

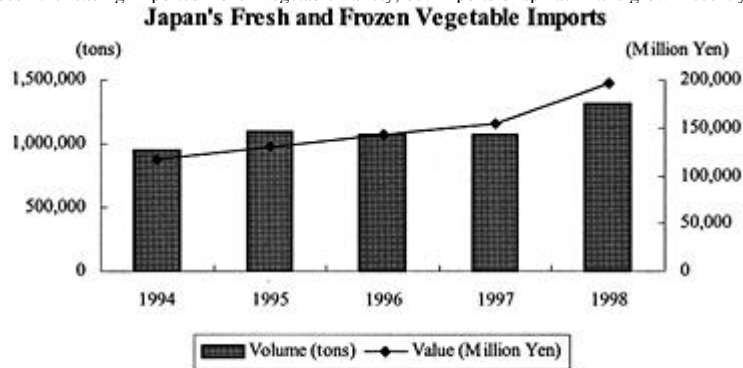
Imports of fresh vegetables are highly susceptible to the weather. Although pumpkins are imported in the months from November through May when little domestic produce is available, imports of other vegetables are strongly affected by domestic harvests. In the past, fresh vegetables were imported into Japan because of supply shortages resulting from bad harvests, lower prices (especially for carrots and onions), ability to buy out-of-season vegetables from countries with different growing seasons from Japan, and to accommodate demand for diversified culinary tastes (introduction of new vegetables). In recent years, however, fresh vegetable imports have increased because of a (1) shortage of domestically produced vegetables caused by the aging of farmers and an (2) increase in purchases by supermarket and restaurant chains that wish to stabilize their procurement.

<Frozen Vegetables>

Total frozen vegetable imports also increased in 1998, reaching figures of 652,691 tons (up 14.0% from the previous year) and 105,711 million (up 20.6%). Growth was especially marked for spinach (up 49.6% in volume).

Imports of frozen vegetables grew substantially in the early 1990s. This was caused by the stronger yen, which reduced the prices of imports, as well as increased demand at fast food and family restaurant chains. In addition, increased demand among young people and working couples as well as the increased spread of large refrigerator and microwave oven use have contributed to increased personal consumption.

Potatoes have been the leading imported frozen vegetable variety, but imports of spinach have grown recently as well.



	1994		1995		1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Fresh Vegetables	553,246	65,814	603,077	67,577	535,768	66,192	501,568	67,385	664,841	90,456
Onions	206,849	9,733	245,844	12,721	184,455	8,175	174,611	6,843	204,639	9,767
Cabbages, Broccoli	82,091	14,034	86,295	13,281	76,462	14,189	75,216	14,471	118,614	19,075
Carrots and Turnips	18,212	1,217	55,573	3,151	30,200	2,042	13,305	1,057	34,009	2,643
Asparagus	21,270	11,468	22,736	11,495	22,199	12,336	21,078	12,053	19,894	11,022
Pumpkins	156,783	11,276	131,844	10,802	143,790	11,463	135,665	12,183	128,875	11,853
Other	68,041	18,086	60,785	16,127	78,662	17,986	81,693	20,779	158,809	36,097
Frozen Vegetables	395,699	51,165	500,029	61,927	541,690	77,114	572,527	87,644	652,691	105,711
Potatoes	175,601	18,815	199,613	20,266	227,656	26,466	241,120	29,870	266,651	35,230
Spinach	21,846	1,904	21,216	1,688	27,074	2,733	30,633	3,422	45,814	5,683
Sweet Corn	43,597	5,724	46,687	5,712	46,369	6,382	50,138	7,468	51,879	8,134
Mixed Vegetables	25,709	3,454	28,872	3,773	29,490	4,677	31,356	5,496	35,445	6,970
Other	128,946	21,268	203,642	30,486	211,102	36,855	219,279	41,388	252,902	49,693
Total	948,945	116,979	1,103,106	129,503	1,077,458	143,305	1,074,095	155,029	1,317,531	196,167

Unit: tons, Million Yen

Source: Japan Exports and Imports

(2) Countries of Origin

<Fresh Vegetables>

The main countries of origin for fresh vegetables are the United States, China, New Zealand, Mexico, and Australia. The main products imported from the United States are onions, broccoli, pumpkins, and asparagus. The location of New Zealand and Australia allow them to export fresh vegetables to Japan during Japan's off-season. Imports of fresh vegetables from China have increased in recent years because of the country's geographical proximity.

