

24. Ice Cream

1. Definition of Category

Ice cream to be discussed here includes ice cream with 3% or more of the solid component of milk, “ice milk” and “lactose ice”; all of which can contain nuts and fruits. However, it does not include sherbet, frozen yogurt and mixed materials for making ice cream.

HS Numbers	Commodity
2105.00	Ice cream

Note: The HS number above covers a larger range than discussed in this report.

2. Import Trends

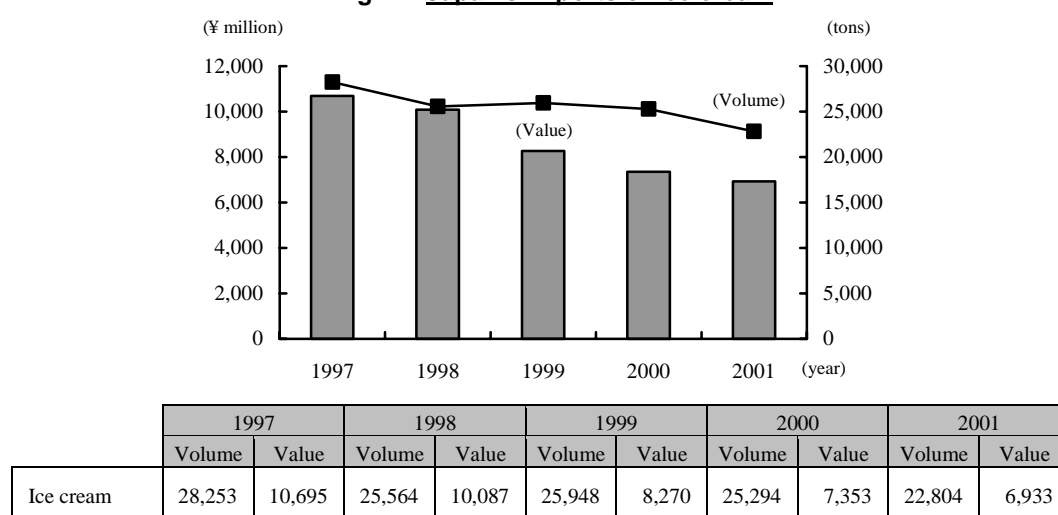
(1) Recent Trends in Ice Cream Imports

After the import was liberalized in April 1990, both volume and value made a sharp increase in 1991 to more than triple that of the year before. The imports kept increasing steadily, which resulted in a 10 times increase on volume basis and 6 times on value basis during the period 1990-1995.

The factors of increase are thought to be consumers seeking real value and high-quality, and, as a result, increased import of “super premium” ice cream (super high-quality ice cream that contains 14% or more milk fat) by foreign-owned corporations. In addition to that, major supermarkets imported and sold as private-brand (PB hereafter) product relatively cheaper ice cream made in Australia and New Zealand. Domestic dairy corporations consigned the production of premium ice cream to foreign firms and marketed it as a new brand at a less expensive price. They started to move production sites of domestic brands overseas.

After that, the ice cream market in Japan remains in a slump, and ice cream imports have been essentially flat since 1995. Moreover, on a value basis imports have been falling significantly. In 2001 Japan imported 22,804 tons of ice cream (down 9.8% from the year before) worth some ¥6.93 billion (down 5.7%). The main reason for the decline is the slump over the past two years in imports of super-premium ice cream (mainly US-made).

Fig. 1 Japan's imports of ice cream



Units: tons, ¥ million

Source: Japan Exports and Imports

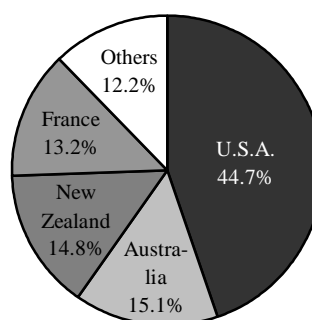
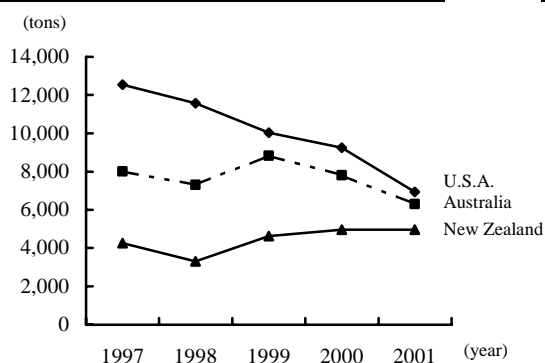
(2) Imports by Place of Origin

