I. Food

1. Alcoholic Beverages (Wine, Beer and Whisky)

1. Definition of Category

In alcoholic beverages, this section mainly covers wine, beer and whisky.

HS Numbers

<Wine>

Spirits made from fermented grapes or grape juice.

2204.10-000	Sparkling wine
2204.21-010	Sherry, port and other fortified wine (in 2 liter bottles or smaller)
2204.21-020	Bottled wine (in 2 liter bottles or smaller)
2204.29-010, 29-090	Bulk wine
2205.10-000, 90-200	Vermouth and other wine

Note: In Japan, people sometimes refer to all brewed spirits made from fruits as wine, while the Liquor Tax Law classifies wine into fruits wine and sweetened fruits wine. This guidebook, however, shall follow the common definition, and shall refer to spirits made from fermented grapes or grape juice as "wine."

<Beer>

Beer, which is fermenting a mixture of barley malt, hops and water produce an alcoholic beverage, and sparkling beverages made, in part, from malt

2203.00-000	Beer
2206.00-225	Sparkling malt beverages (so called *happoshu*)

Note: Imported beer and wine containing less than 0.5% alcohol are classified under category 2202.90 (non-alcoholic beverages). In addition, beverages with an alcohol content of 0.5-1.0% are not classified as beer under the Liquor Tax Law. These products are sold as soft drinks instead

<Whisky>

Alcoholic beverages made through the fermentation of germinated barley, rye or corn with water and through distillation

2208.30-011, -019	Bourbon whisky
-021, -029	Rye whisky
-031, -032	Other whiskies

Note: Scotch whisky, Canadian whisky, and Irish whisky are classified as "other whiskies" and have no independent customs clearance statistics.

2. Import Trends

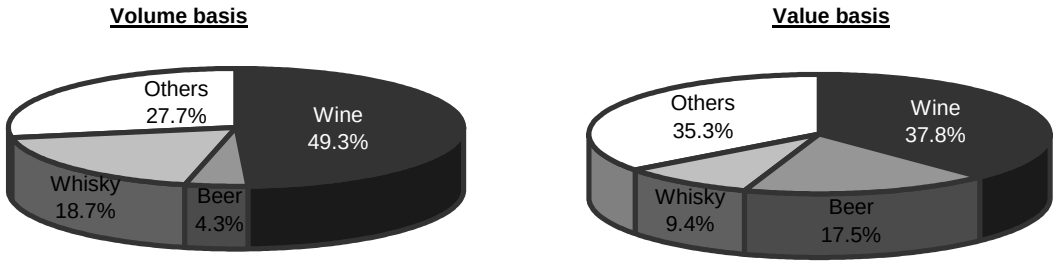
(1) Recent Trends in Alcohol Beverage Imports

<All alcoholic beverages>

This section will begin with an overview of imports of all alcoholic beverages (beverages with an alcohol content of 1% or higher). In 2002 Japan imported a total of 450,024 kiloliters of alcoholic beverages, worth ¥203.4 billion. Both totals were virtually unchanged from the year before. The leading imported alcoholic beverage is wine, which accounts for 37.8% of all imports on a volume basis and 49.3% on a value basis. The next leading imports on a volume basis are "*shochu*" (rough distilled spirits) and other distilled liquors (18.7%) and beer and *happoshu* (17.5%). On a value basis the next leading imports are whisky (18.7%) and brandy (10.6%).

The fastest growing category in the imported alcoholic beverage market in recent years has been other distilled liquors (*shochu*, etc.), which grew by 70% between 1998 and 2000 from 49,274 kiloliters to 83,980. Most of this growth consists of increased imports from the Republic of Korea. In contrast, imports of brandy continued downward and the pattern of falling has not come to a halt.

Fig 1 Breakdown of imported alcohol beverages by variety (2002)



(Note) Beer includes" happoshu."

	Volume					Value				
	2000	2001	2002	Share	Yearly change	2000	2001	2002	Share	Yearly change
Wine	168,996	171,833	170,042	37.8	99.0	86,004	95,650	100,230	49.3	104.8
Beer and *happoshu*	87,154	75,987	78,934	17.5	103.9	7,960	7,867	8,784	4.3	111.7
Whisky	43,791	49,671	42,368	9.4	85.3	38,408	44,340	38,099	18.7	85.9
Others (subtotal)	140,441	152,102	158,679	35.3	104.3	55,247	55,627	56,325	27.7	101.3
Other distilling liquors	65,549	75,680	83,980	18.7	111.0	10,837	12,271	13,464	6.6	109.7
Imitation sake and white *sake*	20,621	19,528	17,703	3.9	90.6	1,963	1,831	1,697	0.8	92.7
Other fermented liquors	17,611	17,229	16,894	3.8	98.1	3,628	3,544	3,907	1.9	110.2
Liqueurs and cordials	10,771	14,340	13,583	3.0	94.7	6,771	9,048	9,745	4.8	107.7
Brandy	10,503	8,877	7,509	1.7	84.6	27,263	23,404	21,558	10.6	92.1
Fermented liquors	3,016	3,709	4,666	1.0	125.8	710	930	1,286	0.6	138.2
Other spirituous beverages	1,130	1,991	3,458	0.8	173.7	140	317	404	0.2	127.4
Gin	3,087	3,524	3,433	0.8	97.4	1,567	1,885	1,858	0.9	98.6
Vodka	2,909	2,707	2,903	0.6	107.2	1,112	1,075	1,139	0.6	105.9
Japanese *sake*	3,245	2,403	2,527	0.6	105.2	412	301	299	0.1	99.4
Rum and tafia	1,999	2,114	2,025	0.4	95.8	844	1,019	967	0.5	95.0
TOTAL	440,382	449,592	450,024	100.0	100.1	187,619	203,484	203,439	100.0	100.0

Units: kl, ¥ million *Source: Japan Exports and Imports*

(Note) HS numbers of "others"

Japanese sake (2206.00-210), other fermented liquors such as cider and perry (2206.00-229), brandy (including fruits brandy, 2208.20-100, -200, 2208.90-111, -119), rum and tafia (2208.40-000), gin (2208.50-000), vodka (2208.60-000), Liqueurs and cordials (2208.70-000), other distilling liquors (2208.90-129), imitation sake and white sake (2208.90-220), other spirituous beverages (2208.90-240)

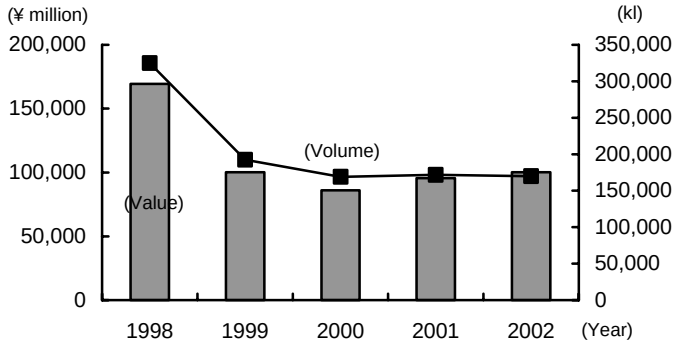
<Wine>

Wine imports skyrocketed during the red wine boom of 1998, and it took until 2000 to clear out the entire inventory, and imports suffered as a result. Imports turned upward slightly again in 2001, rising by 1.7% from the year before to 171,833 kiloliters. In 2002 wine imports were down by 1.0% on a volume basis, to 170,042 kiloliters. However, the taxable volume (shipments from bonded area storage, see Fig. 11) was up, and industry experts believe that the slump in wine has come to a halt. On a value basis imports were up 4.8% to ¥100.2 billion, aided by the strong euro and an increase in high-priced French wine.

The only type of wine to post growth on a volume basis was sparkling wine, which experienced its second straight year of growth to finish up 7.0% with imports of 13,298 kiloliters. After a surge in demand during 1999 to go with Y2K celebrations, sparkling wine has become firmly established in the home use market, while sparkling wine served by the glass has become a standard part of the year-round menu in many restaurants.

Imports of bottled wine (in 2 liter bottles or smaller), the flagship product in this category, stayed roughly the same on a volume basis, finishing at 129,612 kiloliters (down 0.8%). On a value basis, bottled wine imports rose by 5.1% to ¥77.6 billion. Japan imports wine in bulk to mix with domestic wines in producing blended wines. Bulk wine imports continued a downward trend in 2002, while fortified wine and aromatized wines also were off from the year before.

Fig. 2 Japan's wine imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Sparkling wine	9,938	13,401	11,845	16,483	10,697	14,441	12,429	16,964	13,298	18,252
Sherry, port wine	970	793	806	622	853	604	940	682	852	636
Bottled wine	242,500	143,875	125,259	74,848	123,605	66,044	130,653	73,847	129,612	77,614
Bulk wine	67,984	10,269	50,725	7,065	30,592	3,978	25,121	3,348	24,175	3,153
Vermouth & others	3,385	1,102	3,780	1,105	3,249	937	2,689	809	2,104	575
Total	324,777	169,440	192,414	100,123	168,996	86,004	171,833	95,650	170,042	100,230

Units: kl, ¥ million *Source: Japan Exports and Imports*

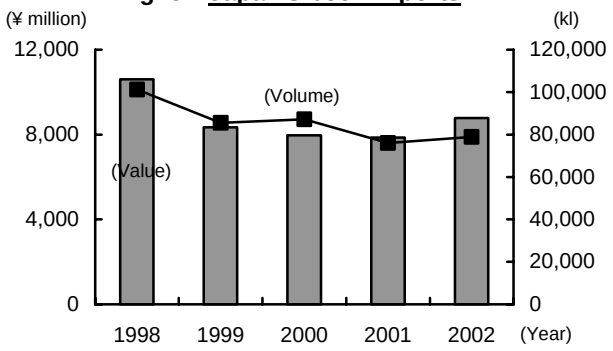
<Beer>

The World Cup Soccer tournament held in Japan during June of 2002 boosted consumption of beers from many nations around the world. Beer imports grew for the second year in a row, rising on a volume basis to 35,554 kiloliters (up 1.9%) and on a value basis to ¥4.78 billion (up 17.0%). However, official World Cup sponsor and leading world brand Budweiser switched to licensed production in Japan under an agreement with Kirin Beer of Japan. As a result, Budweiser beer is no longer imported, in the strict sense. Miller Special (U.S.A.), Heineken (the Netherlands), Löwenbräu (Germany) and other leading brands also are produced under license in Japan, and with only small size cans still being imported from the home country. Consequently, import volume growth has been very small.

Nevertheless, this remains far below the all-time high (323,848 kiloliters) recorded in 1994. Since that time, the imported beer market has shrunk to just one-tenth its former size. The aftereffects remain of high-volume imports of ultra-cheap beer. Imported beer has yet to recover its status in the minds of consumers.

Sparkling malt beverages (so called *happoshu*) is a lower-priced beverage with the taste of beer. A number of new products have appeared on the domestic market, which forced down prices even further and put imports in a difficult position. But 2002 saw a recovery from the steep drop in imports of the year before, as imports rose 5.5% to 43,380 kiloliters.

Fig. 3 Japan's beer imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Beer	81,177	8,651	52,439	5,486	29,550	3,384	34,885	4,088	35,554	4,784
Happoshu	19,999	1,943	33,095	2,849	57,604	4,576	41,103	3,779	43,380	4,000
TOTAL	101,177	10,594	85,534	8,336	87,154	7,960	75,987	7,867	78,934	8,784

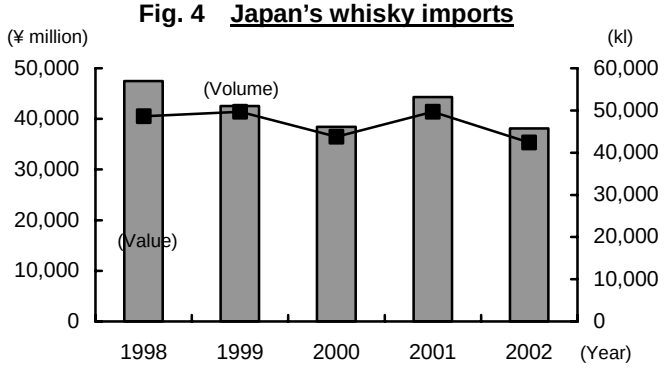
Units: kl, ¥ million *Source: Japan Exports and Imports*

<Whisky>

Whisky imports include bulk whisky to be used in blends with domestic whisky, in addition to bottled whisky for retail in 2 liter bottles or smaller. Bulk whisky imports rose dramatically in 2001, accounting for nearly half of all whisky imports (48.4%, 24,021 kiloliters) on a volume basis that year. However, bulk imports tumbled by 20% in 2002 to just 19,227 kiloliters, while bottled whisky imports also were off from the year before by finishing at 23,141 kiloliters (down 9.8%).

By product type, Scotch whisky (imported from the United Kingdom and classified under "other whiskies" in official customs statistics) tumbled by 25.6% to 26,844 kiloliters, especially bulk whisky for blend. Bourbon whisky (certified authentic by the producer nation's government) also declined 16.8% to 7,950 kiloliters. In contrast, Canadian whisky and American whisky made from wheat showed an increasing trend. (see Figure 5)

Fig. 4 Japan's whisky imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Bourbon whisky	11,371	7,674	10,563	6,905	9,245	6,051	9,557	6,763	7,950	6,061
Rye whisky	130	117	132	91	111	71	74	54	79	58
Other whiskies	37,114	39,651	38,972	35,576	34,435	32,287	40,040	37,524	34,339	31,980
TOTAL	48,614	47,443	49,666	42,572	43,791	38,408	49,671	44,340	42,368	38,099
(Whisky for blend)	18,779	11,212	22,641	10,212	18,348	7,414	24,021	11,991	19,227	7,032

Units: kl, ¥ million *Source: Japan Exports and Imports*

Fig. 5 Trends in imports of bottled and bulk whisky

		2000	2001	2002	Share	Yearly change
Bottled whisky	Bourbon whisky (U.S.A.)	8,173	8,759	6,870	78.4	16.2
	Rye whisky (Canada)	61	48	40	83.3	0.1
	Rye whisky (U.S.A.)	17	19	7	36.8	0.0
	Scotch whisky (U.K.)	14,948	14,727	13,942	94.7	32.9
	American whisky (U.S.A.)	1,226	1,180	1,354	114.7	3.2
	Canadian whisky (Canada)	840	736	792	107.6	1.9
	Irish whisky (Ireland)	138	197	103	61.7	0.2
	Other whiskies (Other)	39	60	34	56.7	0.1
	TOTAL	25,443	25,650	23,141	90.2	54.6
Bulk whisky for blend	Bourbon whisky (U.S.A.)	799	1,072	1,080	100.7	2.5
	Rye whisky (Canada)	6	6	32	533.3	0.1
	Rye whisky (U.S.A.)	27	-	-	-	-
	Scotch whisky (U.K.)	15,633	21,371	12,902	60.4	30.5
	Canadian whisky (Canada)	-	828	4,758	574.6	11.2
	Irish whisky (Ireland)	1,609	1,015	453	44.6	1.1
	American whisky (U.S.A.)	-	2	1	55.2	0.0
	TOTAL	18,348	24,021	19,227	80.0	45.4

Unit: kl *Source: Japan Exports and Imports*

Overall trend is toward a decline in alcohol consumption and to the shift to lower-priced beverages with lower alcohol content, due to the recession's impact on propensity to consume, and more diverse life style. In addition, corporate and restaurant demand for whisky remains depressed. Japan has reduced the liquor tax rates and tariff rates on whisky since 1997, and Japanese whisky distillers have strengthen their product lineups as they seek to benefit from the reduced tax rates. Nevertheless, overall market condition puts imported whisky in a difficult position.

Although it is not apparent from official customs statistics, single malt whisky carried by leading importers is showing strong growth. Brands with an air of sophistication and distinctiveness are winning acceptance among consumers.

(2) Imports by Place of Origin

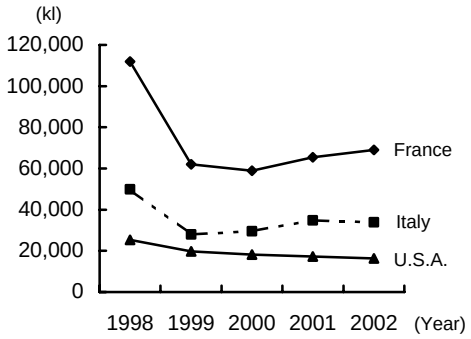
<Wine>

The leading exporter of wine to Japan is France with 40.6% in 2002 on a volume basis, followed by Italy (19.9%), the United States (9.6%), Chile (6.4%), and Spain (5.7%). These top five exporters together account for about 82% of Japan's wine imports. In 2001 France and Italy both registered double-digit growth, partly due to the "Italy in Japan 2001" project. But, in 2002 France was the only one of the two with strong growth (up 5.6%, 69,053 kiloliters). Italy, the United States and Chile all finished the year down. Spain, on the other hand, rode a second straight year of growth to finish in the top five for the second time since 1999. In sharp contrast stood the performance of Germany, which followed the 16.0% drop of 2001 with another 5.0% decline, falling to sixth place in the rankings as a result.

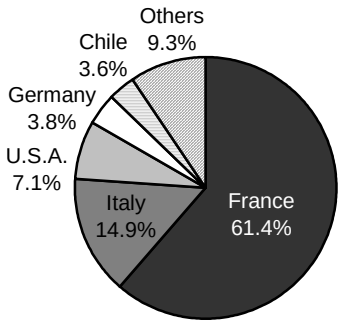
On a volume basis, France accounts for 61.4% with ¥61.5 billion (up 6.9% from the year before), indicating their high level of unit price.

Fig. 6 Leading exporters of wine to Japan

Trends in import volume by leading exporters



Shares of wine imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
France	111,968	62,095	58,935	65,413	57,534	69,053	40.6%	61,498	61.4%
Italy	49,925	27,909	29,532	34,875	13,623	33,863	19.9%	14,887	14.9%
U.S.A.	25,314	19,689	18,115	17,261	7,266	16,343	9.6%	7,099	7.1%
Chile	29,576	8,938	10,054	10,960	3,926	10,862	6.4%	3,584	3.6%
Spain	16,944	11,551	9,079	9,268	3,349	9,716	5.7%	3,519	3.5%
Others	91,051	62,233	43,280	34,055	9,953	30,204	17.8%	9,643	9.6%
Total	324,777	192,414	168,996	171,833	95,650	170,042	100.0%	100,230	100.0%
(E U)	199,983	118,381	110,836	121,067	79,145	123,113	72.4%	84,491	84.3%

Units: kl, ¥ million *Source: Japan Exports and Imports*

Most wine is imported bottled in 2 liters or less, and in this subcategory France (47.0%) retain a strong lead over all other countries. All exporters of sparkling wines recorded export volume growth to Japan. Nevertheless, France (41.4% combined share for *champagne* and *vins mousseux*), Italian *spumante* (29.9%), and Spanish *cava* (15.4%) together control 86.7% of the import market.

In bulk wine, however, Bulgaria slipped to fourth place (share 12.4%) after leading the rankings in 2000. Argentina (20.2%) also finished the year lower, while the United States (21.3%) finished on top for the first time ever. In the area of fortified wines, the leading imports are port from Portugal (48.7%) and sherry from Italy (33.5%), while in the area of aromatized wines, Spanish sangria (30.9%) posted strong growth.

Fig. 7 Leading exporters of each item to Japan (2002)

Item	Country	Volume	Share	Yearly change
Bottled wine	1. France	60,963	47.0%	104.8
	2. Italy	27,739	21.4%	94.6
	3. U.S.A.	10,151	7.8%	89.4
	4. Germany	8,546	6.6%	88.7
	5. Chile	7,820	6.0%	86.1
	6. Spain	5,990	4.6%	118.2
	7. Australia	4,162	3.2%	114.8
Bulk wine	1. U.S.A	5,156	21.3%	108.5
	2. Argentine	4,879	20.2%	96.3
	3. Chile	3,042	12.6%	162.3
	4. Bulgaria	3,001	12.4%	105.6
	5. France	2,307	9.5%	143.9
Sparkling wine	1. France	5,507	41.4%	104.3
	2. Italy	3,972	29.9%	111.4
	3. Spain	2,044	15.4%	100.1
Fortified wine	1. Portugal	415	48.7%	84.5
	2. Spain	285	33.5%	102
	3. Italy	90	10.5%	92.7
Aromatized wine	1. Spain	650	30.9%	148.6
	2. Italy	526	25.0%	59.6
	3. China	334	15.9%	72.1

Unit: kl, Source: Japan Exports and Imports

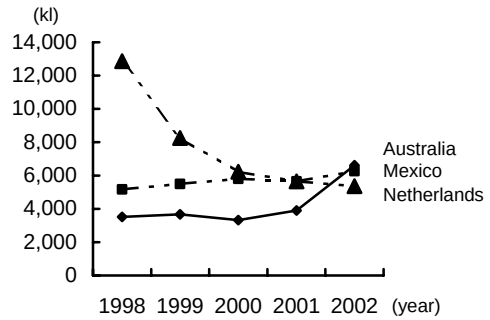
<Beer>

Posting the most dramatic growth during 2002 in the imported beer market were Australia (6,623 kiloliters, up 69.8% from the year before) and Ireland (4,213 kiloliters, up 60.1%). Australia moved past Mexico into first place in the rankings for the first time ever, on the strength of a short-term discount campaign. For its part, Ireland vaulted to 4th place from 6th the year before, aided by sales of Guiness beer at Irish pubs during the World Cup. Although Mexico slipped out of the top spot, the unique drinking style of Corona beer has gained a firm foothold of popularity among young adults. Also, Mexico's good result during the World Cup helped boost imports (6,275 kiloliters, up 10.9%). British and Belgium beers also registered growth. In contrast, imports are declining from the Netherlands, the United States and Germany, because most of whose major brands are now produced in Japan.