<Frozen Vegetables>

The main countries of origin for frozen vegetables are the United States, China, Taiwan, Thailand, and New Zealand. The United States is the number one exporter of frozen potatoes, used for making French fries, while sweet corn and mixed vegetables are also imported from the United States. From China, Japan imports large volumes of green soybeans, green peas, kidney beans, spinach, and taros.

Principal Exporters of Fresh Vegetables to Japan

<Fresh Vegetables>

COUNTRY	1994	1995	1996	1997	1998	
	Value	Value	Value	Value	Value	Volume
USA	25,441	23,136	22,937	23,495	26,293	218,492
CHINA	5,943	6,676	8,243	8,711	22,881	198,075
NEWZELD	8,689	8,764	9,304	9,854	11,179	113,880
MEXICO	5,336	5,624	5,763	5,586	5,758	34,966
AUSTRAL	3,405	3,978	4,523	5,272	5,249	18,342
OTHERS	17,000	19,399	15,421	14,467	19,097	81,085
TOTAL	65,814	67,577	66,192	67,385	90,456	664,841

Unit: Million Yen, tons

Source: Japan Exports and Imports



<Frozen Vegetables>

COUNTRY	1994	1995	1996	1997	1998	
	Value	Value	Value	Value	Value	Volume
USA	23,226	26,100	32,317	36,228	43,098	311,717
CHINA	11,456	17,477	23,030	26,479	36,639	211,883
TAIWAN	7,688	6,140	6,048	6,354	5,908	25,700
THAILND	2,553	3,215	4,532	5,052	5,596	24,606
NEWZELD	3,000	3,178	3,181	4,076	4,002	25,199
OTHERS	3,241	5,817	8,005	9,455	10,467	53,585
TOTAL	51,165	61,927	77,114	87,644	105,711	652,691

Unit: Million Yen, tons

Source: Japan Exports and Imports



(3) Share Accounted for by Imports

<Fresh Vegetables>

The share accounted for by imported fresh vegetables has increased since 1994, reaching approximately 15% at present.

Imports' Share of "Fresh Vegetables" in the Japanese Market

	FY.1994	FY.1995	FY.1996	FY.1997
Domestic Products	14,773	14,546	14,608	14,615
Imported Products	1,921	2,331	2,628	2,464
Exported Products	1	0	0	1
Import's Share	11.5%	13.8%	15.2%	14.4%

Unit: 1,000 ton

Source: Ministry of Agriculture, Forestry, and Fishers

<Frozen Vegetables>

The share accounted for by imported frozen vegetables is also increasing, reaching nearly 90% in 1997.

Import's Share of "Frozen Vegetables" in the Japanese Market

	1993	1994	1995	1996	1997
Domestic Products	112,073	109,955	102,005	89,496	86,397
Imported Products	400,078	458,956	500,047	541,645	646,472
Exported Products	702	760	368	325	378
Import's Share	78.2%	80.8%	83.1%	85.9%	88.3%

Unit: tons

Source: Ministry of Agriculture, Forestry, and Fishers

3. Laws and Regulations

(1) Legislation and Administrative Procedures

Imports of fresh (and chilled) vegetables must undergo import inspections mandated by the Plant Protection Law. In addition, all imported vegetables (fresh, chilled, or frozen) are subject to the provisions of the Food Sanitation Law. Furthermore, when selling fresh vegetables, labeling of the country of origin is sometimes required under the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products (JAS Law).

(a) Plant Protection Law

To prevent the entry of the Mediterranean fruit fly, Colorado leaf beetle, citrus burrowing nematode, and tobacco mildew, imports of fresh (chilled) vegetables that may act as carriers for these insects and diseases are prohibited from their breeding areas. Furthermore, for ginger and other products, inspection of the cultivated areas is required for some regions. Import is not possible without attachment of a phytosanitary certificate of the exporting government stating that this has been done (enforced from May 1998).

Fresh or chilled vegetable importers must prepare an "Application for Import Inspection of Plants and Import-Prohibited Articles" and submit it to the Plant Protection Station, Ministry of Agriculture, Forestry and Fisheries at the port of entry,

along with a "Phytosanitary Certificate" issued by a government agency of the exporting country. A certificate of passage is issued when (1) items pass inspection at a place designated by the plant quarantine officer, (2) items are not those for which import is prohibited, and (3) there is no infestation. If an infestation or infection is detected, the merchandise will be processed separately depending on the particular finding.

In addition, no root crops can be imported into Japan with soil present.