Imports from the United States overwhelm other countries on both value and volume basis; 44.7% on value and 30.4% on volume basis in 2001. The reason why the figure on value basis is more than on the volume basis is that most of them are quality brand ice creams like super-premium and premium, and that these products took a wide hold on Japanese consumers. However, imports from the United States have been sliding downward since 1998, falling in 2001 (6,937 tons) to just 55% of the peak level attained in 1997 (12,550 tons).

In second place were Australia (27.7%), and third, New Zealand (21.7%). The ranking has not changed for several years. Talking about imports from these two countries, the percentage on volume basis surpasses the value basis. This is because the main imported products are relatively cheap; for example, consigned products by Japanese dairy firms and PB products of major mass merchandisers. Both volume and value of imports from New Zealand has been shrinking since 1995, badly affected by a drop in demand for PB products, but recovered again from 1999 onward. Although the absolute volume involved is small, imports from France nearly doubled in 2001.

Fig. 2 Principal exporters of ice cream to Japan

Trends in import volume by leading exporters **Shares of ice cream imports in 2001 (value basis)**



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
U.S.A.	12,550	11,563	10,032	9,243	3,831	6,937	30.4%	3,100	44.7%
Australia	8,013	7,314	8,827	7,802	1,288	6,314	27.7%	1,044	15.1%
New Zealand	4,248	3,310	4,629	4,956	1,181	4,951	21.7%	1,023	14.8%
France	1,096	1,295	307	911	442	1,664	7.3%	918	13.2%
Canada	1,461	1,292	1,206	1,368	287	1,372	6.0%	317	4.6%
Others	885	790	947	1,014	325	1,567	6.9%	531	7.7%
TOTAL	28,253	25,564	25,948	25,294	7,353	22,804	100.0%	6,933	100.0%
(E U)	1,939	2,064	997	1,839	737	3,143	13.8%	1,407	20.3%

Units: tons, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

No precise figure is available for imported products' share in the Japanese market due to the discrepancy of statistical classification and unit of measurement. The industry estimates imports' share to be about 5%. This figure may sound small considering the current situation where we see a variety of foreign brand ice cream at major supermarkets and convenience stores. In fact, licensed domestic manufacturers produce most of them in Japan. Some companies manufacture only small sized products in Japan, though as a whole they import the products of the brand. For these reasons, it happens that some products appear to be imported but in fact were manufactured in Japan.

Fig. 3 below presents trends in ice cream market size in Japan, indicating downward since FY 1994. In FY 2001 the slide has continued, and recorded decline for six straight years on a volume basis.

Fig. 3 Trends in market size of ice cream (reference)

(FY)	1994	1995	1996	1997	1998	1999	2000
Sales volume	967.6	868.9	847.2	823.5	825.0	825.7	813.9
(Yearly change)	119.8	89.8	97.5	97.2	100.2	100.1	98.6
Sales value	429.6	387.9	378.5	375.0	367.1	358.5	354.2
(Yearly change)	114.7	90.3	97.6	99.1	97.9	97.7	98.8

Units: Volume=1,000 kl, Value=¥ billion

Source: Japan Ice Cream Association

Note 1: FY= April to March

Note 2: Sales volume indicates domestic manufacturers' factory shipments. Sales volume includes imports by domestic manufacturers, but excludes imports by wholesalers and retailers.