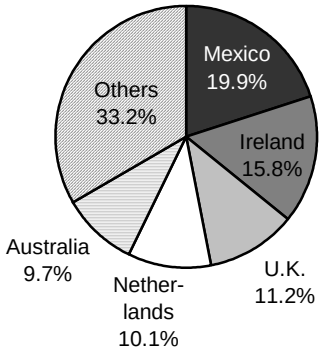
In contrast, in imports of *happoshu*, there was growth in private brand imports from the Republic of Korea and Hong Kong, but import volume from the United States, which still leads in the rankings, tumbled from 23,222 kiloliters to 17,487 kiloliters. This serves to highlight the overall stagnation of the imported *happoshu* market. The most prominent American brand, Zima is a low-alcohol malt beverage made according to its own unique process. Its blend of 23 natural flavors and its stylish bottle have made it especially popular in the restaurant market, but even there it suffers from intensified competition with Japanese brands.

Fig. 8 Principal exporters of beer to Japan

Trends in import volume by leading exporters



Shares of beer imports in 2002 (value basis)

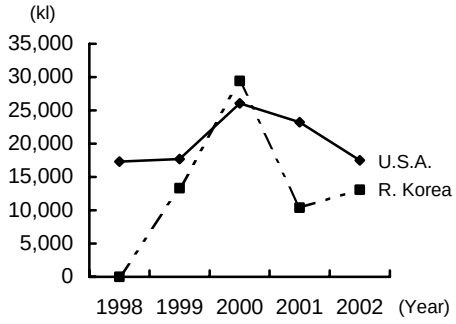


	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Australia	4,990	5,178	5,504	5,801	806	5,661	16.2%	866	21.2%
Mexico	20,749	12,858	8,243	6,238	547	5,652	16.2%	496	12.1%
Netherlands	87,132	48,494	25,975	4,929	485	4,398	12.6%	472	11.5%
Ireland	4,239	3,515	3,672	3,319	204	3,900	11.2%	237	5.8%
U.S.A	332	218	85	75	6	3,829	11.0%	278	6.8%
Other	14,793	10,915	8,960	9,188	1,336	11,445	32.8%	1,739	42.5%
TOTAL	132,236	81,177	52,439	29,550	3,384	34,885	100.0%	4,088	100.0%
(E U)	31,599	20,399	13,978	12,312	1,534	13,338	38.2%	1,768	43.2%

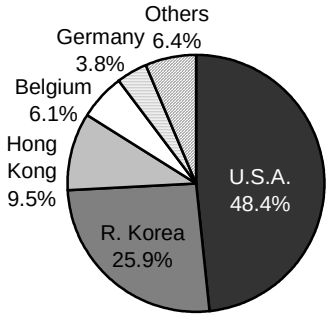
Units: kl, ¥ million *Source: Japan Exports and Imports*

Fig. 9 Principal exporters of *happoshu* to Japan

Trends in import volume by leading exporters



Shares of *happoshu* imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	17,324	17,690	26,071	23,222	2,348	17,487	40.3%	1,934	48.4%
R. Korea	-	13,303	29,429	10,408	831	13,078	30.1%	1,037	25.9%
Hong Kong	-	-	-	2,561	179	5,315	12.3%	379	9.5%
Belgium	269	204	459	1,048	116	2,463	5.7%	242	6.1%
Germany	2	-	71	1,678	138	1,739	4.0%	151	3.8%
Other	2,405	1,898	1,574	2,186	166	3,298	7.6%	256	6.4%
TOTAL	19,999	33,095	57,604	41,103	3,779	43,380	100.0%	4,000	100.0%
(E U)	594	365	697	3,351	298	5,745	13.2%	515	12.9%

Units: kl, ¥ million *Source: Japan Exports and Imports*

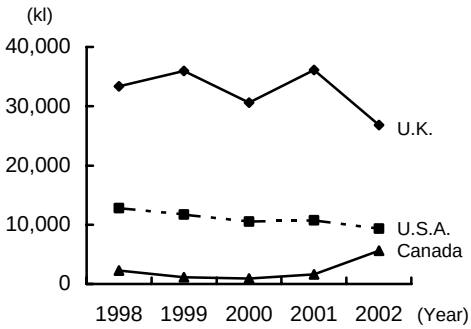
<Whisky>

The leading variety of imported whisky is Scotch whisky (from Great Britain), which makes up 63.4% of total bulk and bottled imports on a volume basis and 74.4% on a value basis. As stated previously, some upscale brands of single malt whisky grew significantly in 2002, but premium scotch and standard scotch struggled in the market and finished down 25.6% overall from the year before.

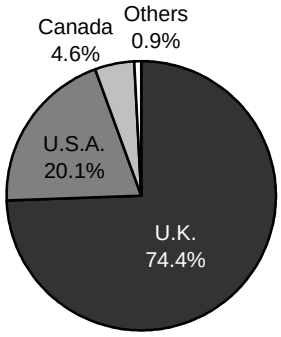
American-style whisky from the United States held its own, while bourbon whisky and rye whisky were both down. In contrast, Canadian whisky posted strong growth, but only in bulk imports.

Fig. 10 Principal exporters of whisky to Japan

Trends in import volume by leading exporters



Shares of whisky imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.K.	33,348	35,973	30,581	36,098	34,134	26,844	63.4%	28,364	74.4%
U.S.A.	12,793	11,698	10,516	10,758	8,763	9,312	22.0%	7,640	20.1%
Canada	2,248	1,151	907	1,618	753	5,622	13.3%	1,771	4.6%
Ireland	190	821	1,748	1,136	534	556	1.3%	272	0.7%
Netherlands	-	-	2	2	8	10	0.0%	6	0.0%
Other	35	23	37	58	148	24	0.1%	47	0.1%
TOTAL	48,614	49,666	43,791	49,671	44,340	42,368	100.0%	38,099	100.0%
(E U)	33,549	36,806	32,362	37,261	34,718	27,423	64.7%	28,676	75.3%

Units: kl, ¥ million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

<Wine>

Statistics on shipments of domestic and imported wine (including sweetened fruit wines) calculated on a taxable volume basis, indicate that imported wine shipments have exceeded domestic wine shipments since 1995. In 2002, the ratio of imports to domestics in this subcategory is approximately six-to-four.

Domestic grape production in Japan is around 250,000 tons per year, nearly 90% of which is sold as table grapes. It would be impossible to meet the demand for wine with domestically grown grapes alone. Thus, imported bulk wine and must used in blends with domestic wine represents a critical element of the wine market in Japan.

<Beer>

The Japanese beer market peaked in 1994 and has been on the decline ever since. In 2002 the total market size was 4.39 million kiloliters. One of the factors in this decline has been the shift to inexpensive sparkling malt beverages (*happoshu*), which registered total shipments of 2.63 million kiloliters in 2002 (for a beer-to-*happoshu* ratio of 62.5%:37.5%). In combination, the two products have saturated the market, resulting 7.03 million kiloliters (down 2.5% from the year before). The big loser in the equation has been imported beer, which has fallen further than domestic beer. Imports now have a share of just 2.7% of total beer and *happoshu* market. It should be noted that some foreign brands of beer are now actually produced in Japan, and their shipments are included with other domestic beers for statistical purposes. Estimates put total market share with around 1%, even when they are added.

Fig. 11 Imports' share in the Japanese market

		1998	1999	2000	2001	2002	Yearly change
Wine	Domestic products	164,200	137,034	115,302	110,171	113,794	103.3
	Imported products	252,830	160,995	161,534	165,639	167,877	101.4
	Total	417,030	298,030	276,836	275,810	281,671	102.1
	Imports' share	60.6%	54.0%	58.4%	60.1%	59.6%	
Beer	Domestic products	6,179,047	5,784,267	5,545,347	4,900,680	4,366,309	89.1
	Imported products	77,040	48,386	26,313	30,628	28,203	92.1
	Total	6,256,087	5,832,675	5,571,660	4,931,308	4,394,512	89.1
	Imports' share	1.2%	0.8%	0.5%	0.6%	0.6%	
Happoshu	Domestic products	952,130	1,363,610	1,571,048	2,230,558	2,580,212	115.7
	Imported products	28,179	40,715	65,691	49,388	53,102	107.5
	Total	980,309	1,403,783	1,636,739	2,279,946	2,633,314	115.5
	Imports' share	2.9%	2.9%	4.0%	2.2%	2.0%	
Beer + *Happoshu*	Domestic products	7,131,177	7,147,877	7,116,395	7,131,238	6,946,521	97.4
	Imported products	105,219	89,101	92,004	80,016	81,305	101.6
	Total	7,236,396	7,236,458	7,208,399	7,211,254	7,027,826	97.5
	Imports' share	4.1%	3.7%	4.5%	2.8%	2.7%	
Whisky	Domestic products	107,689	102,770	100,575	91,619	82,781	90.4
	Imported products	31,122	29,369	25,216	24,650	22,720	92.2
	Total	138,811	132,139	125,791	116,269	105,501	90.7
	Imports' share	22.4%	22.2%	20.0%	21.2%	21.5%	

Unit: kiloliters *Source: National Tax Administration*

Note 1: These figures are calculated based on taxable volume and differ from the import figures above. Figures for 2002 are preliminary.

Note 2: The taxable volume is regarded as equivalent to the volume of liquors distributed and sold in Japan. Liquor taxes are collected on domestic liquor when it is shipped from the factory, and on imported liquor when it is taken from the bonded warehouse. happoshu uses less malt than beer, they are classified as miscellaneous liquors under the Liquor Tax Law, and thus are subject to lower liquor taxes than beer. Nearly all of the growth in the miscellaneous liquors category has been in happoshu, and for the purposes of this report, the entire taxable volume of miscellaneous liquors has been treated as consisting of happoshu.

<Whisky>

Japan has reduced the liquor tax rates on whisky twice in response to directives from the WTO, once in October of 1997, and again in May of 1998. Moreover, a staged reduction in tariff rates on whisky began in 1997, and as of April 1, 2002, whisky is set to become duty free.

There is a global slump in black spirits overall, and though reduced taxes in Japan temporarily produced a turnabout in the home market, the chronic recession continues to depress the commercial market, and the market resumed its pattern of contraction since 1998. During this time imports' share of the market has remained at around 22%, finishing at 21.5% for 2002.

3. Key Considerations related to Importing

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

Alcoholic beverage imports are subject to provisions of the Food Sanitation Law and the Liquor Tax Law.

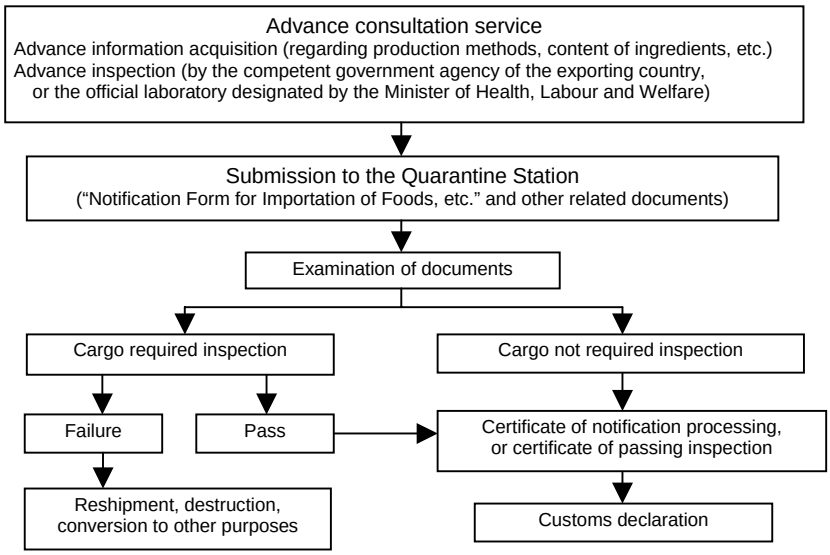
1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for alcoholic beverages 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.

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.

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

Fig. 12 Procedures required under the Food Sanitation Law



In addition to standard inspection, wine may be subject to the following additional contents inspections if there is a prior history of problems with wines from a particular exporting country.

a. Sulfur Dioxide Content	350 ppm or less
b. Sorbic Acid	200 ppm or less
c. Ethylene Glycol	Inspections may be required depending on origin of countries.
d. Methanol	
e. Diethylene Glycol	

2) Liquor Tax Law

The Liquor Tax Law requires a business license from the competent tax office in order to manufacture or sell liquors. Any person or entity may import liquors without restriction, but without a liquor vendor's license, it is not permitted to ship imported liquors out of the bonded area. Therefore, it is essential to first obtain a liquor vendor's license to sell imported liquors.

In addition to customs duties, liquor taxes are collected when the liquors are shipped from the bonded area. In Japan, the Liquor Tax Law subjects all forms of beverages with an alcohol content of 1% or higher to taxation. Beer, wine and other beverages containing less than 1% alcohol are not classified as alcoholic beverages under the Liquor Tax Law. These products are sold as soft drinks instead, thus they are not subject to the Liquor Tax Law. In addition, please be aware that the Liquor Tax Law limits additives can be used as preservative mixtures by type of liquor.

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

The domestic sale of liquor is subject to the Liquor Tax Law, the Liquor Business Association Law, the Food Sanitation Law, the Measurement Law, the Act Against Unjustifiable Premiums and Misleading Representations. Products that infringe intellectual property rights are regulated by the various intellectual property laws (Trademark Law, Patent Law, Unfair Competition Prevention Law, etc.). Prospective exporters to Japan must be aware of these considerations, as rights holders may initiate legal action.

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

1) Liquor Tax Law

All those engaged in the business of selling liquors must obtain a license for each sales location from the tax office with jurisdiction over the sales location. However, no license is required for restaurants that serve the liquor at their restaurants and do not sell to other restaurants or to customers. The 3-Year Deregulation Plan (1999) relaxed qualifications for obtaining a general liquor retailer's license (see below). As of September 1, 2003, a general liquor retailer licensing system will shift to a notification system. There are various types of licenses for selling liquors by type of business (wholesaler or retailer) and products (all items or imported item only). Some licenses for selling of imported liquors are listed below.

<Classification of liquor vendor's license>

a) General liquor wholesaler's license

Holders of this license are authorized to sell all liquors, regardless of domestic or imported, as a wholesaler to liquor retailers, but not to consumers or restaurants as a retailer.

b) Western-style liquor wholesaler's license

Holders of this license are authorized to sell western-style liquors (wine, whisky, spirits, liqueur, and miscellaneous spirits only), as a wholesaler to liquor retailers, but not to consumers or restaurants as a retailer. The holders also are not authorized to wholesale beer.

c) Beer wholesaler's license

Holders of this license are authorized to wholesale beer only, but not to consumers or restaurants as a retailer.

d) Imported liquor wholesaler's license

Holders of this license are authorized to sell all imported liquors, as a wholesaler to liquor retailers, but not to consumers or restaurants as a retailer. The holders also are not authorized to wholesale liquors made in Japan.

e) General liquor retailer's license

Holders of this license are authorized to sell all liquors to consumers or restaurants as a retailer within the sales territory. The holders also are authorized to import liquors directly and retail them. In order to exhibit imported liquor at a trade fair, holders must apply to the local tax office with jurisdiction over the trade fair venue for temporary permission to sell at a location other than the license holder's regular sales location.

f) Mail order liquor vendor's license

Holders of this license are authorized to sell liquors by mail order to consumers or restaurants. However, holders are restricted to carry liquor labels that import less than 100 kiloliters per year. In order to obtain a license, a reseller must be a member of the Japan Direct Marketing Association (JADMA), and must have at least two years of experience in mail order sales of food products.

2) Liquor Business Association Law (Law Concerning Liquor Business Association and Measures for Securing Revenue from Liquor Tax)

When alcoholic beverages are sold, it must be labeled in accordance with provisions of the Liquor Business Association Law. (see 4. Labeling)

3) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When alcoholic beverages are sold, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

4) Measurement Law

Alcoholic beverages sealed in wrapping or containers are required to indicate the net content to certain accuracy. (see 4. Labeling)

5) Act Against Unjustifiable Premiums and Misleading Representations

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

<Fair Competition Code concerning Restrictions on Premiums, etc. for the Imported Beer>
<Fair Competition Code concerning Restrictions on Premiums, etc. for the Imported Whisky>

The industry has voluntarily adopted these guidelines in order to assure consumer product choice availability and preserve fair competition, based on the Act Against Unjustifiable Premiums and Misleading Representations. It consists of premiums guidelines (Fair Competition Code concerning Restrictions on Premiums, etc. in the Importation and Sale of Liquors) and labeling guidelines. (see 4. Labeling)

6) Law for Promotion of Effective Utilization of Resources

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

7) Containers and Packaging Recycling Law (Law for Promotion of Sorted Collection and Recycling of Containers and Packaging)

The Containers and Packaging Recycling Law was enacted to promote recycling of container and packaging waste materials. It provides for sorting by consumers, sorted collection by municipalities, and product reuse (recycling) by product makers and distributors for glass bottles, PET bottles, paper and plastic containers and packaging. Consequently, alcoholic beverage importers and vendors incur the obligation for recycling of containers and packaging (although stipulated small-scale importers are exempt). Please consult the competent government agencies listed below for more information.

Imported wine frequently comes in colored glass bottles of varying shapes and sizes, and these create some problems for recycling. The Japan Wines and Spirits Importers Association issued an official "Request for use of clear bottling in *Beaujolais Noveau* containers" since 1999, as part of efforts to promote the adoption of clear uncolored bottles.

(3) Competent Agencies

- Liquor Tax Law / Liquor Business Association Law
  Liquor Tax and Industry Division, Taxation Department, National Tax Agency, Ministry of Finance
  TEL: 03-3581-4161 http://www.nta.go.jp
- 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
- 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
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp

• Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 http://www.meti.go.jp
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 http://www.env.go.jp
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

The Liquor Business Association Law, the Food Sanitation Law, and the Measurement Law specify the following label items for alcoholic beverages. Liquors made from genetically modified agricultural products are required by the Liquor Business Association Law to display labeling compliant with provision of the Product Quality Labeling Standards for Genetically Modified Foods under the JAS Law. In the case of imported alcoholic beverages, the labeling obligation falls upon the importers and vendors.

1) Product name (the phrases “fruit wine,” “sweetened fruit wine,” “beer,” or “whisky”)
2) List of food additives used (anti-oxidants or synthetic preservatives, etc.)
3) Alcohol content
(Ethyl alcohol content at 15 degrees Celsius as a percentage of content rounded down to the nearest whole percentage point)
4) Content volume (expressed in milliliters or liters)
5) Whether or not effervescent
6) Importer name and address
7) Distributor (rebottling plant) address
(In case of imports, address of distributor or rebottling plant receiving wine from bonded area. May be omitted if it is the same as importer address.)
8) Labeling to prevent consumption by minors
(All liquor containers must clearly state that “consumption of liquors by minors is prohibited” or “liquors may only be consumed by those age 20 and over.”)

In addition, wine must bear geographic labeling that conforms to the standard, or else it may not be sold, displayed for the purpose of supplying it for sale, or for any other commercial purpose. For products such as Bordeaux and Chablis whose product quality and reputation fundamentally arise from the geographic place of origin, it is not permitted for labels to use the place name unless the product actually comes from that place.

< Law for Promotion of Effective Utilization of Resources >

Some specified containers and packaging may be subject to identifier labeling provisions of the Law for Promotion of Effective Utilization of Resources. The Law requires that all caned beers or whiskies, steel or aluminum, must display an identifying mark affixed to or printed on at least one point on the side of the can. In addition, when paper or plastic is used as a packaging material for caps, labels, external packaging or elsewhere, a material identifier labeling must be displayed with information where the material is used.

< Container > **< External packaging, cap, etc. >**

Equilateral triangle with Japanese characters for “aluminum”

Circle with Japanese characters for “steel”

Circle with Japanese characters for “paper”

Rectangular with Japanese characters for “plastic”

(2) Voluntary Labeling based on Provisions of Law

<Labeling Standard on Organic for Alcoholic Beverages >

Imported alcoholic beverages that display the Japanese-language terms for “organic” on their labeling must conform to standards based on the Liquor Business Association Law.

(3) Voluntary Industry Labeling

<Wine>

While not required by law, wines made from mixtures of domestic and imported wines list the wines in order or preponderance in the mixture; for example "made from domestic wine and imported wine." Industry standards also mandate that the label list in Japanese, variety of grape, vintage, location of the vineyard, and any special winemaking procedures employed, in as much as consumers may not understand such label information on the original winery label.

<Beer>

<Fair Competition Code concerning Representation of Imported Beer>

Under the Code, importers are required to display list of ingredients and country of origin.

Contacts: Japan Wines and Spirits Importers Association TEL: 03-3503-6505

<Special terminology>

Use of any of the following terms on the product label signifies that the beer satisfies certain established criteria. These criteria must be met before the terms can be used, but their usage is optional. The label may contain any or all of these terms for which the product meets the defined criteria.

1) Lager beer: Beer aged during storage
2) Draft beer: Unpasteurized beer
3) Black beer: Dark-colored beer made partly from dark-colored barley
4) Stout beer: Dark-colored, strong-tasting beer made partly from dark-colored barley

<Whisky>

<Fair Competition Code concerning Representation of Imported Whisky>

Under the Code, importers are required to display list of ingredients and country of origin.

Contacts: Japan Wines and Spirits Importers Association TEL: 03-3503-6505

5. Taxes

(1) Customs Duties

Fig. 13 presents tariff rates on wine, beer and whisky. Under terms of the Uruguay Round agreements, a step-by-step reduction in whisky tariff rates began in 1997, and as of April 1, 2002, whisky is set to become duty free. Bourbon whisky and rye whisky must be certified authentic by the government or an authorized government organization in the producer nation in order to be admitted to Japan at customs.