Even a vegetable for which import is prohibited in a fresh state may be imported if completely freeze-dried, dried, pickled, or otherwise processed. In this case, the importer must submit a "Phytosanitary Certificate" issued by a government agency of the exporting country affirming that the frozen vegetables have been quick-frozen and maintained at a temperature of no higher than -17.8oC (0oF).

Furthermore, potatoes and taros must be cultivated for a certain time and inspected in isolation at a plantation of the plant quarantine station to test for viruses even when they are from regions other those for which import is prohibited.

(b) Food Sanitation Law

All food imports into Japan are subject to the provisions of the Food Sanitation Law. The fresh or frozen vegetable importer must prepare a "Notification Form for Importation of Foods, etc." and submit it to the Japanese Ministry of Health and Welfare through the quarantine station at the port of entry.

After reviewing the documents submitted, a food sanitation inspector will inspect any merchandise that requires inspection at the bonded area. If necessary, a sample will be collected for chemical and bacteriological testing at either the quarantine station or the National Institute of Hygienic Sciences.

Fresh vegetables are inspected for residual pesticides and agricultural agents (e.g., preservatives), food additives (e.g., coloring), and radioactivity. Frozen vegetables are inspected for compliance with bacterial content standards.

Food importers can also choose to have their shipment inspected in advance by a testing laboratory in Japan or overseas designated by the Japanese Ministry of Health and Welfare. The results of this inspection may be substituted for corresponding inspection at the quarantine station, expediting import procedures.

If the merchandise passes inspection, it will be allowed into Japan. If the merchandise fails inspection, however, it is either returned to the exporter or discarded.

In February 1996, Japan set up a system for facilitating the monitoring of food imports. Under this system, quarantine officers of the Ministry of Health and Welfare, importers, and inspection organizations authorized by the Ministry are connected online. This system is designed to speed clearance procedures.

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

JAS Law originally covered only processed food, but was amended in 1996 to establish for the first time quality labeling standards for five types of fresh vegetables: broccoli, taros, garlic, ginger roots, and fresh shiitake mushrooms.

(2) Voluntary Industry Standards

The Japan Frozen Food Association adopts voluntary food quality guidelines and establishes approved facility designation procedures. The guidelines set forth quality standards in each product category for quality grading, presence of foreign substances, content volume, labeling, form, color (discoloration from drying), flavor, crispness, and presence of organisms.

In addition, the frozen food processing plants of Association members may be inspected for facility as well as product and sanitation quality control procedures. Plants that comply with Association quality guidelines are designed as Japan Frozen Food Association Approved Factory facilities.

Vegetables that are either frozen in Japan at an Approved Factory or imported in bulk and repackaged at an Approved Factory may display the Mark of Designation, indicating that the food was prepared at a facility that has passed the association's inspection for compliance with its quality standards.

4. Taxes

(1) Customs Duties

<fresh or chilled vegetables>

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0701	Potatoes, fresh or chilled:				
90-000	Other	5%	4.5%		
0702.00-000	Tomatoes, fresh or chilled:	5%	3.7%		
0703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled:				
0703.10	Onions and shallots				
-011	1. Onions	10%	9%		
-012	- Not more than ¥67/kg in value for customs duty				
-012	- More than ¥67/kg but not more than ¥73.70/kg in value for customs duty				(¥73.70 in value for customs duty)/kg
-013	- More than ¥73.70/kg in value for customs duty				Free
-020	2. Shallots	5%	3.7%		
20-000	Garlic	5%	3.7%		
90-000	Leeks and other alliaceous vegetables	5%	3.7%		
0704	Cabbages, cauliflower, kohlrabi, kale and similar edible brassicas, fresh and chilled:				
10-000	1. Cauliflowers and headed broccoli	5%	3.7%		
20-000	2. Brussels sprouts	5%	3.7%		
0704.90	3. Other	5%	3.7%		
-010	- Broccoli				
-090	- Other				
0705	Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium</i> spp.), fresh or chilled:				
11-000	1. Lettuce:	5%	3.7%		
	(1) Cabbage lettuce (head lettuce)				
19-000	(2) Other	5%	3.7%		
21-000	2. Chicory:	5%	3.7%		