3. Key Considerations related to Importing

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

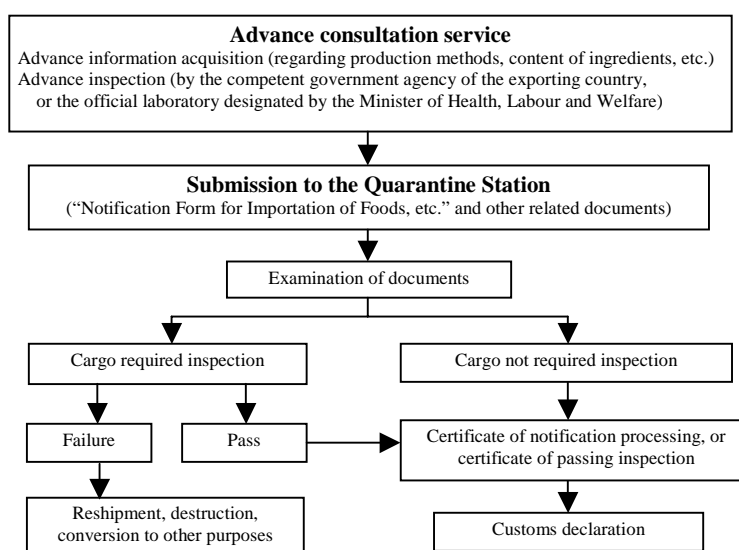
The importation of ice cream is subject to regulations under the Food Sanitation Law.

1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for ice cream 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.

In order to assure product safety, ice cream is subject to provisions of the Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. issued under the Law. These regulations govern standard of the content, production methods and labeling methods for butter and cheese. Some additives used in foreign-made ice cream are not approved in Japan. Importers have to investigate carefully whether the goods observe regulations under the Food Sanitation Law.

Fig. 4 Procedures required under the Food Sanitation Law



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

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

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

The sale of ice cream is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Nutrition Improvement Law, the Act Against Unjustifiable Premiums and Misleading Representations, the Containers and Packaging Recycling Law, and the Law for Promotion of Effective Utilization of Resources.

1) Food Sanitation Law

The Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. under the Food Sanitation Law provides standardized ingredient for ice cream as in the table below. At the time of sale, corporations have a legal obligation to meet the standard and the labeling requirements. In addition, as of April 2001, the Food Sanitation Law mandates or recommends raw material labeling for food products that contain allergens. (see 4. Labeling)

Fig. 5 Regulations on Ingredients under the Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc.

Definition	Type	Standards for ingredients			
		Milk solid	Milk fat (within milk solid)	Colon bacillus	Bacteria
Made from milk, etc. or mainly materials, frozen, and containing more 3% milk solid.	Ice Cream	More than 15.0%	More than 8.0%	Negative	Under 100,000 / g
	Ice Milk	More than 10.0%	More than 3.0%	Negative	Under 50,000 / g
	Lactic Ice	More than 3.0%	--	Negative	Under 50,000 / g

If you set out and sell ice cream over the counter, you have to apply for the license of restaurant or coffee shop under the Food Sanitation Law. To apply for the license, procure the application form at a public health center, fill it in, and submit it together with other necessary documents to the nearest health center.

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

Ice cream sealed in wrapping or containers is required the labeling of the net content to certain accuracy (range of error specified by Cabinet Ordinance).

4) Nutrition Improvement Law

When employing labeling for nutritional ingredients or calories, labeling must be in accordance with the requirements under the Nutrition Improvement Law. (see 4. Labeling)

5) Act Against Unjustifiable Premiums and Misleading Representations

The industry has voluntarily adopted labeling guideline 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) 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, ice cream importers incur the obligation for recycling of containers and packaging (although stipulated small-scale importers are exempt). Please consult the competent government agencies listed below for more information.

7) Law for Promotion of Effective Utilization of Resources

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

(3) Competent Agencies

- Food Sanitation Law

Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare

TEL: 03-5253-1111

<http://www.mhlw.go.jp>

- JAS Law

Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries

TEL: 03-3502-8111

<http://www.maff.go.jp>

- **Measurement Law**
Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
- **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 (Fair Competition Code)**
Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
TEL: 03-3581-5471 <http://www.jftc.go.jp>
- **Containers and Packaging Recycling Law / Law for Promotion of Effective Utilization of Resources**
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 <http://www.env.go.jp>
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 <http://www.maff.go.jp>

4. Labeling

(1) Legally Required Labeling

1) Food Sanitation Law

The Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. under the Food Sanitation Law requires that the label list the name of category; percentage by weight of nonfat solid, milk fat and fat other than milk fat; the name of the main ingredients; additives; date of minimum durability (can be omitted); preservation method, and the name of importers and their places of business.