(2) Liquor Tax

The Liquor Tax Law subjects all forms of liquors (beverages with an alcohol content of 1% or higher) based on categories and alcohol content. The liquor tax rates on wine, beer, *happoshu*, and whisky are shown in Fig. 14. The liquor tax on wine and *happoshu* is set to increase on May 1, 2003 by ¥10 for every 750 milliliters of wine and every 350 milliliters of *happoshu*.

<Wine>

Wine is classified under the Liquor Tax Law into the categories of fruit wines and sweetened fruit wines.

Fruit wines: wines produced by fermenting fruit or fruit plus water, with sugar, brandy and other substances added up to specified limits.

Sweetened fruit wines: wines produced by adding brandy or other alcoholic beverages or sugar to fruit wines above a specified quantity.

Fig. 14 shows current liquor tax rates in effect as well as the revised rates due to go into effect on May 1, 2003. Sparkling liquors including sparkling wines with an alcohol content of fewer than 13% are taxed separately based on the formula.

<Beer>

The Liquor Tax Law distinguishes between beer and *happoshu* according to authorized raw material ingredients, and according to the malt ratio. Beer must have a malt ratio of at least 67%, and Cabinet order limits the ingredients to rice and barley malt. Beverages that do not conform to these requirements are classified as malt liquor under the category of "miscellaneous liquors." Three different levels of liquor tax rates apply depending on the malt ratio.

<Whisky>

Liquor taxes on whisky have already been cut twice in October 1997 and in May 1998. Fig. 14 on the following page presents current tax rates on whisky.

Fig. 13 Customs duties on wine, beer and whisky

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
2204.10-000	Sparkling wine	¥201.60/liter	¥182/liter	¥145.60/liter *Free	
21-010	Sherry, port and other fortified wines (In containers holding 2 liter or less)	¥123.20/liter	¥112/liter		
-020	Other wine (In containers holding 2 liter or less)	21.3% or ¥156.80/liter, whichever is the less, subject to a minimum customs duty of ¥93/liter	15% or ¥125/liter, whichever is the less, subject to a minimum customs duty of ¥67/liter		
29-010	Other wine (In containers holding 150 liter or less)	Ditto	Ditto		
-090	(Other)	¥64/liter	¥45/liter	¥24/liter *Free	
2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances				
10-000	In containers holding 2 liter or less	¥70.60/liter	¥69.30/liter	¥50.40/liter *Free	
90	In containers holding more than 2 liter				
-200	Of an alcoholic strength by volume of more than 1 % vol	¥70.60/liter	¥69.30/liter	¥50.40/liter *Free	
2203.00-000	Beer made from malt	¥6.40/liter	Free	Free	
2206.00-225	Sparkling beverages made, in part, from malt	(¥6.40/liter)	(¥42.40/liter)	Free	
2208.30	Whiskies				
	(1) Bourbon whisky	(13.7%)	(4.9%)		Free
-011	(a) Of a alcoholic strength by volume of 50% vol or higher				
-019	(b) Other Bourbon, in containers holding less than 2 litter container				
	(2) Rye whisky	(15.7%)	(5.6%)		Free
-021	(a) Of a alcoholic strength by volume of 50% vol or higher				
-029	(b) Other Rye, in containers holding less than 2 liter container				
	(3) Other whisky				
-031	(a) Of a alcoholic strength by volume of 50% vol or higher	(¥207.20/liter)	(¥82.60/liter)		Free
-032	(b) Others, in containers holding less than 2 liter container	(¥172.50/liter)	(¥68.60/liter)		Free

*Note 1: "*Free" in Preferential Rate is applicable only for the Least Developed Countries.*

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

(3) Consumption Tax

(CIF + Customs duty + Liquor tax) x 5%

Fig. 14 Liquor tax on wine, beer and whisky

		Rate till April 30, 2003	Rate after May 1, 2003
Fruit wine		¥56,500 / kiloliter	¥70,472 / kiloliter
Sweetened fruit wine	Alcohol content of less than 13%	¥98,600 / kiloliter	¥103,722 / kiloliter
	Alcohol content of more than 38%	¥98,600 / kiloliter plus ¥8,220 / kiloliter for each 1% over 12% alcohol content	¥103,722 / kiloliter plus ¥8,644 / kiloliter for each 1% over 12% alcohol content
Beer	Malt ratio of more than 67%	¥222,000 / kiloliter	Not revised (Note 1)
Happoshu (Alcohol content of more than 38%)	Malt ratio of more than 50%, less than 67%	¥222,000 / kiloliter	Not revised
	Malt ratio of more than 25%, less than 50%	¥152,700 / kiloliter	¥178,125 / kiloliter
	Malt ratio of less than 25%	¥105,000 / kiloliter	¥134,250 / kiloliter (Note2)
Whisky	Alcohol content of more than 40%, less than 41%	¥409,000 / kiloliter	Not revised
	Alcohol content of more than 41%	Plus ¥10,225 / kiloliter for each 1% over 40% alcohol content	Not revised
	Alcohol content of more than 38%, less than 40%	Minus ¥10,225 / kiloliter for each 1% under 40% alcohol content	Not revised
	Alcohol content of less than 38%	¥378,325 / kiloliter	Not revised

(Note 1) Barley is added to the authorized ingredients for use in beer.

(Note 2) Because the subcategory of "sparkling alcoholic beverages made from barley" has been added to the category of happoshu, sparkling alcoholic beverages made partly from barley but that contain no barley malt, which previously were classified as spirits or liqueur are now classified as happoshu. Conversely, some products that previously were classified as happoshu are not classified as spirits or liqueur. There is no change to other categories of alcoholic beverages.

6. Product Characteristics

(1) Wine

Classification by Production Method

• Still wine

Non-sparkling wine made from fermented grapes or grape juice. Most wines fall into this category. Classified into three types: red, white, and rose, each of which comes in dry and sweet varieties. The alcohol content is 14% or less for Japanese wines, and normally around 11-12%. The alcohol content is usually 10-12% for French, German and Italian wines.

• Sparkling wine

Produced by adding carbonation to the bottle of still wine during fermentation. The best-known varieties are French *champagne*, Italian *spumante*, and German *sekt*.

• Fortified wine

Produced by adding brandy to still wine during or after fermentation to increase the alcohol content to around 18%. The best-known varieties are sherry from Spain and port from Portugal.

• Aromatized wine

Produced by adding spice, herbal distillates or extracts, or fruit juice to still wine. The best-known varieties are vermouth (U.S.A. or Italy), sangria (Spain), and kir (France).

Characteristics of Products from Different Countries / Regions

• France

France is blessed with nearly ideal climate and soil conditions for growing wine grapes, and its tradition of winemaking expertise consistently puts its wines at the top in quality. The French government closely regulates the winemaking industry in order to maintain its high quality standards. While wines come from all across the country, about 60% of high quality wine comes from four regions: *Bordeaux*, *Bourgogne*, *Cote du Rhone*, and *Loire*. In Japan, French wine has high demand for gift.

• Italy

Italy's mild climate gives it a host of winemaking regions all across the country. Subtle differences in climate between north and south make Italian wines highly varied and distinctive. The winemaking industry operates under strict government regulations.

• Germany

Germany is the world's northernmost winemaking nation. Its wide variety of wines (especially in white wine), its unique soils, and its north country climate are what distinguish German wines from all others.

• United States

American wine production has grown markedly in recent years, and wineries now operate in more than half of its states. Some 80% of all-American wines are produced in California. American wines generally have a reputation as mass-market products in Japan, but high-grade wines from the Napa and Sonoma Valley regions have become more widely available of late.

• Australia

Winemaking areas are widely scattered across the breadth of the country. Australian wine features consistent flavor qualities that are affected little by differences in climate. Most Australian wine is consumed in Australia itself, but recently Australian winemakers have begun exporting their wines, and they are now available in some 80 countries around the world. Their affordable prices make Australian wines broadly popular with the wine drinking public.

• Chile

Chile is a long and narrow country extending north to south along the Pacific coast of South America. The central valley of Chile, located between the Andes and the Coastal Range, is the important winemaking region in the country. In recent years Chile has ventured into varietal wines (made from specially selected vintages of grapes) that are well suited to world markets, and it has made dramatic technical advances as well. As a result, Chilean wine has become popular in the United States and elsewhere. Chilean wine has a reputation in Japan of being a good value for the money, and imports of Chilean wine saw explosive growth in 1998.

(2) Beer

Characteristics of Products from Different Countries/Regions

There are many different varieties of beer, resulting from differences in ingredients, in yeasts, and in alcohol content. Each beer-making country also tends to have certain distinctive characteristics, some of which are mentioned below.

• United States

The United States has more than 2,000 breweries making more than 5,000 brands of beer. Some of its most distinctive types of beer are malt liquor (which has higher alcohol content than regular beer), light beer (lower in calories) and American beer (made with corn or other secondary ingredients that give it a refreshing taste). Two leading American brands, Budweiser and Miller Special, are produced in Japan under license by Japanese breweries. Coors Special and Zima (sparkling malt beverage), both products of Coors, are imported from the United States. Zima has gained in popularity in recent years.

• Netherlands

Heineken, the best-known brand of Dutch beer, is known for its sophisticated taste that is well suited to Japanese preferences. Heineken is the second best-selling foreign brand of beer in Japan, after Budweiser. Heineken has used its strong image and its barrel-aged draft beer to focus on the urban commercial market. In the consumer market, Heineken has a strategic alliance with Kirin Beer.

• Mexico

Corona beer, one of Mexico's leading brands, is typically drunk with a slice of lime, and this has given Corona a unique style image. Other brands also have their own strong followings, at Mexican and Brazilian restaurants, and at drinking establishments that cater to young adults.

• Australia

Most Australians are of British descent, and most Australian beers are traditional full-bodied British-style beers, although Australian brewers also make lower calorie light beers. Australian beer has been getting popularity since the Sydney Olympic.

• Belgium

Belgium is known for its classic, high-alcohol beers with their flavorful aroma. Belgium has more than 1,000 breweries that make more than 3,000 brands of beer. Belgian brewers also make vintage beer aged 1-3 years, and its brewing industry offers perhaps the widest variety of beers in the world. Many of its beers are sold in corked, swing top and other old-fashioned types of bottles, and many brands of beer have their own distinctive bottle glass as well.

• Germany

Germany boasts more than 1,000 breweries and more than 5,000 brands of beer, the largest number of brands of any country in the world. Its best-known brands are Weizen and Rauch. Weizen has a well-balanced flavor that many consider the ideal combination of barley malt with the refreshing and slightly sour and bitter taste of wheat. The word "Rauch" in Rauch Beer means "smoky," and as the name implies, this beer is smoked with beech wood and oak, which gives it a uniquely enjoyable taste.

• United Kingdom

British beers are known as rich, full-bodied beers high in barley malt. The United Kingdom has more than 150 breweries producing more than 2,000 brands of beer. It ranks first in the minds of many for its so-called vintage beers, which are aged anywhere from one to 25 years. The United Kingdom is also known for superior yeast technology, and it exports a considerable portion of its production.

• Czech

Czech Republic has 30 breweries that produce more than 200 brands of beer. Czech is known as the home of Pilsner Urguell beer (Pilsen beer), which takes its name from the city of Pilsen where it was first brewed. This beer is noted for its fresh taste and sharp hop flavor, it is the most widely brewed light yellow-colored beer in the world.

<Handling Recommendations>

- Beer stays fresh for quite a long time if it is refrigerated, but at room temperature it will start to go flat after 3-4 months. Thus, appropriate temperature control should be maintained at all times.
- Many imported beers are sold in cans and importers and distributors must take steps to ensure that the cans do not rust while in storage.

(3) Whisky

Whisky is mainly produced in five regions, Scotland, Ireland, the United States, Canada and Japan, each of which boasts its own distinctive flavors and other characteristics. As a rule, the longer whisky is aged, the more it matures, the more mellow it becomes and the greater its depth and price. However, if it is left to age too long in the cask, the tones it acquires from the wood can become too strong and the flavor and freshness suffer. The characteristics of the major whiskies are as follows.

• Scotch whisky (producing regions: England, Scotland)

Most Scotch whisky is either "malt whisky," made from malt only, or blended whisky incorporating "grain whisky" made using corn or other grains. Because the malt whisky is dried with burning peat, it has a distinctive smoky flavor.

• Irish whisky (producing region: Ireland)

The use of barley, corn and other grains in addition to malt gives Irish whisky a grain-like flavor. Because it is dried with the burning of coal rather than peat, it has less of a smoky flavor than Scotch whisky. It is distinctively mellow in flavor and feels thick to one's palate. Although it was previously not made in blended form, recently "Irish blended whisky" has appeared incorporating grain whisky and produced mainly for export.

• Bourbon, rye, and wheat Whisky (producing region: United States)

These whiskies are classified according to main ingredient (the ingredient making up at least 51% of the ingredients) as bourbon (corn), rye whisky (rye wheat) and wheat whisky (wheat). Because they are aged in new casks of white oak whose interiors have been scorched, they boast distinctive colors and fragrant scents.

• Canadian whisky (producing region: Canada)

Canadian whisky is made from corn, rye wheat, malt and other ingredients. It is a blend of smooth "flavoring whisky" and cleanly distilled "base whisky." Its light flavor is distinctive.

• Japanese whisky (producing region: Japan)

Made in the same way as Scotch whisky, Japanese whisky comes in "malt whisky," "grain whisky" and "blended whisky" incorporating both. It is less smoky than Scotch whisky and distinctive in its own right. Smooth and well balanced in flavor, Japanese whisky is known for its ample body.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

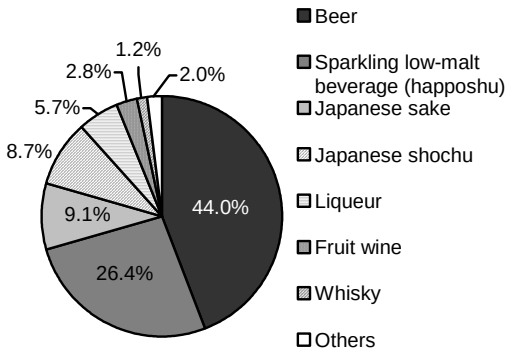
Characteristics of the liquor market in Japan

Per capita annual liquor consumption in Japan averages 98 liters. The favorite liquor of the Japanese is beer. Per capita annual consumption of beer and "*happoshu*" (sparkling low-malt beverage with the taste of beer but lower-priced) totals some 69 liters, far above all other types of alcoholic beverages.

Nevertheless, persistent recession, life style changes and diversified consumer tastes have resulted in flat or even declining overall sales for alcoholic beverages. Increasingly consumers are preferring lower-priced and "light" (low-alcohol) beverages. Striking differences have emerged between different categories of alcoholic beverages. Sales of *happoshu*, liqueur and "*shochu*" (rough distilled spirits) have risen, while sales of beer, Japanese *sake* and whisky have fallen. Wine sales jumped temporarily during the red wine fad of 1998 only to tumble thereafter before finally flattening out and posting a small gain in 2002.

Fig. 15 Japanese consumption of alcoholic beverages (2002)

	Total annual consumption (kiloliter)	Percentage of total	Per capita consumption (litter)	Yearly change	Percentage of imports
Beer	4,394,512	44.0%	43.2	89.1	0.6%
Happoshu (Miscellaneous liquor)	2,633,314	26.4%	25.9	115.5	2.0%
Japanese *sake*	907,206	9.1%	8.9	93.8	0.0%
Japanese *shochu*	868,394	8.7%	8.5	105.1	9.0%
Liqueur	572,034	5.7%	5.6	120.9	2.4%
Fruit wine	281,671	2.8%	2.7	102.1	59.6%
Whisky	120,740	1.2%	1.1	89.6	22.3%
Others	199,044	2.0%	1.9	95.7	5.0%
TOTAL	9,976,922	100.0%	98.1	98.8	3.8%



(Note) Figures are calculated based on taxable volume (the volume for which liquor tax has been paid).Liquor tax is collected on domestic products when they are shipped from the distillery and on imported products when they are taken from the bonded warehouse

Source: National Tax Agency (preliminary figures)

Please note that the Liquor Tax Law classifies bottled and canned cocktails and "*chuhai*" under the same category as liqueur. *Chuhai* is an alcoholic beverage unique to Japan, made from a combination of *shochu*, neutral spirits (raw material alcohol) or vodka with lemon, grapefruit or orange juice and carbonated water. It comes in small-size 250-350 ml cans, and has rapidly gained market share due to its popularity as a low-cost low-alcohol (alcohol content 5-7%) beverage (industry observers estimate 2002 sales at approximately 500,000 kiloliters).

Recent trends in the alcoholic beverage market in Japan

The alcoholic beverage market in Japan stands at a crossroads, for several reasons. (1) June of 2002 saw the promulgation of the amended Road Traffic Law, which instituted significantly stiffer penalties for driving under the influence of alcohol (DUI). The result has been a drop in alcoholic beverage sales at suburban and rural beverage service establishments. The impact on rural establishments has been especially severe, and many are shifting more to non-alcohol beverages and carbonated beverages.

Note: Imports of non-alcoholic beers (HS 2202.90) soared from 14,420 kl in 1998 to 31,949 kl in 2002. The leading exporter of non-alcoholic beer to Japan is the United States, followed by Germany, the Republic of Korea and the Netherlands. All the leading beer brands have reinforced their non-alcoholic beer product lines, and the price of a 350 ml can of imported non-alcoholic beer has dropped from ¥150 to ¥130. Sales and import growth has resulted in part from increased demand at golf courses and at beverage establishments along major arterial highways.

(2) The liquor tax on wine and *happoshu* is set to increase on May 1, 2003 by ¥10 for every 750 ml of wine and every 350 ml of *happoshu*. The impact of this tax increase will have a major effect on market trends. (3) In addition, as of September of 2003 the general liquor retailer system will switch from a licensing system to a notification system, effectively deregulating liquor distribution. Supermarkets, convenience stores, discount stores and drugstores are expected to start carrying alcoholic beverages, if they do not already.

Furthermore, companies from other industries have announced plans to begin liquor retail sales in order to attract customers. These include video rental stores, gasoline stations, home delivery services and pizza delivery chains. Since there is little prospect for dramatic growth in demand in the alcoholic beverage market as a whole, it is expected that expanded liquor distribution channels will greatly intensify competition. (4) To respond to this new environment, leading beer makers are transforming themselves into comprehensive alcoholic beverage providers, adding wine, *shochu*, spirits, *chuhai*, liqueur and other beverages to their mainstay beer and *happoshu*, or even as general beverage providers. They are moving rapidly on strategic alliances and acquisitions both inside and outside Japan in an effort to solidify their positions. Also, there is a noteworthy trend toward alliances and mergers between food and liquor wholesalers, in an effort to acquire comprehensive wholesaling capabilities.

<Wine>

The wine market in Japan was particularly vibrant in 1998. Numerous TV shows and magazine articles have touted the health benefits of drinking red wine, saying that the large amount of polyphenols in red wine helps prevent arteriosclerosis and Alzheimer's disease. The red wine boom died down beginning in 1999, and excess inventories were not cleared out until mid-way through 2001. The boom focused more attention on wine, and it definitely expanded the scope of consumption and distribution. Wine has taken its spot as a routine part of Japanese life styles. It is no longer something people drink only on special occasions. Now it is something that people drink routinely, with their daily meals. Consumers' wine knowledge seems to have grown markedly. Annual per capita wine consumption is 2.7 liters. Still, this represents solid growth compared to the 1.8 liters recorded in 1996.Observers say that in 2002 Japan became the world's largest importer of *beaujolais noveau*.

The Japanese market as a whole is marked by a strong deflationary trend, and the best-selling wine products are low-priced wines selling at around ¥500 per bottle. Consumers increasingly are choosing imported wines over domestic wines if they are priced similarly, and this is significantly undermining the position of domestic wines. September of 2002 saw the launch of production of domestic wine brand in France by Suntory, one of Japan's most prominent brands. Japanese wine is aiming for a higher profile in premium class wines, which depend on carefully selected grapes, and in plumb, apple and other fruit wines.

Many imported wines have been forced to revise retail prices due to the strong euro and to the higher cost imposed by the liquor tax increase in May. At the same time, hotels, restaurants and other commercial users have been reducing the purchase prices they are willing to pay. Thus, profit margins on wine are being squeezed ever tighter. After the licensing system of general liquor retailers is abolished in September of 2003, more stores will be carrying wines, but it is also expected that expanded wine distribution channels will greatly intensify price competition.

On the other hand, sales remain strong for products that are differentiated by type, by winemaking method or by other distinctive product characteristics. Consumers tend more and more to pick wines that suit a particular occasion or social setting. Recently new products have been developed, such as polyphenol-reinforced health wines and organic wines. Expectations are high for future growth in these products.

<Beer>

The beer market in Japan is an oligopoly, essentially controlled by the two most prominent brands, Kirin and Asahi, along with two other important brands, Sapporo and Suntory. Beer consumption has been on the decline, due to the recession's impact on propensity to consume, to an overall decline in alcohol consumption. and to the shift to lower-priced alcoholic beverages (*happoshu* and *chuhai*). Even when total beer and *happoshu* consumption is combined, it is apparent the market is at a standstill.

As of May 2003, happoshu is subject to increased taxes, and leading beer makers have announced suggested retail price increases as a result. The price of a 350 ml can will go up by ¥10 to ¥135, while the price of a 500 ml can will go up by ¥16 to ¥185. April is expected to see a 50% increase in shipments compared to the same month a year earlier, as consumers stock up to beat the looming price increases. But after the price increases go into effect, *happoshu* will increasingly be in a difficult competitive position in relation to *chuhai* and other lower-priced beverages.