	(1) Witloof chicory (Cichorium intybus var. foliosum)				
0706	29-000 (2) Other	5%	3.7%		
	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled:				
0706.90	10-000 1. Carrots and turnips	5%	3.7%		
-000	2. Other	5%			
	(1) Burdock		3.3%	Free	
	(2) Other		3.7%		
0707.00-000	Cucumbers and gherkins, fresh or chilled	5%	3.7%		
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled:				
10-000	1. Peas (Pisum sativum)	5%	3.7%		
20-000	2. Beans (Vigna spp., Phaseolus spp.)	5%	3.7%		
0709	90-000 3. Other leguminous vegetables	5%	3.7%		
	Other vegetables, fresh or chilled:				
10-000	1. Globe artichokes	5%	3.7%		
20-000	2. Asparagus	5%	3.7%		
30-000	3. Aubergines (egg-plants)	5%	3.7%		
40-000	4. Celery other than celeriac	5%	3.7%		
60-000	5. Fruits of genus Capsicum or of the genus Pimenta	5%	3.7%		
70-000	6. Spinach, New Zealand spinach and orache spinach (garden spinach)	5%	3.7%		
0709.90	7. Other				
-010	(1) Sweet corn	10%	7.3%		
	(2) Other	5%	3.7%		
-091	A Pumpkins				
-092	B Lotus roots				
-099	C Other				

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

<frozen vegetables>

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0710	Vegetables (uncooked or cooked by steaming or boiling in water), frozen:				
10-000	Potatoes	10%	9%		
	Leguminous vegetables, shelled or unshelled:				
21-000	1. Peas (Pisum sativum)	10%	9%		
22-000	2. Beans (Vigna spp., Phaseolus spp)	10%	9%		
29	3. Other	10%			
-010	(1) Green soy beans		7.3%		
-090	(2) Other		9%		
30-000	Spinach, New Zealand spinach and orache spinach (garden spinach)	10%	7.3%		
40-000	Sweet corn	12.5%	11.2%		
80	Other vegetables				
-010	1. Broccoli	10%	7.3%		
-090	2. Brudock	20%	14.7%		
90	Mixtures of vegetables:				
-100	1. Chiefly consisting of sweet corn	12.5%	11.2%		
-200	2. Other	10%	7.3%		
2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No.20.06				
10	Potatoes				
-100	1. Cooked, not otherwise prepared	10%	9%		
	2. Other				
-210	(1) Mashed potatoes	16%	14.4%		
-220	(2) Other	9.6%	(11%)		
90	Other vegetables and mixtures of vegetables:				
-110	1. Containing added sugar				
	(1) Sweet corn	17.5%	12.8%		
-120	(2) Other	28%	25.2%		
-210	2. Other				
	(1) Asparagus and leguminous vegetables	20%	18%		
-220	(2) Bamboo shoots	16%	14.4%		
-230	(3) Sweet corn	12.5%	9.2%		
	(4) Young corncobs	25%	18.3%		
-240	A In airtight containers			9%	
-291	B Other			*Free	
-299	(5) Other	9.6%	(11%)		

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

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

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

5. Distribution

<Fresh Vegetables>

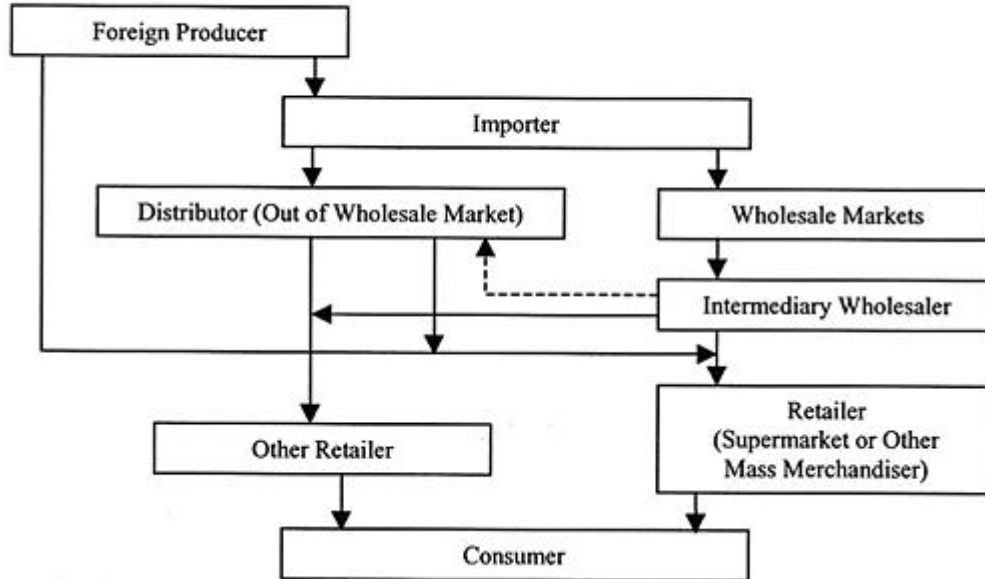
Fresh vegetables are usually distributed in Japan through wholesale markets. The auction system at wholesale markets is a

unique feature of the vegetable distribution system. Wholesalers put the day's shipment on auction at wholesale markets. Intermediary wholesalers and other purchasers buy from daily vegetable auctions, then sell the vegetables to retailers.