Example label for imported ice cream

Product name	Ice cream (vanilla)
Non-fat milk solid content	10.0%
Milk fat content	8.0%
List of ingredients	Cow's milk, milk products, sugar, emulsifiers, stabilizers, flavorings, coloring agent (carotene)
Net contents	135 ml
Country of origin	U.S.A.
Importer	XYZ Corp., Ltd. X-X, YY-machi, ZZ Prefecture
Storage instructions	Store at -18 C or lower at home

<Labeling of Food Products Containing Allergens>

The Food Sanitation Law mandates or recommends raw material labeling for 24 food products that contain allergens. Processed food products containing the foods listed in the following table, and processed foods containing additives derived from these foods are either required or advised to bear labeling to the effect that they contain allergenic foods. This provision was adopted as of April 2001, and from April 1, 2002 onward, it will apply to all manufactured, processed and imported processed food products and food additives.

Labeling mandatory (5 products)	Wheat, buckwheat, eggs, milk, peanuts
Labeling recommended (19 products)	Abalone, squid, salmon roe, shrimp, crabs, salmon, mackerel, oranges, kiwi fruit, peaches, white potatoes, apples, walnuts, soybeans, gelatin, beef, pork, chicken, <i>matsutake</i> mushroom

2) JAS Law

Ice cream must be labeled in accordance with the Processed Food Product Quality Labeling Standards under provisions of the JAS Law. Among the ice cream group, the "ice cream" category (excludes "ice milk" and "lactose ice") is subject to individual labeling standards under the JAS Law.

3) Labeling under the Law for Promotion of Effective Utilization of Resources

When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, cups, external packaging or elsewhere, a material identifier mark must be displayed with information where the material is used.

< Example >



Cup

Label

(2) Voluntary Labeling Based on Laws and Regulations

1) JAS Law

Among the ice cream group, “ice cream” and “ice milk” categories are subject to JAS standards under the JAS Law. Products that undergo inspection and are certified compliant with JAS standards are allowed to display the JAS mark on the product. However, application for grading is voluntary, and products do not have to display the JAS mark in order to be sold.

JAS Mark



Under the previous JAS Law, manufacturers must undergo inspection by a registered grading organizations. But under the amended JAS Law, both domestic and overseas manufacturers, production process supervisors (farmer producers), sorters, and importers in Japan may be authorized to self-qualify with the approval of a registered certification organization.

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

2) Labeling under the Nutrition Improvement Law

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

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

(3) Voluntary Industry Labeling

<Fair Competition Code Concerning Representation of Ice Cream and Edible Ice>

The Ice Cream and Edible Ices Fair Trade Council has voluntarily adopted labeling guideline in order to assure consumer product choice availability and preserve fair competition, based on the Act Against Unjustifiable Premiums and Misleading Representations. It requires that the label list the name of category; percentage by weight of nonfat solids, milk fat and fat other than milk fat; the name of ingredients (main ingredients, blended ingredients, additives); net content; the name of the corporation and its place of business; instructions on stocking large package for home consumption; country of origin; and if it contains no fruit juice, it must be stated clearly.

- Ice Cream and Edible Ices Fair Trade Council TEL: 03-3264-3819

5. Taxes

(1) Customs Duties

The tariff rates on ice cream vary according to the content of milk fat and cane sugar. For details, please refer to the table below. Based on the Uruguay Round Agreement, the tariff rates (agreed tariff) of ice cream are to be phased down during the 6 years starting from 1995.

(2) Consumption Tax

(CIF + Customs duty) x 5%

Fig. 6 Customs duties on ice cream

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
2105.00	Ice cream and other edible ice, whether or not containing cocoa:				
-111, -113	Containing added sugar less than 50% by weight of sucrose	28%	21%		
-191	Containing added sugar more than 50% by weight of sucrose	35%	29.8%		
-210	Not containing added sugar	25%	21.3%		

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

6. Product Characteristics

Ice cream is popular with range of people regardless of age or sex, due to its cold and creamy feeling and wide variety of flavors. It is clear due to its characteristics that the market demand largely depends on the weather and season. In winter, sales take a big fall compared with the peak season of June-August. According to industry data, this tendency is more than clear with “lactose ice”, which contains less milk fat and tastes lighter.