Consequently, marketing for imported beer (which makes up less than 1% of the market) and for domestically produced foreign brands of beer is increasingly targeting the commercial market. Makers or importers are focusing on beverage establishments consistent with the unique characteristics of the country and the brand, with special emphasis on draft beer. The World Cup inspired surge in demand has come to an end, but there are excellent prospects for growth in exploring beverage establishments, especially in smaller cities in the provinces.

<Whisky>

The whisky market has been hit harder by the recession than other alcoholic beverages. Both domestic and imported whiskies continue to post weak sales. Both domestic distillers and importers responded to the major liquor tax reductions by cutting retail whisky prices significantly. They have also aggressively introduced new products, including smaller bottles of whisky to encourage young adult drinkers to try the product, and whiskies that go better with Japanese style home-cooked meals. As a result, after years of contraction, the steady shrinkage in the whisky market temporarily reversed itself in 1997 and 1998. However, from 2001 onward annual consumption has been dropping about 10,000 kl per year.

Discount liquor stores sell whisky in large volumes and at low prices. These stores not only cut prices in response to the liquor tax cuts, but they also sell brands of imported whisky that once were considered strictly luxury items, at prices that are comparatively affordable. As a result, these brands have become much more available and accessible. There has been a noticeable decline in imports of whisky in the personal possession of returning from overseas trip. A similar pattern is evident in the import market as well, as standard whiskies are selling for lower prices while high added value malt whiskies remain highly popular. Importers have been organizing informational seminars for bartenders and discriminating consumers in order to evangelize high added value products.

As discussed above, leading beer makers are attempting to establish themselves as comprehensive alcoholic beverage providers. In the process, they are moving at a fever pitch to form business alliances and to make corporate acquisitions, both domestically and abroad. One example is Kirin Beer, which has absorbed into the parent company Kirin Seagrams, the subsidiary that once served as a sole import agent for Chivas Regal. Kirin Beer now handles Chivas Regal directly. Kirin Beer has also acquired worldwide marketing rights for Four Roses bourbon from the United States, as well as domestic marketing rights in Japan for alcoholic beverage products of Pernod Ricard (France). In the same vein, Asahi Beer has acquired Nikka Whisky as a fully owned subsidiary and has signed a Japan marketing agreement with Maxxium Worldwide (the Netherlands). These moves are expected to significantly enhance the marketing strength of these brands in Japan in 2003 and thereafter.

(2) Distribution Channels

Liquor business license holders issued under provisions of the Liquor Tax Law may only distribute alcoholic beverages in Japan. As of March 2002, there were a total of 146,430 licensed liquor (all varieties) retail sale locations in Japan. Retail sale deregulation measures have prompted leading supermarkets and convenience store chains to enter the liquor sale market on a major scale, resulting in an increase of roughly 10,000 sale locations compared to five years earlier. Already there are a number of moves at the wholesale distribution stage to forge alliances and mergers between alcoholic beverage and food wholesalers, a trend that will strengthen the hand of general food wholesalers with nationwide distribution networks.

<Wine>

Domestic wines are normally distributed from the wine maker through primary liquor wholesalers, secondary liquor wholesalers to retailers, then finally to consumers or commercial users. A variety of channels are available to the imported wines, including direct imports by Japanese wine makers, indirect imports via specialized trading companies, or joint imports. Some leading wholesalers and large retailers buy direct from abroad and distribute through their own sales channels, bypassing importers altogether.

Also some wine specialty importers sell directly to consumers. Japanese wine makers often serve as the authorized import agent for leading brands of French and Italian wine. In the past, trading companies had tailored their bulk and bottled wine import business to accord with the preferences and strategies of domestic wine makers and wholesalers. However, trading companies are now starting to devote effort and resources to imports of wines for sale under their own brand labels. One turnaround strategy for small and medium-sized liquor wholesalers and retailers is to reduce the volume of beer, which turns almost no profit, and place more emphasis on wine instead. More and more liquor stores are learning about wine and increasing the amount and variety of wines they carry. Also, Internet-based mail order outlets are all over the country now, and they are expected to play a more prominent role in the future. (see Fig. 16)

<Beer>

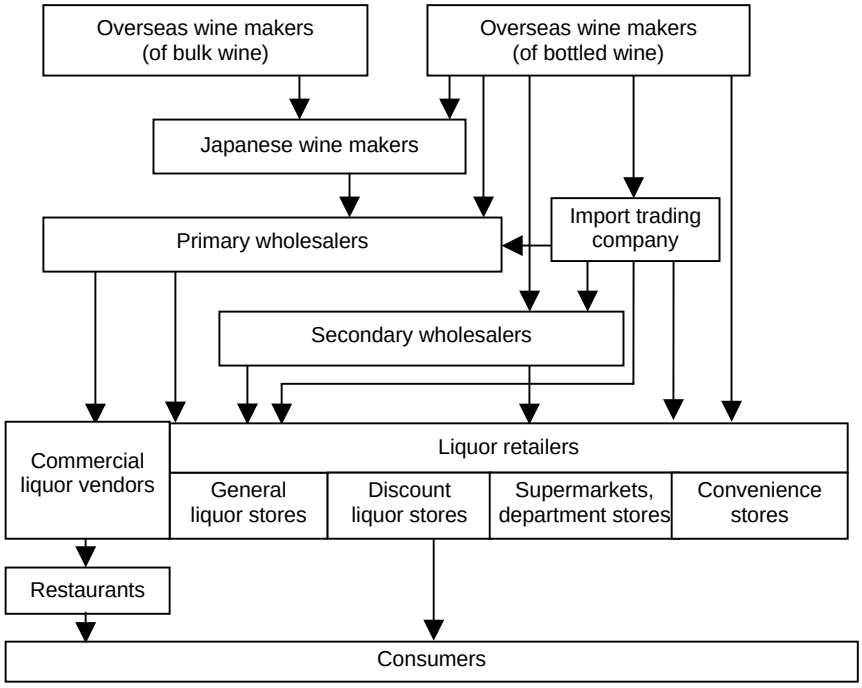
After the liberalization of general liquor retail's licensing set for September of 2003, many more stores are expected to start carrying beer and happoshu, though, many of them may not want to start carrying wine or whiskey. A survey by a leading convenience store chain showed that about 90% of happoshu purchasers also bought a boxed lunch at the same time. Thus, even if there is no profit to be made on happoshu itself, its customer drawing power may prove attractive. Liquor taxes will go up on May 1 as part of the amended Liquor Tax Law, and major supermarkets and convenience stores have announced that they will raise the price of wine accordingly but plan to hold the line on prices of happoshu. In the future channel competition is likely to grow more intense in the beer and happoshu sector

Imported beers are mainly sold through mass merchandiser outlets in major metropolitan areas, and into the commercial market, through restaurants. Nearly all imported beers have avoided a strategy of mindlessly expanding sales volume. Instead, they begin by exploring compatible restaurants in the commercial market, where they seek to gain supporters and cultivate a brand image. Only gradually do they venture into the consumer market. Imported beers little by little gain support when they clearly establish a distinctive identity and appeal that sets them apart from domestic beers. Also, barrel-aged draft beer provides an advantage in the commercial market, and helps brands differentiate themselves in the minds of restaurants. (see Fig. 17)

<Whisky>

Whisky is imported through official routes authorized by foreign distillers and through parallel routes opened by parallel importers. Parallel-import volumes are affected by market conditions, including overseas distribution volumes and exchange rates. In recent years, the trend has been downward. According to industry sources, retail outlets for whisky are divided among commercial liquor vendors (30%), discount liquor stores (25%), ordinary liquor stores (16%), supermarkets (15%) and convenience stories (12%). Channel competition is increasing. (see Fig. 17)

Fig. 16 Distribution channels for imported wine



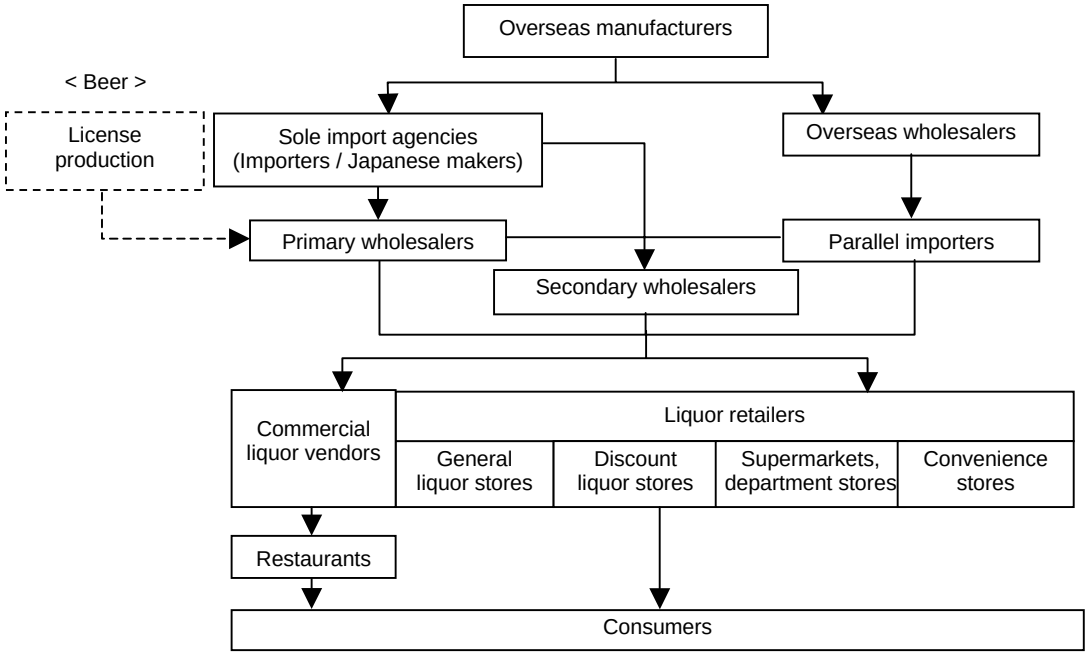
(3) Key Considerations for entering the Japanese Market

Before entering the Japanese liquor market, prospective importers must first make sure that all necessary business licenses for sales of liquors under the Liquor Tax Laws have been obtained. In the case of alcoholic beverages, coloring agents and preservatives are sometimes used as additives. Products containing additives that are not approved for use with food products under Japanese standards, or in excess of permissible quantities may not be imported into Japan. When the alcoholic beverage is being imported into Japan for the first time, voluntary inspection performed in advance by official laboratories designated by the Minister of Health, Labour and Welfare in Japan or registered official laboratories in the exporting country may be essential. Alcoholic beverages must contain less than 1mg/cubic cm of methanol. Prospective importers should obtain samples and check thoroughly in advance to determine whether the product conforms to Japanese standards.

<Wine>

Importing and selling wines require some knowledge of the characteristics of the product. In particular, the delicate flavor of wine requires that it be stored and transported under precisely controlled temperature conditions. Ships from Europe and Australia must pass through tropical regions where the temperature rises as high as 40 degrees Celsius. Because of this, many exporters ship wine in reefer containers that keep the wine at a set temperature. In addition, while in storage wine should be kept in a wine cellar or an equivalent facility where the temperature can be maintained at 15-20 degrees Celsius.

Fig. 17 Distribution channels for imported beer and whisky



<Beer>

Prospective beer importers should also be borne in mind the following points:

- You should carefully study Japanese taste preferences, then establish a distinctive identity and appeal that sets them apart from domestic beers.
- Unsold stocks will deteriorate, resulting in flat beer, broken bottles and crusted cans. Defective will have to be discarded, which is costly in it. Also, customs duties and liquor taxes are not refundable. For these reasons, prospective importers would be well advised to begin by importing and test marketing only a small quantity of beer in Japan.
- You must have a thorough understanding of beer distribution and retailing practices in Japan.

<Whisky>

It is essentially the same as beer, but in the case of whisky, product quality and brand management are more important than beer.

8. After-Sales Service

Importers and resellers bear legal responsibility for any defects in imported alcoholic beverages. They are also responsible for collection of used containers. These considerations need to be kept in mind.

9. Related Product Categories

• Other alcoholic beverages

Other forms of imported alcoholic beverages include brandy, liqueur and other distilled sprits. Under the law these beverages are treated much the same as wine, beer and whisky. Please note that customs and tax authorities classify products differently according to different levels of alcohol content. Check with customs to determine the taxes and duties applicable to a particular product.

• Non-alcoholic beverages

Beverages containing less than 0.5% alcohol are classified as non-alcoholic beverages. Any foods and beverages are subject for the Food Sanitation Law, when they are imported for the purpose of sale or for other commercial purposes. Beverages with an alcohol content of 0.5-1.0% are classified as alcoholic beverages for the purpose of customs clearance, but are not classified as alcoholic beverages under the Liquor Tax Law. These products are sold as soft drinks.

10. Direct Imports by Individuals

Individuals may import quantities of alcoholic beverages deemed appropriate for personal consumption without business license of liquor seller and/or being subject to the Food Sanitation Law requirements. However, imports of alcoholic beverages to serve to customers of restaurants personally owned or operated, or to provide to a multiple non-specific persons are subject to provisions of the Food Sanitation Law. Imports for personal use remain subject to customs duties and liquor taxes. Individuals returning from overseas trips may bring in up to three 760 cc bottles of whisky duty-free, with customs duties levied on amounts in excess of this limit.

11. Related Organizations

• Nippon Wine Importers Association	TEL: 03-3445-6853	
• Japan Imported Beer Association	TEL: 03-5489-8888	
• Japan Wines and Spirits Importers Association	TEL: 03-3503-6505	
• SOPEXA (French Food Promotion Association)	TEL: 03-3585-7440	http://www.franceshoku.com
• Deutscher Weinfonds Representative Office in Japan	TEL: 03-3511-4033	http://www.dwfjp.com
• CMA (German Agricultural Marketing Board)	TEL: 03-3580-0169	
• Italian Trade Commission Tokyo	TEL: 03-3475-1401	http://www.ice-tokyo.or.jp
• Brewers Association of Japan	TEL: 03-3561-8386	http://www.brewers.or.jp
• Japan Craft Beer Association	TEL: 0797-31-6911	http://www.beertaster.org

2. Coffee and Black Tea

1. Definition of Category

<Coffee>

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

HS Numbers	Commodity
0901.11-000, 12-000	Green coffee beans
0901.21-000, 22-000	Regular coffee
2101.11-210, 12-121	Instant coffee
2101.11-100, 11-290, 12-110, 12-122	Coffee extract and essence

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

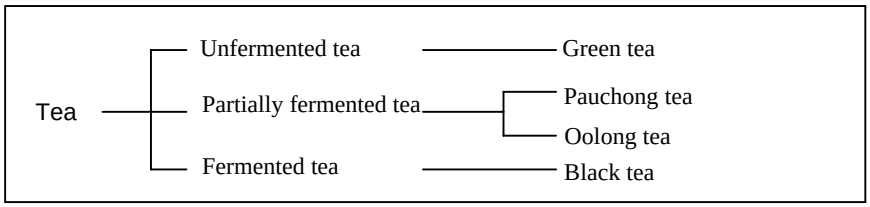
Note 2: Includes roasted coffee beans ground or blended. Commonly referred to as regular coffee.

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

<Black Tea>

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

HS Numbers	Commodity
0902.30-010	Black tea (ready-to-brew tea)
0902.40-210	Black tea (in bulk)
2101.20-110	Instant tea



Note: Other varieties of tea, such as green tea (unfermented tea), Oolong tea and Pauchong tea (partially fermented tea) are also made from the same leaf materials, but are classified differently due to the differences in production method, as shown above.

2. Import Trends

(1) Recent Trends in Coffee Imports

<Coffee>

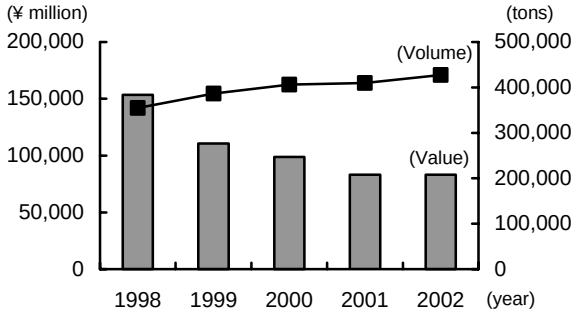
Japan does not produce any coffee beans at all and therefore relies on imports for its entire supply. Most coffee beans are imported unprocessed (as green beans), then are roasted, ground, and packaged for sale afterward. Japan also imports roasted coffee beans, instant coffee, and coffee extracts, but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

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

Finished product coffee imports consist mainly of coffee extract and coffee essence, which are used to make canned coffee drinks and in other commercial applications. The upscale trend in beverage demand in recent years has been accompanied by a changeover to domestic coffee products (made from imported

coffee beans and roasted and ground in Japan). Imports of coffee extract and essence totaled 14,379 tons in 2002, about the same as an average year. In contrast, new all-time records were set in finished product imports of instant coffee (8,465 tons) and regular coffee (4,070 tons).

Fig. 1 Japan's coffee imports



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

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Black tea>

There are three basic types of imported black tea: ready-to-brew tea that is packaged for retail sale in containers of 3 kg or less and can be sold as is; bulk tea imported unprocessed or blended and then processed and packaged in Japan; and instant tea used mainly for vending machines or confections.

Most black tea is imported in bulk form, for use as a raw material for black tea drinks (sold in cans or PET bottles). Imports of tea in bulk form have shown a steady rise due to the expansion of the canned-tea market starting around 1990. In 1997 tea imports grew to almost 20,000 tons worth roughly ¥12.0 billion. However a price spike in 1998 in the producer nations combined with a decline in sales of black tea drinks produced a drop in import volume compared to the year before. This was followed by another, even steeper decline in 1999, when bulk tea imports fell by 23.8% from the year before, sinking to just 14,144 tons. After a bit of a recovery during 2000, imports of black tea turned back downward in 2001 to 15,962 tons (down 18.1% from the year before), due mainly to weak sales of black tea drinks in Japan (see Fig. 13). Black tea packaged for retail sale failed to maintain the previous year's growth level in 2002. Instant tea also finished the year lower. However, the drop in bulk tea appears to have stopped. Overall, tea imports slipped by 2.1% from the year before to 15,083 tons. (see Fig. 2)

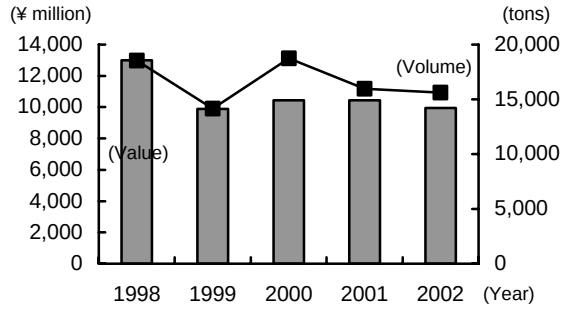
(2) Imports by Place of Origin

<Coffee>

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

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

Fig. 2 Japan's black tea imports

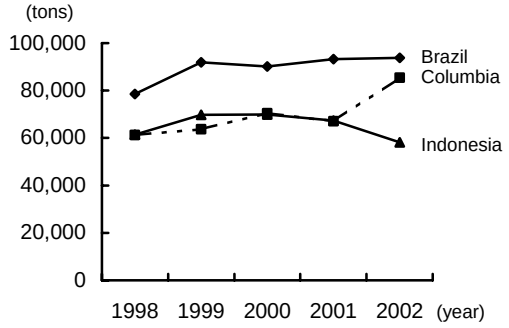


	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Black tea (Ready-to-brew tea)	2,193	5,291	1,764	3,892	1,996	3,836	2,123	4,498	1,940	4,128
Black tea (in bulk)	16,147	7,413	12,043	4,591	15,953	5,635	13,058	4,951	13,089	4,928
Instant tea	213	298	337	1,403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

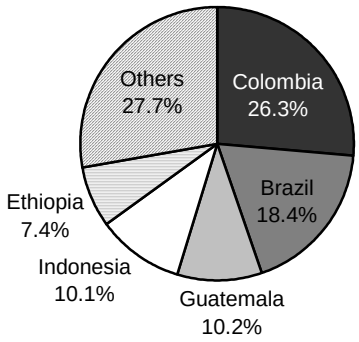
Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 3 Principal exporters of green coffee beans to Japan

Trends in import volume by leading exporters



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



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

Units: tons, ¥ million *Source: Japan Exports and Imports*

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

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

Unit: tons *Source: Japan Exports and Imports*

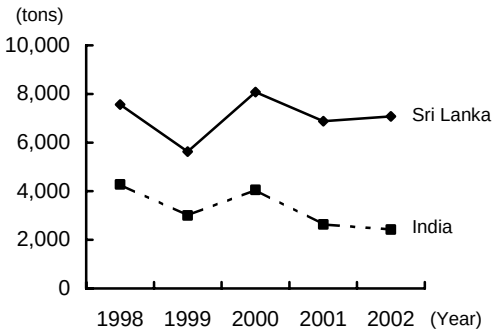
<Black Tea>

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

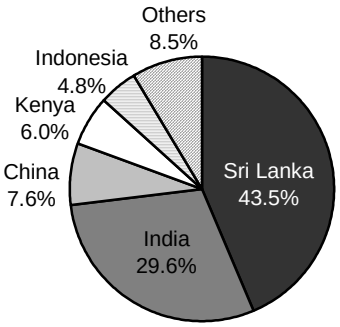
India is the world's leading producer of black tea. Much of this production is consumed at home, and less than 30% is exported. In contrast, Sri Lanka exports nearly its entire production to the rest of the world, making it the world's largest exporter nation. Japan's bulk tea imports reflect this situation.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

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

Trends in import volume by leading exporters



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



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

Units: tons, ¥ million *Source: Japan Exports and Imports*

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

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

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

Units: tons, ¥ million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

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

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

Fig. 7 Imports' share in the Japanese market

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

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

3. Key Considerations related to Importing

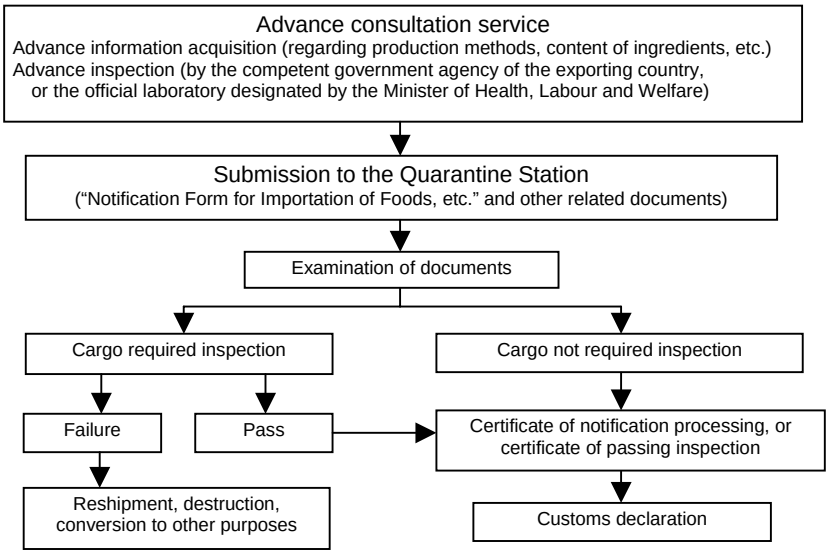
(1) Regulations and Procedural Requirements at the Time of Importation

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

1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for green coffee beans, coffee products and black tea being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Fig. 8 Procedures required under the Food Sanitation Law



The "Notification Form for Importation of Foods, etc." includes a space for listing the production method. Importers should be aware that instant coffee and coffee extracts or essences produced using certain prohibited solvents might not be imported into Japan. Instant coffee is checked for E. coli and the presence of arsenic, lead, etc. under food sanitation inspections. The inspection by quarantine officer also includes a check of the paper and tea bags included in the retail packaging for fluorescence. Prospective importers should be aware that some shipments have been rejected on this basis.