Roughly 85% of vegetables in Japan are distributed in this manner, while the remaining 15% are distributed direct (bypassing wholesale markets) to food cooperatives, agricultural cooperatives, trading companies, and volume purchasers in the food services industry, who ultimately sell the produce to consumers.

Imported vegetables are either placed on wholesale markets (market sales) or sold directly to wholesalers, who in turn sell the products to retailers (out-of-market sales). Judging from transaction on the central wholesale markets, most imported vegetables are sold directly to wholesalers or volume purchasers rather than through the wholesale market. Larger mass merchandisers and specialty shops in recent years have begun contracting directly with overseas distributors to provide vegetables that meet the conditions they specify.

Distribution Channels for Imported Fresh Vegetables

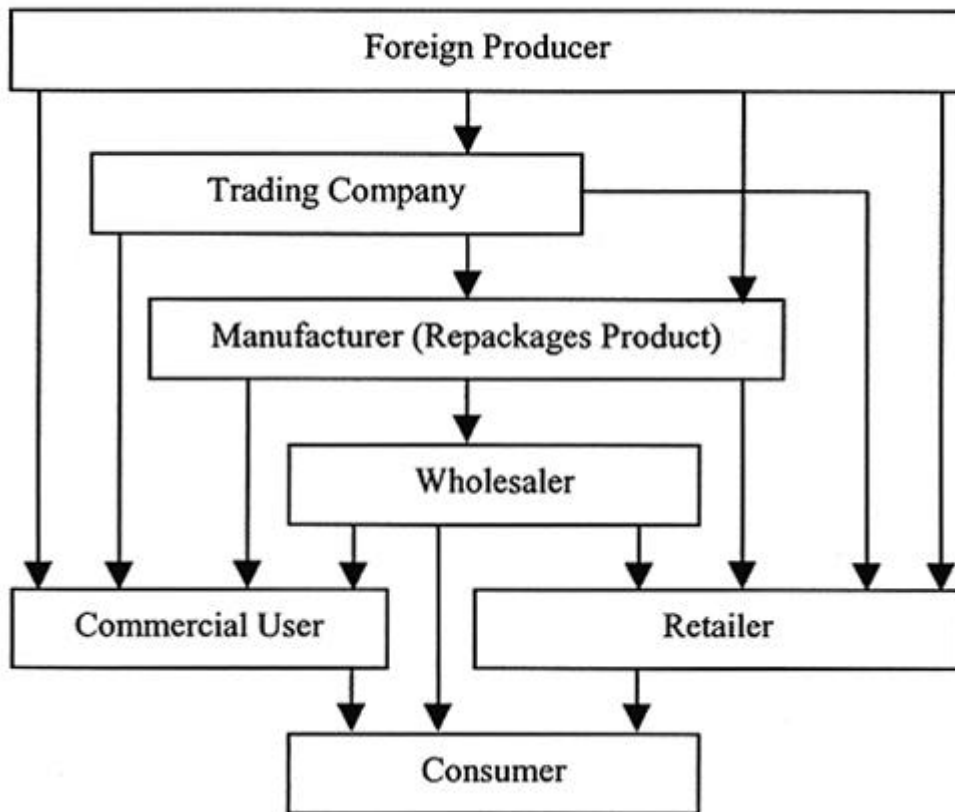


<Frozen Vegetables>

The most common distribution method sees a trading house providing frozen vegetables to a Japanese frozen food manufacturer, which repackages the vegetables and sells them through wholesalers to retailers or commercial users along with Japanese-made frozen vegetables and other frozen food products. Imported frozen vegetables sometimes go directly from the trading house to a processed food manufacturer for use in making processed food products.

Recent years have witnessed the rise of newer distribution methods that bypass the intermediate stages of distribution processes. These methods include overseas production contracting by the large food services companies and direct imports by mass merchandisers.

Distribution Channels for Imported Frozen Vegetables



6. Industry Contacts

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