Apart from the classification by the Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. under the Food Sanitation Law, ice cream is classified into “regular”, “premium” and “super premium” by the content of milk fat and air. This has no legal restraint, but is the industry’s standard. As in the table below, the more air that is contained, and the lighter the taste will be; the less air, the richer.

Fig. 7 Classifications of ice cream

Classification	Milk fat	Content of air (overrun)
Regular	8 – 10%	Approx. 100%
Premium	12 – 14%	Approx. 65%
Super Premium *	14 – 18%	30% or less

*Note: “Super Premium” is normally defined as ice cream made from only natural ingredients, avoiding emulsifier and fixing agents.

Imported ice cream falls within premium and super premium categories. It is generally rich in milk fat, taste and sweetness. Some products are adjusted to the taste of Japanese people by lessening the sweetness and adding calcium. For some products, additives are added or lessened to follow Japanese standards. Among imported ice cream, so-called foreign brand products are mostly “super premium” ice cream imported from the U.S. On the contrary, PB products of major supermarkets are mostly “premium” imported from Australia and New Zealand. These products once attracted attention due to their price, and imports made a sharp increase. But the flavor did not suite Japanese tastes, because it reflected the flavor of grass, which was fed to the milk cows. As a result, the volume of imports has been declining.

Regardless of its place of origin, much of the imported ice cream is flavored with vanilla. The American-made ice cream with chocolate-flavor, cookie chips and strawberry-flavor is very popular. Now in the market are wide variety of super premium products with mixtures of nuts and fruits, or tropically flavored with guava, mango and spirits. Most of the products from Australia and New Zealand are flavored with vanilla and packed in larger containers of 2,000ml, 950ml or 470ml, which are called “family size.”

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Sales volumes of ice cream have slightly fluctuated for years, and the market itself has been sluggish. The main factors are continuous cool summers since 1995, food poisoning by O-157, slack consumption in a recession, and the unpopularity of new products. Besides, consumers, affected by a diet boom, have changed their tastes to low-fat products like frozen yogurt, and the number of the young generation, the main consumers of ice cream, has been decreasing.

As for packages, adults generally prefer paper cups, while school-age children prefer stick style, since they can eat them outdoors. Small paper cups of 120ml have once become popular as a result of increased sales in high quality ice cream like premium and super premium. In recent years, the place of sales has moved to convenience stores and supermarkets. The multi-pack type is being very popular, because most ice cream is bought and taken home. Large-size cups (200 ml and larger) of ice cream have gained sale in the past few years.

Fig. 8 Sales of ice cream by package type (FY 2000)

Type	Sales volume (kℓ)	Annual change	Percentage	Sales value (¥ billion)	Annual change	Percentage
Paper cup	164,408	100.6	20.2%	66.9	99.3	18.9%
Plastic cup	113,132	102.2	13.9%	40.7	104.1	11.5%
Stick style	65,926	95.1	8.1%	28.7	91.1	8.1%
Corn style	65,112	108.0	8.0%	25.1	109.6	7.1%
“Monaka” style	47,206	103.9	5.8%	18.4	100.5	5.2%
Multi-pack	211,614	98.6	26.0%	106.3	101.2	30.0%
Family size	19,534	102.9	2.4%	9.6	92.3	2.7%
Commercial use	69,995	92.1	8.6%	24.4	87.1	6.9%
Others	56,973	85.2	7.0%	34.1	95.0	9.6%
Total	813,900	98.6	100.0%	354.2	98.8	100.0%

Source: Japan Ice Cream Association

Note 1: Multi-pack; packaged some kinds of sticks or cups; family-size; cup capacity from 474 ml to 2,000 ml
 Note 2: excluding imported (only domestic manufacturers)