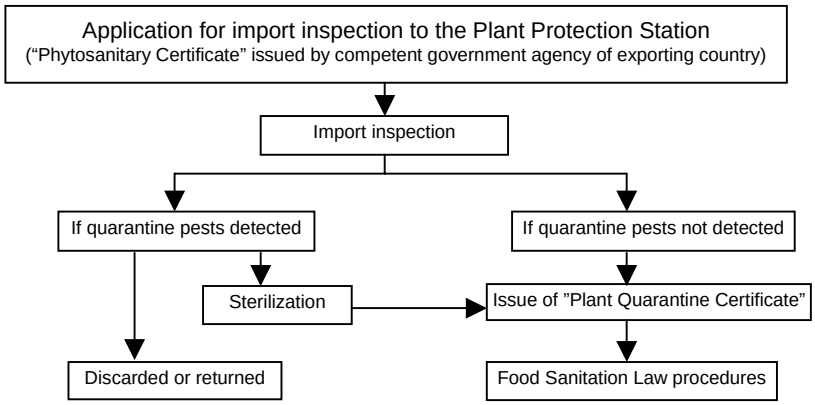
Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites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

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

2) Plant Protection Law

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

Fig. 9 Plant Protection Law Procedures



3) Other Required Procedures

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

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

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

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling packaged coffee and tea products, they must be labeled in accordance with provisions of the Food Sanitation Law (see 4. Labeling). But there is no legally required labeling for green coffee beans. Existing labeling practices reflect international business practices, coffee wholesale exchange standards and producer country standards.

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

The JAS Law establishes quality labeling standard for all food and beverage products sold to ordinary consumers. (see 4. Labeling)

3) Measurement Law

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

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

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

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

6) Law for Promotion of Effective Utilization of Resources

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

7) Containers and Packaging Recycling Law (Law for Promotion of Sorted Collection and Recycling of Containers and Packaging)

The Containers and Packaging Recycling Law was enacted to promote recycling of container and packaging waste materials. It provides for sorting by consumers, sorted collection by municipalities, and product reuse (recycling) by product makers and distributors for glass bottles, PET bottles, paper and plastic containers and packaging. Consequently, coffee or tea product importers and vendors incur the obligation for recycling of containers and packaging (although stipulated small-scale importers are exempt). Please consult the competent government agencies listed below for more information.

(3) Competent Agencies

- Food Sanitation Law
  Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Plant Protection Law
  Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- JAS Law
  Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- Measurement Law
  Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc. go.jp

- International Coffee Agreement
  International Economic Affairs Division, Trade Policy Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3502-8111 http://www.maff.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling coffee or tea products sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, name of food additives (if used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

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

The Law requires that all canned or PET-bottled coffee and coffee drinks, whether produced in Japan or elsewhere, display an identifying mark affixed to or printed on at least one spot on the side of the container. Aluminum cans and PET bottle display a triangular symbol, while steel cans display a circular symbol. They are overlaid with the appropriate terms in Japanese. In addition, identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials.

< Container > **< External packaging, cap, etc. >**

Equilateral triangle with Japanese characters for "aluminum"

Circle with Japanese characters for "steel"

Equilateral triangle with "PET"

Circle with Japanese characters for "paper"

Rectangular with Japanese characters for "plastic"

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

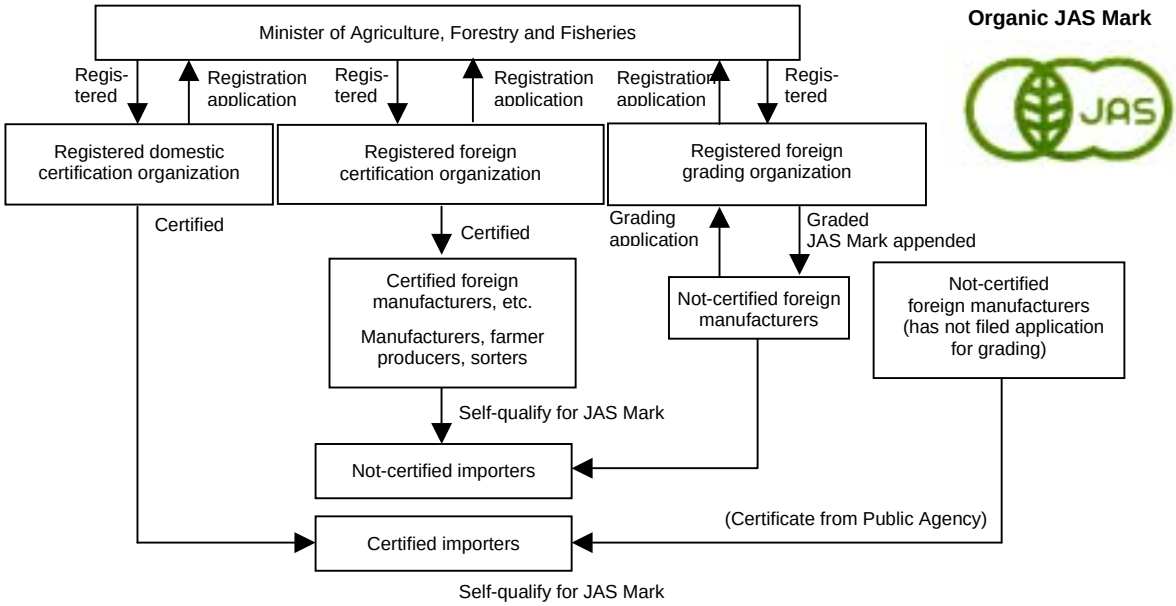
<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

The JAS Law establishes a "special JAS standard" for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase "organic" and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase "organic" and to display the Organic JAS Mark. (see Fig. 10)

1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.

3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

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



Contact:

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

2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

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

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

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

Contacts:

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

<Recycling Mark for Paper Beverage Containers>

Paper beverage containers not containing aluminum are not required by law to include identifier labeling, but the industry has voluntarily introduced an identifier mark program.

Paper pack

紙パック

Contacts:

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

5. Taxes

(1) Customs Duties

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

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

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

Fig. 11 Customs duties on coffee and black tea

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

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

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

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

(1) Green Coffee Beans

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

- Arabica type

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

• Robusta type

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

• Liberica Type

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

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

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

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

Fig. 12 Characteristics of green coffee beans by varieties

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

(2) Black tea

1) Classifications by producer countries

Black tea is produced in some 20 different countries of the world, and each variety has certain distinctive characteristics that reflect the soil and climate of its place of origin. Darjeeling tea from India, Uva tea from Sri Lanka and Keemun tea from China are three of the world's most famous and best-liked black teas. These black teas are noted for the following characteristics. There are few differences in quality standards or distribution methods among different tea-producing countries.

• Darjeeling (India)

Darjeeling black tea comes from the Himalayan uplands of north India. Its flavorful and distinctive aroma has given it the nickname "the champagne of black teas."

• Uva (Sri Lanka)

This black tea is known for its bright color and delicate flavor and aroma.

• Keemun (China)
This black tea comes from the southern part of Anhui Province in China. It is known for its bright color and natural smoky fragrance.

2) Grades of black tea

The quality of black tea is affected greatly by climate and weather conditions as are all agricultural products. Buyers at auction can check the quality for themselves with no problem, but black teas purchased under standard contract need to undergo some sort of quality check.

It should be noted that phrases such as BOP (broken orange pekoe) and OP (orange pekoe) refer only to the size and external appearance of the tea leaves, not the quality of the leaves. You can check with major auction houses to find out common auction prices for black tea. Important auction houses are located in Calcutta, Colombo, Cochin, Mombasa, and Jakarta, all of which are in producer countries.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

1) Coffee in general

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

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

2) Regular coffee

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

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

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

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

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

3) Instant coffee

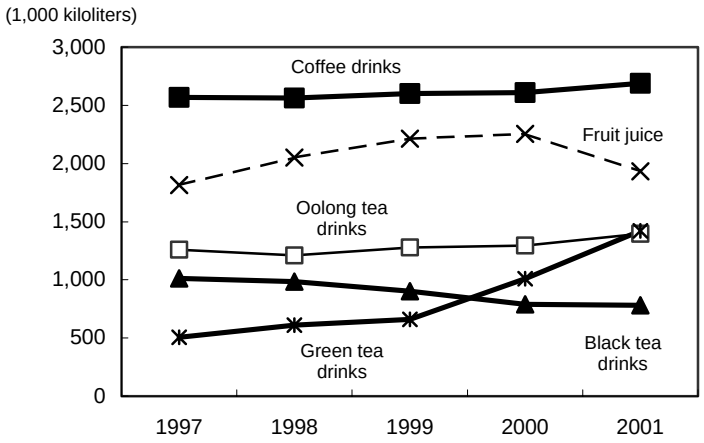
Total production of instant coffee is only about one-third the amount of regular coffee. Nevertheless, domestic shipments and finished product imports of instant coffee set new records in 2001, and continued strong in 2002. Instant coffee is sold primarily in the consumer market (including gift purchases),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

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

4) Coffee drinks

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

Fig. 13 Trends in soft drink production by category



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

Units: 1,000 kiloliters, Per capita consumption=liters, Production value=¥ million *Source: The Japan Soft Drinks Association*

5) Black tea

The idea took hold among consumers that black tea is healthy and adds vitality, and by 1997 Japan had set an all-time record consumption level of 18,600 tons. A major contributor to this growth was industrial demand for use in making black tea drinks sold in cans or PET bottles. This accounted for 55.4% (10,300 tons) of total consumption in 1997. Not surprisingly, black tea drink production topped the 1.0 million kiloliters mark for the first time, with factory shipments of ¥222.8 billion, which is five times the level of packaged tea (teabag and leaf tea).

Nevertheless, from 1998 onward production of black tea drinks turned downward, falling to 789,000 kiloliters (down 12.4% from the year before) in 2000, and an additional down of 1.0% in 2001 to 781,000 kiloliters with estimated black tea consumption of 6,830 tons.

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

(2) Distribution Channels

1) Green coffee beans

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

2) Regular coffee

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

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

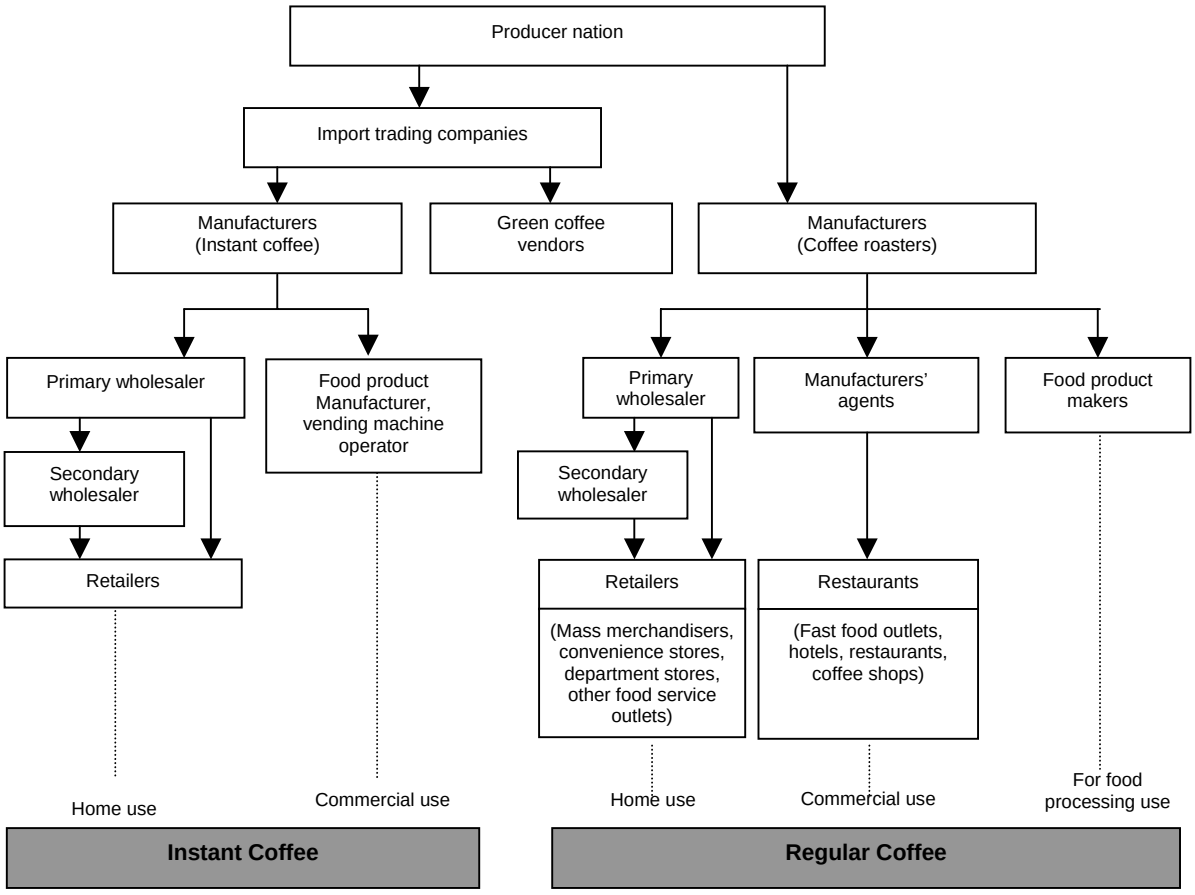
3) Instant coffee

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

4) Coffee extracts and essences

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

Fig. 14 Distribution channels for coffee

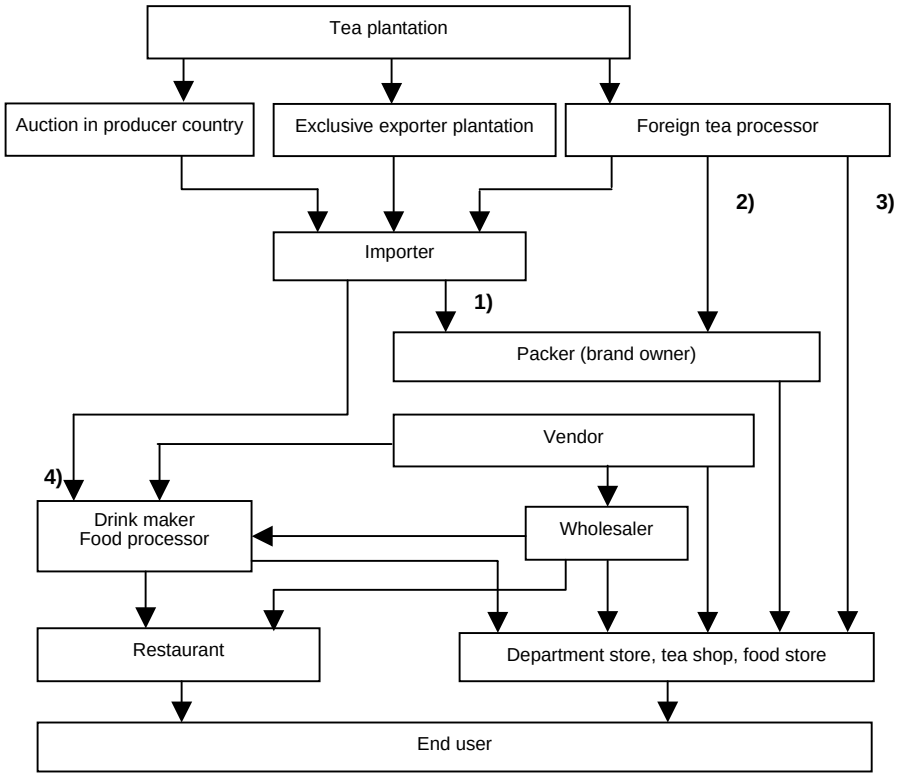


5) Black tea

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

1) Unprocessed tealeaves are imported from abroad, processed, blended and packed in Japan, and sold under a Japanese brand label.
2) A Japanese company linked with a foreign tea processing company imports tea leaves from the foreign company processed according to certain brand specifications and repackages it for retail sale in Japan.
3) Tea is imported pre-processed and pre-packaged for retail and sold in Japan.
4) Bulk tea is imported, processed and packaged in cans or paper wrappers for retail sale as instant tea, or instant tea is imported and sugar and flavoring is added before retail sale in Japan.

Fig. 15 Distribution channels for black tea



Almost all Japanese black tea companies have exclusive agent contracts with major foreign tea processors granting exclusive rights to use the original brand name or logo, the right to repackage the product, and the right to sell the product in Japan. Industry sources estimate that there are some 40 Japanese companies operating under such business relationships. There are three major players in the Japanese black tea market. These were Mitsui Norin Co., Ltd. (Nitto Tea), Nippon Lever K.K. (Lipton and Brookbond), and Kataoka & Co., Ltd. (Twinings and Fortnam Mason).

Although they are few in number, recently there have appeared some black tea specialty stores and tea shops with menus emphasizing black tea. These stores and tea shops are seeking to evangelize the unique properties and qualities of black teas from various producing areas, various ways of making tea, and the pleasures of black tea generally.

(3) Key Considerations for entering the Japanese Market

<Coffee>

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

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

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

<Black tea>

The import channels for black tea are comparatively restricted and specialized. Thus, in order to enter the market, it is essential first to identify and secure an import distribution channel. Also, since black tea oxidizes and degrades in quality from exposure to air, it is also important to consider how the tea will be stored while being imported, and afterward.

8. After-Sales Service

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

9. Related Product Categories

1) Coffee drinks, green coffee beans, cacao beans

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

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

2) Chinese teas

- Subject to same customs and regulatory treatment as black tea.
- Please refer to “Quality Labeling Guidelines of Partially Fermented Teas,” a publication of the Ministry of Agriculture, Forestry and Fisheries.

Note: Because problems have been noted with the purity of certain imports of Pu-Erh tea and Oolong tea, these *products may receive closer scrutiny at customs.*

3) Herbal teas

- Herbal teas may be classified either as food products or medicinal products according to projected use, even when made from the same raw materials. Prospective importers should note that any tea, which claims medicinal or other health benefits, is subject to regulation under the Pharmaceutical Affairs Law.
- Tea leaves, which are dried but otherwise unprocessed, are subject to provisions of the Plant Protection Law. Check to determine whether a particular product is subject to such treatment.

(Contact: Tokyo Branch of Yokohama Plant Protection Station, TEL: 03-3471-4113)

4) Tea drinks

- Subject to the Food Sanitation Law as black tea.
- For labeling method, please refer to the Processed Food Product Quality Labeling Standards under provisions of the JAS Law.

10. Direct Imports by Individuals

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

11. Related Organizations

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

3. Fruit Juices

1. Definition of Category

100% fruit juice. It does not, however, concern itself with the presence or lack of presence of sugar and other sweeteners.

HS Numbers	Commodity
2009.11	Orange juice (frozen)
.12	Orange juice (not frozen, less than 20 brix)
.19	Orange juice (not frozen, other)
.21	Grapefruit juice (less than 20 brix)
.29	Grapefruit juice (other)
.31	Other citrus fruit juice (less than 20 brix)
.39	Other citrus fruit juice (other)
.40	Pineapple juice (less than 20 brix)
.49	Pineapple juice (other)
.60	Grape juice (less than 20 brix)
.69	Grape juice (other)
.71	Apple juice (less than 20 brix)
.79	Apple juice (other)
.80	Other fruit juice*
.90	Mixed juice*

Note1: Asterisks do not include vegetable juice (2009.80-210, 221, 231, 239) and mixed vegetable juice (2009.90-210, 220).

Note2: The brix refers to the value obtained from the Blix hydrometer or refractor (the latter only when the refraction ratio is used as an index of sucrose content) at a temperature of 20˚C.

2. Import Trends

(1) Recent Trends in Fruit Juice Imports

Fruit juices are generally imported in one of the following three forms: 1) fruit juice extract used as raw material (concentrated to one-fifth of its natural volume), 2) finished juice drinks made according to specifications at a wholly-owned or joint-venture plant overseas, 3) finished juice drinks from a foreign maker. Since official customs statistics classify products according to the type of fruit and the sucrose content, the percentile breakdown among these forms are unclear. Industry sources, however, indicate that the most common method is form 1) as raw material, and then flavored and made into finished fruit drinks in Japan.

Both import volume and value figures vary from year to year, depending on fruit harvest, domestic production and demands. After the liberalization of imports of orange juice in April 1992, fruit juice import volume as a whole has trended upward, despite some fluctuation. Fruit juice imports swelled by 17.2% in 2001 to 251,449 kiloliters, breaking the previous record set in 1995. The driving forces behind this growth were apple juice (up 28.4%) and orange juice (frozen and non-frozen, up 21.3%).

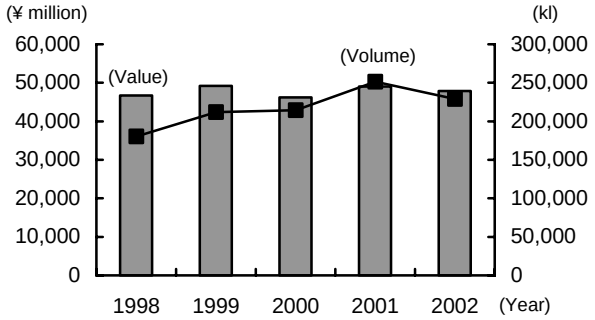
However, 2002 saw both of these products lose momentum significantly, finishing down 22.0% and 10.9%, respectively, from the year before. As a result, total fruit juice import volume slumped to 229,134 kiloliters (down 8.9%). (see Fig.1)

The fruit juices that did post import growth included lemon and other citrus juices (up 35.6%), pineapple juice (up 28.3%) and grapefruit juice (up 11.8%). The main reasons for this development are: 1) the dramatic growth in tea drinks, other non-sugared drinks, and reinforced drinks in the Japanese soft drink market over recent years, 2) the significant decline in sales of fruit juice based near-water drinks since 2001, and 3) the countervailing popularity of canned "*chuhai*," which has boosted demand for grapefruit and lemon juice used as flavoring.

(Note1) "Near-water drinks" is a new type of water-based drink in which flavoring and nutritional supplements are added to mineral water or sport drinks.

(Note2) Chuhai is an alcoholic beverage unique to Japan, made from a combination of shochu, neutral spirits (raw material alcohol) or vodka with lemon, grapefruit or orange juice and carbonated water. It comes in small-size 250-350 ml cans, and has rapidly gained market share due to its popularity as a low-cost low-alcohol (alcohol content 5-7%) beverage (industry observers estimate 2002 sales at approximately 500,000 kiloliters).

Fig. 1 Japan's fruit juice import



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Orange juice (frozen)	54,246	12,625	50,904	11,167	49,736	9,133	57,614	10,097	50,640	10,745
Orange juice (not frozen)	19,712	4,675	29,887	6,261	28,842	5,029	37,725	5,758	34,331	6,727
Grapefruit juice	13,021	2,544	18,902	3,704	22,912	6,243	26,504	6,336	29,623	6,627
Other citrus fruit juice	7,756	2,478	9,319	2,542	8,953	2,100	10,072	2,496	13,658	3,110
Pineapple juice	4,726	1,228	5,021	1,164	3,882	583	4,866	745	6,243	1,253
Grape juice	18,567	6,888	22,709	6,939	25,268	6,469	23,671	5,971	21,575	5,532
Apple juice	50,817	11,354	59,960	10,153	60,773	10,385	78,030	12,786	60,769	9,492
Other fruit juice	7,371	3,756	12,116	6,405	11,325	5,447	9,181	3,810	7,883	3,387
Mixed juice	3,983	1,162	3,278	861	2,876	812	3,785	1,070	4,411	1,011
TOTAL	180,198	46,710	212,095	49,197	214,566	46,201	251,449	49,069	229,134	47,884

Units: kl, ¥ million *Source: Japan Exports and Imports*

Fig. 3 shows a product-by-product breakdown of fruit juice imports in 2002 (volume basis). The two leading imported fruit juices remain orange juice (frozen and non-frozen, 37.1%) and apple juice (26.5%), but there is an evident trend toward wider dispersion among a variety of juices.

Fig. 2 Trends in main fruit juice imports

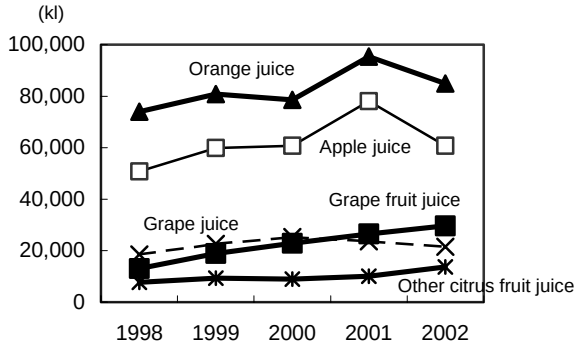
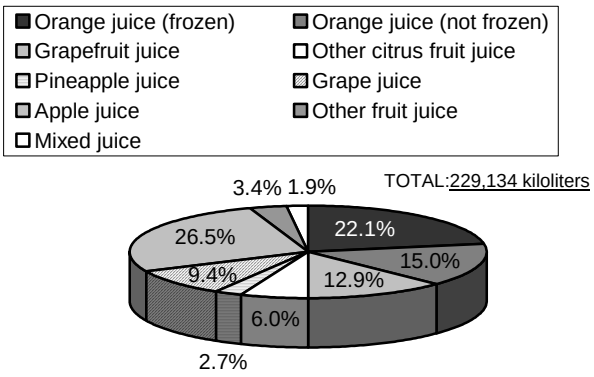


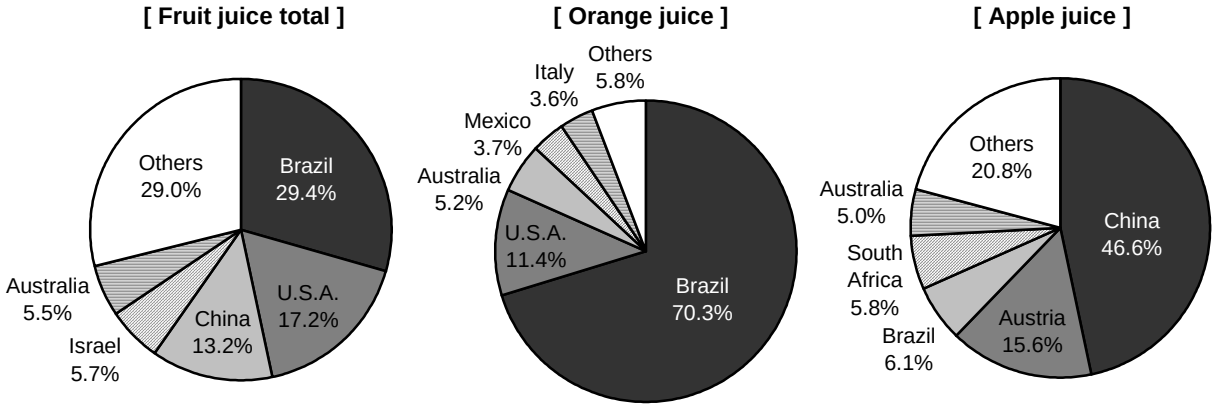
Fig. 3 Breakdown of fruit juice by variety (2002)



(2) Imports by Place of Origin

The leading exporters of fruit juice to Japan are Brazil (29.4%), the United States (17.2%) and china (13.2%). Brazil mainly exports orange juice and China mainly exports apple juice, while the United States exports a number of different juices to Japan, including orange, grapefruit and apple juice. Declining sales of the two mainstay juices in 2002 mean that imports from these three leading countries were down. In contrast, Israel saw its exports (especially of grapefruit juice) soar by 46.6%, putting it into 4th place in the rankings (5.7% import share). Fifth-ranked Australia (5.5%) also expanded its share in both grapefruit and orange juice.

Fig. 4 Breakdown of fruit juice by country (2002)



	First				Second			
	Country	Volume	Share	Yearly change	Country	Volume	Share	Yearly change
Grapefruit juice	U.S.A.	15,908	53.7%	93.4	Israel	7,410	25.0%	178.2
Grape juice	U.S.A.	6,228	28.9%	86.3	South Africa	3,242	15.0%	49.9
Other citrus fruit juice	Italy	4,966	36.4%	176.1	Israel	4,121	30.2%	99.0
Pineapple juice	Thailand	1,935	31.0%	126.1	Philippines	1,600	25.6%	90.6
Other fruit juice	U.S.A.	2,197	27.9%	65.4	China	1,769	22.4%	87.7

Unit: kl *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

Most fruit produced in Japan is used as fresh food. Only limited quantities can be used to make fruit juice, and from a price standpoint, domestic fruit is uncompetitive with fruit grown abroad anyway. Accordingly, Japan relies on imports for the bulk of its fruit juice raw materials. For example, orange juice used to be made from domestically produced tangerines or their mixture with Valencia oranges. At the present time, however, production of juice from domestic tangerines itself is falling and consumers are switching to 100% orange juice by preference. Industry sources believe that imports will take on an increasingly greater share of the market in the future.

3. Key Considerations related to Importing

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

The importation of fruit juice is subject to provisions of the Food Sanitation Law.

1) Food Sanitation Law

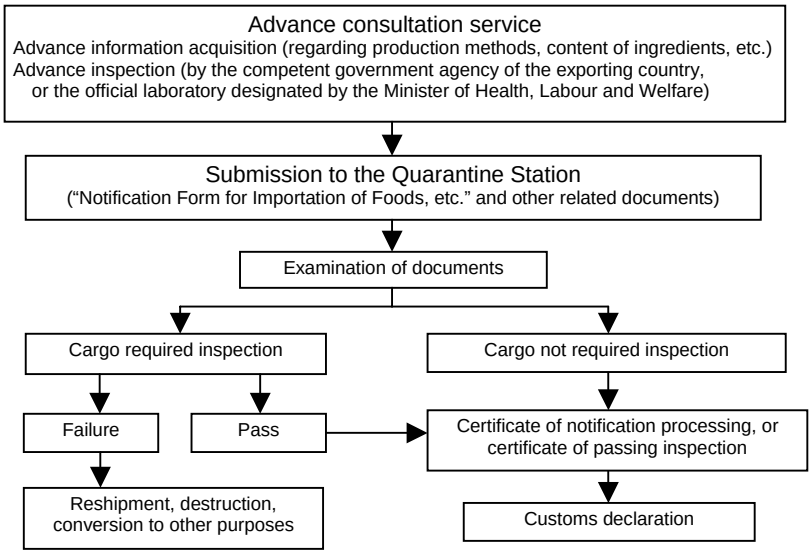
Under provisions of the Food Sanitation Law, an import notification is required for fruit juice being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

In addition to standard inspections, fruit juice may be subject to the following additional inspections.

- Sulfur dioxide (SO_2).....0.005 g/kg or less
- Solbic aid.....0.005 g/kg or less
- Benzoic aid.....0.005 g/kg or less
- Artificial coloring agents.....Not present
- Coliform group.....Not active

Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites the quarantine clearance process. In addition, importers who wish to submit their notifications by computer may make use of the computerized FAINS (Food Automated Import Notification and Inspection Network System) for processing import-related documentation. Importers who have the required hardware and software may apply for a security code from the Minister of Health, Labour and Welfare to access the system.

Fig. 5 Procedures required under the Food Sanitation Law



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

The sale of fruit juice is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling packaged fruit juice, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

In addition, processed foods and food additives containing allergens are required or recommended to state in the labeling to the effect that they contain allergenic foods.

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. Fruit juice is subject to labeling requirements under provisions of the Processed Food Product Quality Labeling Standards and the Fruit Juice Drink Product Quality Labeling Standards. (see 4. Labeling)

3) Measurement Law

Fruit juice sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

<Fair Competition Code Concerning Representation of Fruit Juice>

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) Law for Promotion of Effective Utilization of Resources

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

7) Containers and Packaging Recycling Law (Law for Promotion of Sorted Collection and Recycling of Containers and Packaging)

The Containers and Packaging Recycling Law was enacted to promote recycling of container and packaging waste materials. It provides for sorting by consumers, sorted collection by municipalities, and product reuse (recycling) by product makers and distributors for glass bottles, PET bottles, paper and plastic containers and packaging. Consequently, fruit juice importers and vendors incur the obligation for recycling of containers and packaging (although stipulated small-scale importers are exempt). Please consult the competent government agencies listed below for more information.

(3) Competent Agencies

- Food Sanitation Law
  Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL:03-5253-1111 http://www.mhlw.go.jp
- JAS Law
  Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL:03-3502-8111 http://www.maff.go.jp
- Measurement Law
  Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

1) Labeling requirements under the JAS Law

When selling fruit juice sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, name of food additives (if used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

Example of label for fruit juice

Product name	Orange juice (reconstituted from concentrate)
List of ingredients	Orange, flavors
Net content	500 ml
Best-before date	2003. 1. 22
Preservation method	Store at room temperature out of direct sunlight.
Country of origin	U.S.A.
Importer	XYZ Co., Ltd. X-X, YY-machi, ZZ Prefecture

<Labeling of Foods Containing Allergens>

The Food Sanitation Law mandates or recommends ingredient labeling for 24 items that contain allergens. Processed foods containing the food items listed in the following table, and processed foods containing additives derived from these food items are either required or advised to bear labeling to the effect that they contain allergenic foods.

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

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

The Law requires that all canned or PET-bottled fruit juice, whether produced in Japan or elsewhere, display an identifying mark affixed to or printed on at least one spot on the side of the container. In addition, identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials.

< Container > **< External packaging, cap, etc. >**

Equilateral triangle with Japanese characters for “aluminum”

Circle with Japanese characters for “steel”

Equilateral triangle with “PET”

Circle with Japanese characters for “paper”

Rectangular with Japanese characters for “plastic”

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

< JAS Mark>

JAS Mark

The JAS Law establishes JAS standards for fruit juice. 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 display the JAS mark in order to be sold.

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.

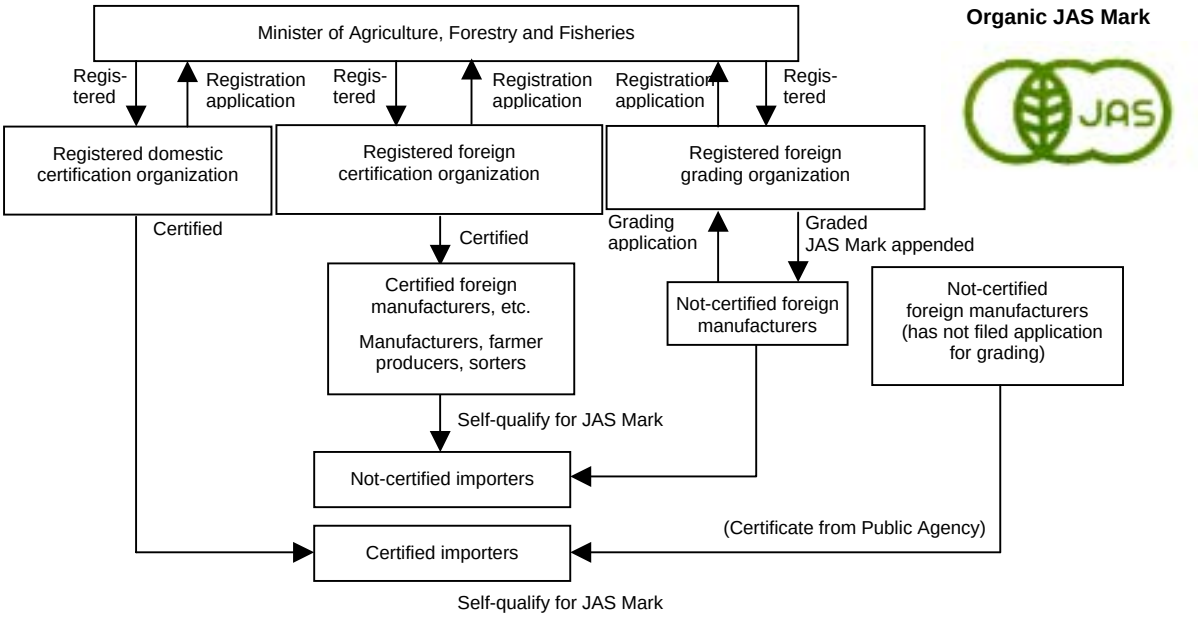
<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

The JAS Law establishes a “special JAS standard” for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase “organic” and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase “organic” and to display the Organic JAS Mark. (see Fig. 6)

1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.
3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

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

Fig. 6 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

<Fair Competition Code Concerning Representation of Fruit Juice Drinks, etc.>

The industry has voluntarily adopted these guidelines in order to assure consumer product choice availability and preserve fair competition, based on the Act Against Unjustifiable Premiums and Misleading Representations. Under this Code, importers are required to label the items under provisions of the law.

Contacts: Japan Fruit Juice Fair Trade Council TEL: 03-3275-1031

<Recycling Mark for Paper Beverage Containers>

Paper beverage containers not containing aluminum are not required by law to include identifier labeling, but the industry has voluntarily introduced an identifier mark program.

Paper pack

Contacts:

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

5. Taxes

(1) Customs Duties

As is clear from Fig. 7, fruit juices are subject to different duties to product categories, presence of added sugar, weight of sucrose, and place of origin (WTO rates are applied to imports from WTO member nations, and general rates for non-member nations). Beginning in 2002, new HS Number categories were added based on the brix ratio, although there is no difference in tariffs on the same product with different brix ratios.

Fig. 7 Customs duties on fruit juice

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
2209.11,19	Orange juice				
	1. Containing added sugar				
-110	(1) Not more than 10% by weight of sucrose, naturally and artificially contained	30%	25.5%		
-190	(2) Other orange juice, containing added sugar	35% or ¥27/ kg, whichever is the greater	29.8% or ¥23/kg, whichever is the greater		
	2. Other orange juice				
-210	(1) Not more than 10% by weight of sucrose	25%	21.3%		
-290	(2) Other orange juice	30%	25.5%		
2009.20~90	Juice of any other fruit				
	1. Containing added sugar				
-110	(1) Not more than 10% by weight of sucrose	27%	23%		
-190	(2) Other fruit juice, containing added sugar	35% or ¥27/ kg, whichever is the greater	29.8% or ¥23/ kg, whichever is the greater		
	Apple juice	40% or ¥27/ kg, whichever is the greater	34% or ¥23/ kg, whichever is the greater		
	2. Other juice of any fruit				
-210	(1) Not more than 10% by weight of sucrose	22.5%	19.1%		
-211	a. Lemon juice	8%	6%		
-212	b. Lime juice	16%	12%		
-219	c. Juice of any other citrus fruit	22.5%	19.1%		
-122	Prune juice		14.4%		
-290	(2) Other juice of any fruit	30%	25.5%		
	Apple juice	35%	29.8%		

Note 1: "Other juice of any fruit" means grapefruit juice (2009.20), juice of any other citrus fruit (2009.30), pineapple juice (2009.40), grape juice (2009.50), apple juice (2009.70), other fruit juice (2009.80), and mixtures of juices (2009.90).

Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

Fruit juice may be mainly divided into citrus juices such as orange and grapefruit juice and non-citrus juices such as apple juice, grape juice, and pineapple juice.

• Orange juice

The top supplier of orange juice to Japan, Brazil, is the world's leading producer of oranges. Almost its entire crop is processed into juice and exported. The leading Pela variety features a somewhat strong acidity and yellow color. Brazilian orange juice is low in priced and is being increasingly sold under private brands of supermarkets, etc. Tanker to Japan transports about half, where it is handled at Japan's first orange juice concentrate storage and supply terminal for reshipment to Japanese makers. For its part, the main orange growing regions in the United States are Florida and California. For juice making, Florida oranges are mainly used. The leading variety is the Valencia orange, which is sweet and has a dark orange in color.

• Apple juice

Apple juice is one of the favorite juices of the Japanese. It comes in two types: clear and cloudy. The clear type is dominant in the world. The Japanese, however, prefer the cloudy type. American apples are considered to produce a juice of a beautiful color and excellent balance of acidity and sweetness.

Nearly all apple imports from China consist of cloudy-type juices produced under Japanese technical guidance. Improved product quality and consistently low prices have helped China expand exports of apple juice to Japan.

• Grapefruit juice

There are two main types of grapefruit: the white type and ruby type. The ruby type is mostly consumed fresh. The western countries mainly use the white variety for making juice. Japan also predominantly uses the white type for juice, but luxury food stores, department stores, etc. also sell juice made using only the ruby type due to the consumer preference for its taste (said to be generally sweeter and less bitter).

Grapefruit is harvested all the year round, but is best harvested from February to May when its sweetness and acidity are balanced. Japan also imports grapefruit juice using only fruit harvested during this optimal season.

• Other juices

Grape juice is mostly imported since almost all of the grapes produced domestically are used for fresh consumption or for making wine where they fetch higher prices. The United States supplies the largest amount of grape juice - mostly of the Concord variety. This type of grape has a beautiful purple color and an excellent balance of acidity and sweetness, so is considered the best type of grape for making juice. The polyphenols in red wine was reported to provide significant health benefit. This touched off a boom in red wine sales, and in response, led to increase of grape juice imports.