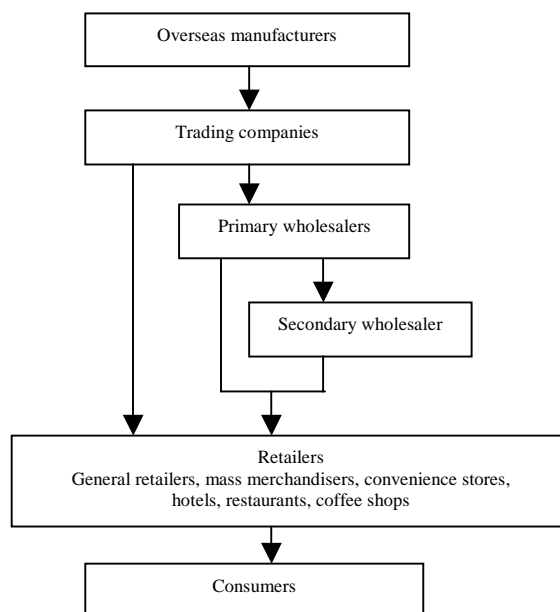
Vanilla and chocolate are the most popular flavor among all ages and gender. Green tea flavor is becoming popular among women, due to the recent fascination for Japanese tastes and interest in the sterilizing power of “catechin” after the O-157 problem. Chestnut, grape and peach are also popular, as the sales seasons are limited. Recently, Italian gelato has been gaining popularity. Most of them contain about 5% milk fat and have a light taste. It is classified as sherbet, not discussed in this guidebook.

As sales in mass merchandisers and convenience stores, that have nationwide networks, increase, no conspicuous difference in sales tendencies by area is observed. In addition, these stores often change their choice of products to sell. So the manufacturers tend to produce new products to suite their choices. That is the reason for the lack of particular selling products these days. Also, some mass merchandisers now routinely offer a special price of ¥398 per five cups of standard ¥100 ice cream. This has diminished revenue possibilities for the industry as a whole. Competing products like soft drinks and yogurt conduct aggressive promotional campaigns, whereas the ice cream industry is plagued by pricing chaos and a lack of major hit products. One leading domestic maker is seeking to break out of the doldrums by trying a new retail store promotion in 2002. Observers are hopeful that this will spark a market recovery.

(2) Distribution Channels

The products are shipped in frozen containers, delivered to distributors at the port and carried by frozen car to wholesalers or the warehouses of retailers. Formally, most products are distributed via wholesalers. But recently it is becoming more common that leading mass merchandisers and convenience stores jointly plan new products with overseas manufacturers and import their original products. Also, from the point of view of cost cutting, a growing number of corporations choose joint planning and direct delivery.

Fig. 9 Imported ice cream distribution channels



(3) Key Considerations for entering the Japanese Market

The regulations on ingredients are stricter in Japan than in other countries. It is necessary to thoroughly investigate whether the candidate product conforms to the regulations.

Ice cream must be shipped in frozen containers, which are smaller than normal containers. It means lower efficiency and higher transport costs. Temperature control in the domestic and overseas distribution process is critical for the quality control of products. Choosing a distributor is of the utmost importance. Marketing strategy is also important because advertisement and sales promotion have a substantial effect on sales. When consigning products from mass merchandisers or convenience stores, they may choose to stop selling depending on consumer demand. This possibility must not be ignored.

8. After-Sales Service

No particular after sales service is required for foodstuffs. The Japan Ice Cream Association recommends clearly stating the telephone number on the container in case of an emergency.

9. Related Product Categories

Edible ice (sherbet)

Edible ice is defined such that it is in conformity with the standards for food and addition under the Food Sanitation Law. Crushing ice with liquid sugar or liquid sugar mixed with other foodstuffs or water, and re-freezing it after mixing with liquid sugar or other foodstuffs produces it. It does not fall under the category of ice cream (i.e. solid component of milk less than 3%). It is not subject to the Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. under the Food Sanitation Law, but it is subject to other regulations.

Mixed materials for soft ice cream

The Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. under the Food Sanitation Law categorizes it into “food made dairy products as a main ingredient”. The ingredients are similar to those of “ice milk” and “lactose ice”. It is subject to the same regulations as ice cream at the time of importation and sales.

Frozen yogurt

The demand is rapidly increasing as more and more attention is paid to health. It falls into the fermented milk category according to the Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. and is subject to the same regulations for its container and labeling of production date. This regulation must also be paid attention to when importing.

10. Direct Imports by Individuals

There are no particular regulations on the direct importation by individuals, which is not for sales purpose. It has to be thoroughly examined when considering its transport and cost.

11. Related Organizations

- Japan Ice Cream Association TEL: 03-3264-3104 <http://www.icecream.or.jp>