Pineapple juice was formerly a favorite among the Japanese due to its unique taste and fragrance – not available in other juices. Consumer tastes have, however, changed to fresher and cleaner tasting juices. This has caused a shift in consumption away from pineapple juice in recent years. At the present time, pineapple juice is often blended with other fruit and vegetable juices to meet with these changes while making use of its fragrance and sweetness. Blends with other tropical fruits are popular items in the summer season. Overall, however, according to the industry, most pineapple juice is still being sold as a pure juice.

Lemon juice and lime juice are mixed with other juices or used for making soft drinks and canned *chuhai* such as lemon- and honey-flavored drinks rather than being consumed alone. They are also used for cooking and for making alcoholic drinks.

7. Domestic Distribution System and Business Practices

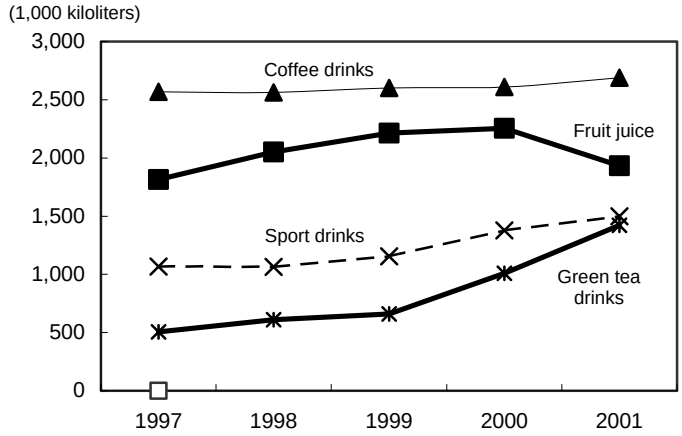
(1) Domestic Market Conditions

Despite chronic recessionary conditions in the Japanese economy, soft drink sales have been expanding due to the introduction of new products based on research into consumer preferences, as well as aggressive sales campaigns. By product category, most popular soft drink is coffee drinks. But the fastest growing product category has been non-sugared drinks such as tea drinks, which demonstrates that tastes in the overall soft drink market are shifting toward drinks with fresh taste and health conscious features such as low sugar/calorie content.

Fruit drinks have fared very poorly in the recent soft drink market. In 2001 sales were down a sizable 14.2% from the year before to just 1.934 million kiloliters, the first time in 4 years below the 2.0 million kiloliters level. The fad for fruit juice based near-water drinks (included under “other direct drinks” with about 2% juice content) finally fizzled, after having propped up the fruit juice market up through the year before. Growth ceased for “drinks containing fruit juice” (juice content 10-49%), the most important product in this category. Fruit drinks are far less prominent in Japan than in other markets. Significantly, only 100% natural fruit juices have posted sales growth for two straight years.

In the past, most of natural fruit juice has been reconstituted from concentrate. Liberalization of imports and greater efforts by resellers have made it possible to sell straight natural fruit juice at affordable prices. This juice has become popular because of its appeal to consumers who prefer authenticity and natural products. Frozen juice concentrate has almost a 30% share of the consumer market in Western countries, but this type of juice is available in Japan only through a very small number of distribution channels.

Fig. 8 Trends in fruit juice drink production and comparisons with other soft drinks



	1997	1998	1999	2000	2001	Yearly change	Percentage of total	Per capita consumption	Production value
Fruit juice drinks	1,814	2,050	2,214	2,255	1,934	85.8	12.2	15.2	379,916
Natural fruit Juice	573	570	550	556	576	103.6	3.6	4.5	101,848
Fruit juice	62	64	51	120	60	50.0	0.4	0.5	14,513
Drinks containing fruit flesh	40	40	30	27	24	88.9	0.2	0.2	5,321
Drinks containing fruit juice	829	880	1,055	1,050	987	94.0	6.2	7.8	197,104
Fruit juice containing granule	29	13	75	48	15	31.3	0.1	0.1	3,498
Other direct drinks	159	385	347	354	210	59.3	1.3	1.6	37,548
Diluted fruit juice	104	88	90	80	45	56.3	0.3	0.4	12,068
Fruit syrup	18	16	16	20	17	85.0	0.1	0.1	8,016
Coffee drinks	2,568	2,562	2,600	2,610	2,688	103.0	16.9	21.1	834,526
Tea drinks	3,876	3,990	4,057	4,380	4,828	110.2	30.4	37.9	836,762
Green tea drinks	505	610	661	1,010	1,421	140.7	9	11.2	261,748
Oolong-tea drinks	1,260	1,210	1,280	1,295	1,398	108.0	8.8	11	211,174
Blend tea drinks	843	930	950	981	804	82.0	5.1	6.3	124,863
Black tea drinks	1,011	985	901	789	781	99.0	4.9	6.1	177,056
Barley tea drinks	187	173	180	218	257	117.9	1.6	2	30,675
Other tea drinks	70	82	85	87	167	192.0	1.1	1.3	31,246
Cola drinks	1,152	1,149	1,170	1,160	1,170	100.9	7.4	9.2	234,874
Other carbonated drinks	1,854	1,704	1,722	1,644	1,479	90.0	9.3	11.6	348,515
Mineral water	646	715	956	894	1,021	114.2	6.4	8	85,540
Sport drinks	1,068	1,065	1,156	1,378	1,500	108.8	9.5	11.8	265,911
Other soft drinks	989	1,237	1,292	1,172	1,239	105.7	7.8	9.7	339,313
TOTAL	13,967	14,472	15,167	15,493	15,859	102.4	100.0	124.6	3,525,357
(Yearly change)	(106.2)	(103.6)	(104.8)	(102.2)	(102.4)				

Unit: 1,000 kiloliters, Per capita consumption=liters, Production value=¥ million *Source: The Japan Soft Drinks Association*

Increased health awareness has led to greater interest in organic juices. More and more fruit juice drink makers are adding 100% organic juices to their product lines, and they believe long-term market prospects are excellent. However, the organic juices being sold today are not particularly tasty, and better-tasting organic juices need to be developed. An amendment to the JAS Law adopted a more stringent definition of organic products. Domestic products will have a difficult time conforming, and demand for real organic juice from abroad is expected to grow.

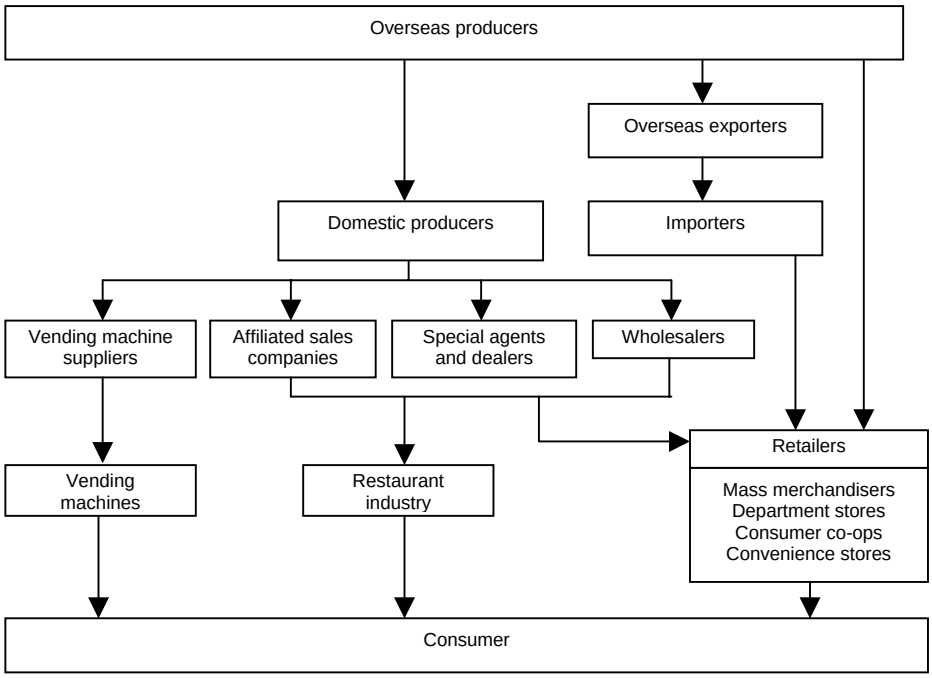
With regard to market share by container type, PET bottles overtook paper containers to gain the top spot in 1998. Since that time, PET bottles' share has continued to grow, while cans and bottles have fallen dramatically. In 2001 PET bottles had a 39.8% share, followed by 33.7% for paper containers, 20.9% for cans, 4.1% for bottles and 1.5% for other containers. Drinks with low juice content packaged in small 250 ml PET bottles are popular. In addition, paper containers are trending upward in step with the increase in chilled natural fruit juice.

(2) Distribution Channels

Fruit juice extract used as raw material for fruit juice drinks is supplied from overseas supply sources to Japanese makers and agricultural cooperatives. When a Japanese company is operating a joint venture with a foreign juice maker, juice concentrate is imported in drums directly from the joint venture firm, or from specific growing areas designated by that firm. The juice is then reconstituted according to the foreign makers' stipulated formula, natural flavorings or other compounds are added, and then it is placed in containers. On the other hand, in the case of a Japanese maker or brand owner, research technicians and marketing specialists are sent to the overseas growing area to select suppliers, after which the juice is imported through a trading company.

After juice concentrate is made into finished fruit drink in Japan, makers distribute fruit juice drinks to wholesalers, authorized agents and/or affiliated sales companies. From that point, fruit juice drinks are distributed to 1) retail stores, 2) food service industry, including hotels, restaurants, and coffee shops, and 3) vending machines. The leading companies in the fruit juice market are Coca Cola Japan, Suntory and Kirin Beverage, along with agricultural co-op brands. Only in the sector of 100% natural fruit juice do dairy companies have a strong presence, aided by their refrigerated goods distribution system.

Fig. 9 Distribution channels for fruit juice



In retail segment, supermarket mostly sells family-size paper cartons and large-size PET bottles at prices that fluctuate. In contrast, convenience stores mostly sell personal-size small PET bottles and paper cartons that appeal more to single individuals and the young people. Convenience stores usually sell at set, unvarying prices. With vending machine placements near the saturation point, and small-size PET bottles gaining popularity, convenience stores have a larger role in soft drink distribution. On the other hand, distribution to the commercial user market requires the capability to meet specific needs in terms of temperature control and transport. Thus, in many cases distribution occurs through wholesalers who specialize in distributing to commercial users.

(3) Key Considerations for entering the Japanese Market

In the case of fruit juice, coloring agents and preservatives are sometimes used as additives. Fruit juice containing additives that are not approved for use with food products under Japanese standards, or in excess of permissible quantities, may not be imported into Japan.

When fruit juice is being into Japan for the first time, the importer should append its import notification with a statement of voluntary inspection results performed in advance by official laboratories designated by the Minister of Health, Labour, and Welfare.

The large manufacturers dominate the distribution and sale of fruit juice. When desiring to newly enter the market, therefore it is necessary not only to ensure quality, but also to secure distribution channels. Note that a large share of the sales of soft drinks is through vending machines, but there is already of surfeit of these machines and it would extremely difficult to sell fruit juice using them.

8. After-Sales Service

In general, there is no after-sales service required, but either the distributor or vendor is held liable for defective products.

9. Related Product Categories

Vegetable juice and fruit juice mixed with vegetables are related products. Carrot juice grew in sales since around 1992 as a health drink. These related products must also clear the requirements of the Food Sanitation Law when being imported and sold. Voluntary standards for quality and labeling have also been established for them under the JAS Law. For tomato juice, see “I-9 Process tomato products” in this guidebook.

10. Direct Imports by Individuals

Individuals may import without restriction quantities of fruit juices deemed appropriate to personal consumption. However, imports of fruit juices to provide to a multiple non-specific persons are subject to provisions of the Food Sanitation.

11. Related Organizations

- Japan Fruit Juice Association TEL: 03-3275-1031
- The Japan Soft Drinks Association TEL: 03-3270-7300 http://www.j-sda.or.jp/

4. Mineral Water

1. Definition of Category

All natural mineral waters containing inorganic salts or carbonation (both naturally and artificially carbonated waters).

HS Number	Commodity
2201.10-000	Mineral waters and aerated waters

Note: In Japan, however, naturally carbonated mineral waters are classified as mineral water, while artificially carbonated mineral waters are classified as carbonated beverages.

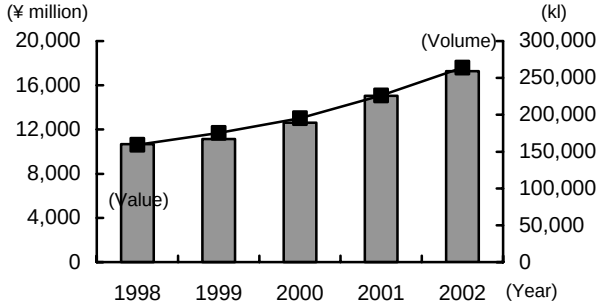
2. Import Trends

(1) Recent Trends in Mineral Water Imports

Mineral water imports are performing well. A 1996 contamination incident pushed imports down to 144,721 kiloliters, but import volume has been steadily increasing year by year since then. 2001 saw imports finally move past the previous peak year of 1995 to set a new all-time record of 226,061 kiloliters, worth ¥15.0 billion. The surge of momentum carried over into 2002 as well. Mineral water imports gained another 16.8% on a volume basis to finish at 264,078 kiloliters, worth some ¥17.3 billion (up 14.9%). This represented the highest rate of growth in the past five years on both a volume and a value basis.

Imported mineral waters include aerated waters. However, since Japanese consumers tend to prefer non-carbonated beverages, aerated mineral waters have not grown much at all.

Fig. 1 Japan's mineral water imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Mineral waters and aerated waters	159,127	10,672	175,582	11,131	195,334	12,626	226,061	15,040	264,078	17,287

Units: kl, ¥ million *Source: Japan Exports and Imports*

(2) Imports by Place of Origin

France holds a commanding lead in mineral water import share with 74.5% in 2002 (196,724 kiloliters, up 16.3% from the year before). France exports several brand names that are very well-known among the Japanese, including Evian, Vittel and Volvic. These brands have used trading companies and beverage makers as exclusive importing agencies to explore the Japanese mineral water market. (see Fig. 2)

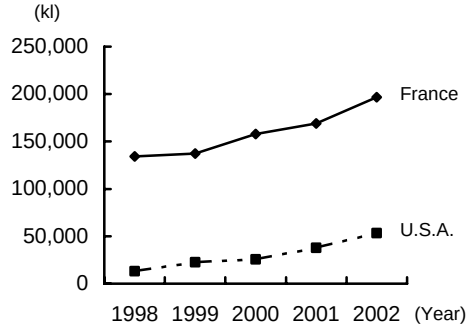
Imports have risen steadily year by year from the United States. American imports posted another huge leap in 2002, soaring by 41.3% to 53,213 kiloliters (20.2% share). Crystal Geyser, produced in California, has made a name itself with an aggressive promotional campaign featuring an endorsement by a Major League baseball player in its TV and magazine ads. France and the United States together control nearly 95% of the mineral water market. Italian exports doubled in 2002, but still lag far behind the leaders.

(3) Imports' Market Share in Japan

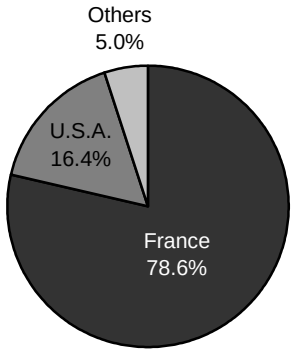
Imports' market share (on a volume basis) reached 30.5% of the Japanese market in 1995, but tumbled in 1996 because of a contamination incident. Mineral water imports have been on a recovery path once again since 1997, but since domestic production is also increasing, imports' market share has remained flat at around 18%. (see Fig. 3)

Fig. 2 Principal exporters of mineral water to Japan

Trends in import volume by leading exporters



Shares of mineral water imports in 2002 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
France	134,170	137,468	157,773	169,087	11,890	196,724	74.5%	13,583	78.6%
U.S.A.	13,152	22,721	25,502	37,656	1,992	53,213	20.2%	2,843	16.4%
Italy	1,348	1,289	1,639	2,269	199	4,868	1.8%	385	2.2%
R. Korea	1,061	5,127	2,274	4,223	137	3,454	1.3%	119	0.7%
Canada	1,162	3,279	4,615	9,068	639	2,684	1.0%	159	0.9%
Other	8,233	5,699	3,531	3,758	183	3,136	1.2%	198	1.1%
Total	159,127	175,582	195,334	226,061	15,040	264,078	100.0%	17,287	100.0%
(E U)	143,636	143,776	162,103	173,677	12,206	203,538	77.1%	14,096	81.5%

Units: kl, ¥ million *Source: Japan Exports and Imports*

Fig. 3 Imports' share in the Japanese market

	1996	1997	1998	1999	2000	2001
Domestic products	485,900	646,000	714,600	956,400	894,300	1,021,200
Imported products	144,721	148,605	159,127	175,582	195,334	226,061
Total market	630,621	794,605	873,727	1,131,982	1,089,634	1,247,261
Imports' share	22.9%	18.7%	18.2%	18.4%	17.9 %	18.1 %

Unit: kl *Source: The Japan Soft Drinks Association, Japan Exports and Imports*

3. Key Considerations related to Importing

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

Importation of mineral water is subject to the Food Sanitation Law.

1) Food Sanitation Law

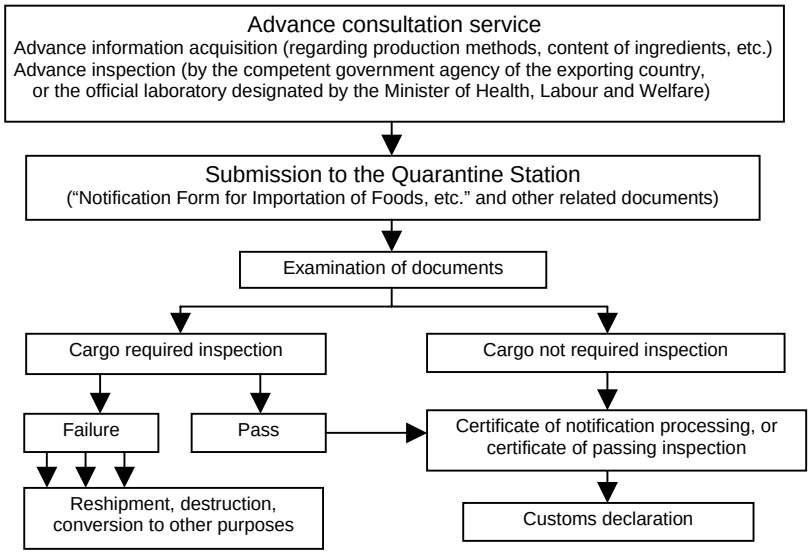
Under provisions of the Food Sanitation Law, an import notification is required for mineral water being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Mineral water is subject to separate standards under the Food Sanitation Law for composition, manufacturing, and preservation. Products that fail to comply with these standards may not be imported into Japan. In order to verify whether a product conform to the Food Sanitation Law manufacturing standards, the water content must be tested, and thorough check must be conducted of all the manufacturing processes all the way from extraction to bottling at the manufacturing facility.

After a number of such contamination incidents occurred involving mineral water, manufacturing standards under the Food Sanitation Law were revised. The inspection program was strengthened to provide for on-site inspections for each notification, and for tests to check for impurities or precipitants.

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.

Fig. 4 Procedures required under the Food Sanitation Law



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

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

The sale of mineral water (including carbonated water and artificially carbonated mineral water) is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. The Law defines mineral water content standards and sets forth manufacturing and preservation standards. The sale in Japan of mineral water is subject to labeling requirements under provisions of the Law. (see 4. Labeling)

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

Mineral water sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

6) Law for Promotion of Effective Utilization of Resources

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

7) Containers and Packaging Recycling Law (Law for Promotion of Sorted Collection and Recycling of Containers and Packaging)

The Containers and Packaging Recycling Law was enacted to promote recycling of container and packaging waste materials. It provides for sorting by consumers, sorted collection by municipalities, and product reuse (recycling) by product makers and distributors for glass bottles, PET bottles, paper and plastic containers and packaging. Consequently, mineral water importers and vendors incur the obligation for recycling of containers and packaging (although stipulated small-scale importers are exempt). Please consult the competent government agencies listed below for more information.

(3) Competent Agencies

- Food Sanitation Law
  Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- JAS Law
  Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- Measurement Law
  Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling mineral water sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, name of food additives (if used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

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

The Law requires that all canned or PET-bottled mineral water, whether produced in Japan or elsewhere, display an identifying mark affixed to or printed on at least one spot on the side of the container. Aluminum cans and PET bottle display a triangular symbol, while steel cans display a circular symbol. They are overlaid with the appropriate terms in Japanese. In addition, identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials.

< Container > **< External packaging, cap, etc. >**

Equilateral triangle with Japanese characters for “aluminum”

Circle with Japanese characters for “steel”

Equilateral triangle with “PET”

Circle with Japanese characters for “paper”

Rectangular with Japanese characters for “plastic”

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

JAS Mark

Artificially carbonated mineral water is regarded as carbonated drink and subject to JAS standards. 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 display the JAS mark in order to be sold.

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

Contact:

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

2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

<SG mark>

SG Mark

In the category of bottled carbonated beverages, mineral water in bottles of 400 ml or less with an internal gauge pressure of 2.5 kg or greater (including both naturally carbonated and artificially carbonated bottled mineral water) is eligible for the SG Mark program, which is administered by the Consumer Product Safety Association. Any manufacturer, importer or retailer of the product can be entitled to stick a SG (Safety Goods) Mark, when it is confirmed to meet the requirements of the Approval Standard of the product.

Any person who is personally injured by a defect of SG Mark stuck product shall compensated by the Association within ¥100 million per person. This compensation system is valid only when applied to personal injury and death caused by a defective SG Mark stuck product.

Contacts: Consumer Product Safety Association TEL: 03-5255-3631 http://www.sg-mark.org

<Recycling Mark for Paper Beverage Containers>

Paper pack

Paper beverage containers not containing aluminum are not required by law to include identifier labeling, but the industry has voluntarily introduced an identifier mark program.

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

5. Taxes

(1) Customs Duties

Following table presents tariff rates on mineral water.

Fig. 5 Customs duties on mineral water

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
2201.10-000	Mineral waters and aerated waters	3.2%	3%	Free	

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

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

(1) Characteristics by type

The volcanic rocks and soils of Japan generally yield mineral waters low in mineral content. Because Japan has relatively abundant water resources, water has only rarely been regarded or treated as a commercial product, aside from a certain level of demand for mineral water for use in hot springs. Recently, though, as concerns about the quality of municipal water supplies have heightened, a number of brands of low mineral content non-carbonated mineral waters have suddenly come on the market.

Fig. 6 below presents classification of mineral water under the Guidelines for Mineral Water Product Quality Labeling by the Ministry of Agriculture, Forestry and Fisheries.

Fig. 6 Classification of mineral water (bottled for drinking) under the Product Quality Labeling Guidelines

Category	Product Name	Source	Processing Method
Natural water	Natural water	Ground water collected from specific water springs	Filtration, precipitation or sterilization
	Natural mineral water	Ground water collected from specific water springs which acquire inorganic salts while underground, including; mineral water, hot spring water, etc.	
Mineral water	Mineral water		Filtration, precipitation and sterilization, plus the following; Mixing waters from multiple sources Adjustment of mineral contents De-aeration Ozone sterilization Ultraviolet sterilization
Bottled water	Bottled water or drinking water	Pure water, distilled water, stream surface flow water, tap water, etc.	No restriction

Note: Prospective importers should be aware that these guidelines are unique to Japan, and they may not accord precisely with current guidelines in the EU.

In contrast, more alkaline European soils yield mineral water with higher mineral content, and there is a long-standing tradition of using mineral water not only as ordinary drinking water but for medicinal purposes as well. European countries have well-defined quality and safety standards for mineral water products. In particular, sterilized products are not allowed to call themselves "natural mineral water" in labeling or advertising. European countries also require a minimum level of mineral content, and they have clear-cut standards for water resource protection and manufacturing processes. Mineral water has an established place in European customs and life styles as a medicinal or health-enhancing product.

<Carbonated mineral water and non-carbonated mineral water>

European countries have a long-standing tradition of using aerated mineral water (so-called carbonated mineral water) for medicinal purposes. Thus, its consumption as a beverage is widespread. Some imported mineral waters are aerated, some of those naturally and others artificially. Up to the point at which they are imported, both types are treated simply as mineral water.

However, the JAS Law treats artificially carbonated mineral water as a form of carbonated beverage. Thus, for regulatory purposes in Japan artificially carbonated mineral waters are differentiated from other mineral waters (naturally carbonated mineral water is treated as mineral water).

(2) Characteristics of products from different countries/regions

The characteristics of mineral water are affected by many different geologic, climatological and other environmental factors. There are subtle differences in mineral content and taste between waters from different parts of the world, as well as differences in attitude about what constitutes good mineral water taste.

• France

France first established mineral water quality standards and adopted water resource protection measures more than 100 years ago, making it in some sense the most advanced mineral water nation in the world. France produces a wide variety of mineral waters, including hard waters with high mineral content, soft waters with low mineral content, and mineral waters containing natural carbonation.

• U.S.A.

Crystal Geyser (38 degree) has deployed an aggressive marketing campaign to gain greater consumer awareness of its bottled water in 500 ml PET bottles.

• Italy

Italy exports a number of well-known brand names to Japan, both carbonate and non-carbonated. Italian mineral water is often served at Italian restaurants.

• Belgium

Belgium is home to internationally known brand products. Exports of mineral water from Belgium to Japan were relatively high, but decreasing in recent years.

• Canada

Most Canadian imports consist of melted glacier waters with lower mineral content than water from Japan.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

As consumer concerns over drinking water quality have heightened, the mineral water market has grown sharply in the past few years. Riding the trends of the times such as the “nature and health boom” and the “gourmet boom,” mineral water has become popular due to its inherent safety and fine taste. The quality of the tap water in Japanese urban areas as been deteriorating. This, plus the increase in the number of Japanese who have traveled overseas has lowered the resistance of the consumer to buying imported water. The fashionability of mineral water as a beverage among the young has also played a role in the growth of consumption.

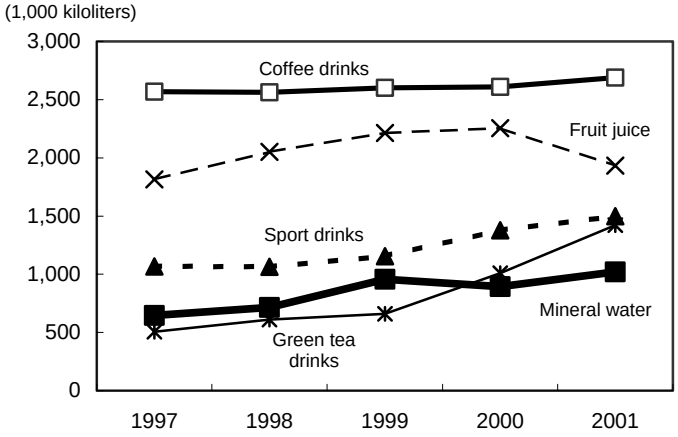
The following Fig. 7 compares the trends in production of mineral waters and other types of soft drinks. As is clear from this table, overall soft drink market showed solid growth from 1996 onward. The leading product in the Japanese soft drink market is coffee drink. But, the fastest growing product category has been non-sugared drinks such as tea drinks and sport drinks, which demonstrates that tastes in the overall soft drink market are shifting toward drinks with fresh taste and health-conscious features such as low sugar/calorie content.

Late 1999 saw explosive sales of mineral water (of 2 liter PET bottles) to people stocking up on drinking water supplies in anticipation of possible Y2K disruptions. Sales grew by 33.8% to 956,400 kiloliters before a counter-reaction set in 2000, when sales edged down to 894,300 kiloliters. Domestic mineral water production totaled 1.02 million kl in 2001 (up 14.2% from the year before), marking the first time over the 1.0 million kl mark. Thus, the combined total of domestic production and imports comes to some 1.25 million kiloliters. This means that the market has grown at a fever pitch, roughly doubling in size since 1996.

Attracted by the promise of this rapidly growing market, many brands of mineral water have entered the marketplace, both domestic and foreign, including products from leading Japanese food and beverage companies as well as many brands from rural areas seeking to boost their stagnant economies.

Recent times, however, have seen greater market polarization between prestige brands (well-known French brands) and national brands marketed by leading domestic makers, with other brands falling by the wayside. Price competition is intensifying in the 2-liter PET bottle sector, dominated by Japanese brands targeting the home market. Imported brands have avoided the 2-liter market sector in favor of personal size 330 and 500 ml size containers. Moreover, they have emphasized brand image and reputation over pricing in their marketing. 2002 saw the introduction of mid-range size 750 ml and 1-liter containers, which means that a wider variety of sizes are now available. TV variety shows have aired features educating the public about hard water and soft water and how to tell them apart. In the future it is expected that the uses of mineral water will diversify and that the market will expand further.

Fig. 7 Trends in soft drink production



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

Unit: 1,000 kiloliters, Per capita consumption=liters, Production value=¥ million Source: The Japan Soft Drinks Association

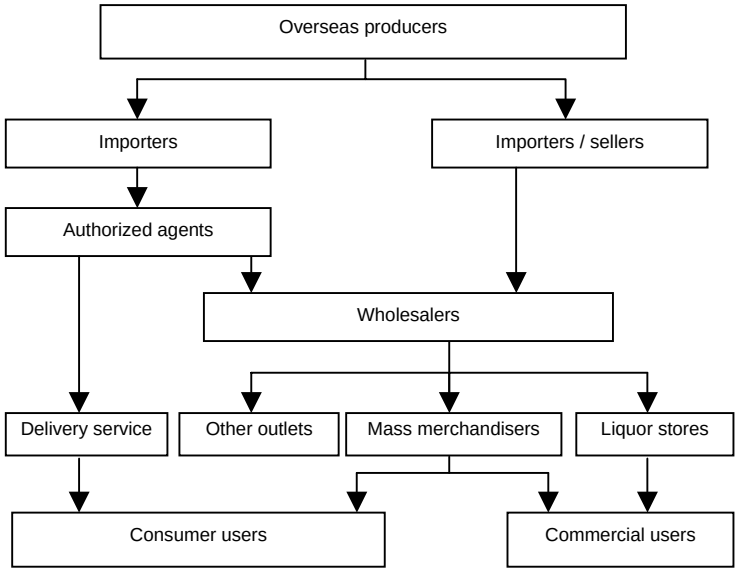
(2) Distribution Channels

Mineral water distribution has also expanded to keep pace with growing consumer demand. An increasing number of mass merchandisers, in addition to liquor stores, now carry mineral water. Some large supermarkets have launched their own private brand products, as well as offering home deliveries and office water cooler rentals. The consumer market is the mainstay of the mineral water market today, with the commercial market making up less than one-tenth of the whole. Most imported brands are sold in personal size 330 and 500 ml containers at convenience stores and mass merchandisers. Recently they have gone on sale in vending machines as well. (see Fig. 8)

(3) Key Considerations for entering the Japanese Market

The imported mineral water market is overwhelmingly dominated by well-known brands, especially those from France. Consumers are looking not only for safety and reliability but also for fashion appeal in imported mineral waters and their preference for well-known brand names appears unlikely to weaken any time soon. Any importer wishing to enter the market must understand that it will take time to turn a profit, considering the high and increasing shipping costs and costs of advertising and promoting a new brand.

Fig. 8 Distribution channels for mineral water



8. After-Sales Service

The importer deals with problems with broken bottles or impurities through retail outlets.

9. Related Product Categories

Imports of soft drinks (including carbonated drinks) other than mineral water for resale is subject to requirements of the Food Sanitation Law. They are also subject to the labeling requirements under provisions of the JAS Law.

Note: The term "soft drinks" refers to all beverages other than lactobacillus beverages, milk, dairy products and alcoholic beverages (with alcohol content of 1% or greater).

10. Direct Imports by Individuals

Individuals may import without restriction quantities of mineral water deemed appropriate to personal consumption. However, imports of mineral water to provide to a multiple non-specific persons are subject to provisions of the Food Sanitation Law.

11. Related Organizations

- The Mineral Water Association of Japan — TEL: 03-3350-9100 http://www.gokkun.com/kyokai/
- The Japan Soft Drinks Association — TEL: 03-3270-7300 http://www.j-sda.or.jp
- Japan Carbonated Beverage Inspection Association — TEL: 03-3455-6851 http://www6.ocn.ne.jp/~tansan
- The Japan Containers and Packaging Recycling Association — TEL: 03-5532-8597 http://www.jcpra.or.jp

5. Rice

1. Definition of Category

Japan's official customs statistics classify rice variously, as below.

HS Numbers	Commodity
1006	Rice
.10	Rice in the husk
.20	Husked (brown) rice
.30	Semi-milled or wholly milled rice
.40	Broken rice

2. Import Trends

(1) Recent Trends in Rice Imports

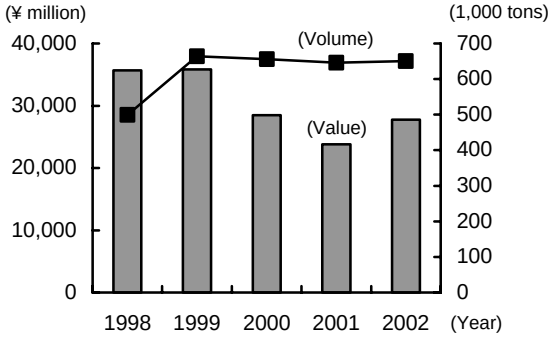
In the past, rice was a non-liberalized product category subject to import quotas (IQ item) under provisions of the former Foreign Exchange and Foreign Trade Control Law. But, rice imports are now permitted up to the minimum access import limit defined by the Japanese government. This limit is based on commitments made during the Uruguay Round agriculture negotiations in 1993.

Moreover, as of April 1, 1999, a new program was instituted partially liberalizing rice imports. Although the new program left in place the existing state trade system and its minimum access limit, it authorized imports by non-governmental entities beyond the minimum access limits, subject to the tariff system.

According to official customs statistics, imports of rice (the total of the four subcategories listed above) rose to 445,000 tons (simple volume basis) in 1996, the year when the minimum access program was instituted. Then, imports of rice showed about 650,000 tons from 1999 onward. (see Fig. 1)

By subcategory, imports of milled rice rose from 423,030 tons to 544,991 tons, while husked rice was significantly down from 131,044 tons to just 7.310 tons.

Fig. 1 Japan's imports of rice



	1998	1999	2000	2001	2002
Value	35,681	35,816	28,497	23,786	27,740
Volume	499	664	656	646	651

Unit:1,000 tons (simple volume), ¥ million
Source: Japan Exports and Imports (calendar year)

(2) Imports by Place of Origin

In 2002, the United States accounted for 49.3% of Japan's total rice imports on a volume basis, followed by Thailand (19.%), China (16.3%), and Australia (14.2%). Together these four countries account for almost all of rice exports to Japan.

Fig. 2 Principal exporters of rice to Japan

	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	250	312	338	303	11,556	321	49.3%	14,722	53.1%
Thailand	93	152	128	143	3,662	126	19.4%	3,563	12.8%
China	73	77	71	88	3,749	106	16.3%	4,545	16.4%
Australia	77	102	102	95	4,299	92	14.2%	4,749	17.1%
Vietnam	6	16	15	11	283	5	0.7%	131	0.5%
Other	1	6	1	5	237	0	0.0%	29	0.1%
TOTAL	499	664	656	646	23,786	651	100.0%	27,740	100.0%

Units:1,000 tons, ¥ million *Source: Japan Exports and Imports*

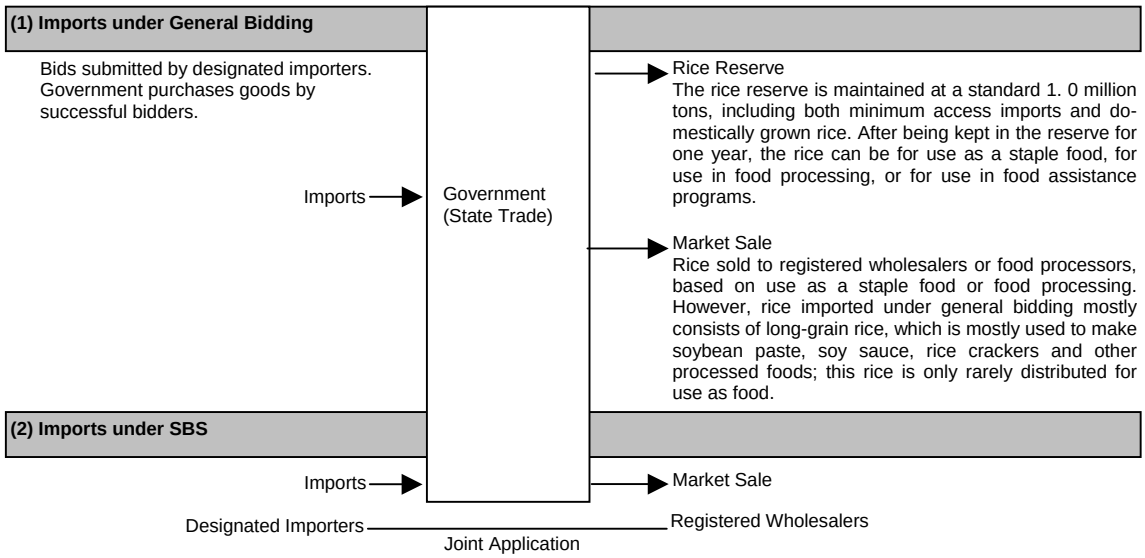
(3) The Rice Import System and Import Trends

1) Minimum Access

Under the Uruguay Round agriculture negotiations, nations that previously imposed numerical import quotas and other border restrictions were to discontinue those measures and substitute bound tariff measures in their place. Nations that agreed to do so guaranteed minimum access, defined as imports totaling 3% of domestic consumption at the time, for products with essentially no imports during the reference period (1986-1988). Signatories committed to expand this minimum access to 5% within six years. Furthermore, it was agreed that if a nation did not convert to bound tariff measures and instead maintained special restrictions, that nation's minimum access requirements would be 4% rising to 8%, instead of 3% rising to 5%. Japan initially chose to retain its special restrictions on imports. However, beginning with FY 1999 Japan decided to drop its import quota system on rice in order to hold down the increase in permitted rice imports on a volume basis under minimum access rules.

The government's minimum access rice imports are carried out under one of two methods: (1) general bidding and (2) simultaneous buy-and-sell (SBS).

Fig. 3 The minimum access import system



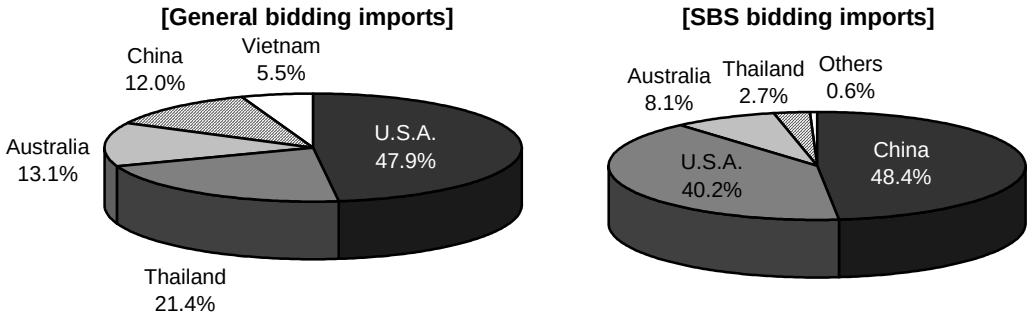
Under the general bidding method, in which designated importers submit bids to purchase rice from the government, the government itself acts as the importer, and chooses the supplier, the volume, and the type of rice. Currently this rice consists mainly of long-grain rice, for which substantial demand is expected in food processing. In contrast, under the SBS bidding system, in which designated importers and registered wholesalers submit joint bids, it is the importer that determines the type of rice, etc., and so most of this rice consists of short-grain rice, which is far more popular as a staple food item in Japan.

According to materials published by the Food Agency about the types of rice imported under minimum access rules (contract basis), a significant change occurred in demand for imported rice during FY 2002. Contracts were let in general bidding for 629,474 tons, topping the 579,969 tons of the year before (although during the 6th round some bidding did not lead to contracts, prompting a 7th round). Most of the rice consisted of long-grain rice and broken rice from the United States (47.9%) and Thailand (21.4%). (see Fig. 4)

In contrast, none of the four rounds of SBS bidding for staple food rice met the projected contract amounts. Of the 100,000-ton aggregate import ceiling for the four rounds, only a little more than half (50,067 tons) was sold during bidding. This was the smallest total ever since the SBS system was instituted in 1995.

The exporter nation with the highest percentage of successful bids was China, with 48.4%, although this was significantly down from the 65.7% figure the year before. For its part, the United States rose from 25.2% to 40.4%. Falling prices for domestically produced rice eroded the price advantage of Chinese rice. In addition, more and more food service establishments have stopped using Chinese rice because of highly publicized violations of the Food Sanitation Law in 2002, including the discovery of excess residual pesticides in Chinese vegetables.

Fig. 4 Leading countries in minimum access imports (FY 2002)



Successful bid total: 629,474 tons

Successful bid total: 50,067 tons

2) Imports under Tariff

Outside of the framework of the minimum access system, entities other than the government can now import rice, subject to payment of a stipulated secondary tariff. According to trade statistics, imports with secondary tariffs were a total of just 300 tons in 2000, and 294 tons in 2001, and 276 tons in 2002. The leading exporters were Thailand and the United States. The main uses of this rice are in the food service industry (example: Thai food fairs), for consumption as food by resident foreigners in Japan, and for test purposes.

Fig. 5 Trends in imports under tariff

	2001		2002	
	Volume	Value	Volume	Value
U.S.A.	112	8.56	124	8.89
Thailand	160	9.77	94	4.62
China	1	4.63	37	2.98
Italy	11	0.47	8	4.87
Other	10	2.45	13	1.75
TOTAL	294	25.88	276	23.11

Units: tons, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

Domestic consumption of rice has been shrinking year by year, dipping below the 10 million ton level. Imported rice has been gaining in market share, but had a 8.2% share in FY 2001.

Fig. 6 Imports' share in the Japanese market

FY	1996	1997	1998	1999	2000	2001
Domestic production	10,344	10,025	8,960	9,175	9,490	9,057
Imports	634	634	749	806	879	786
Exports	6	201	876	141	462	603
Changes in stock	783	351	+1,075	+65	117	+398
Domestic consumption	10,189	10,107	9,908	9,905	9,988	9,638
Imports' share	6.2%	6.3%	7.6%	8.1%	8.8%	8.2%

Units: 1,000 tons, fiscal year means from April to next March.

Source: Food Demand and Supply Table, Ministry of Agriculture, Forestry and Fisheries

3. Key Considerations related to Importing

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

At the time of importation, rice is subject to provisions of the Foodstuff Law, the Plant Protection Law and the Food Sanitation Law.

1) Foodstuff Law (Law Concerning Stabilization of Supply and Demand and Prices for Leading Foodstuff)

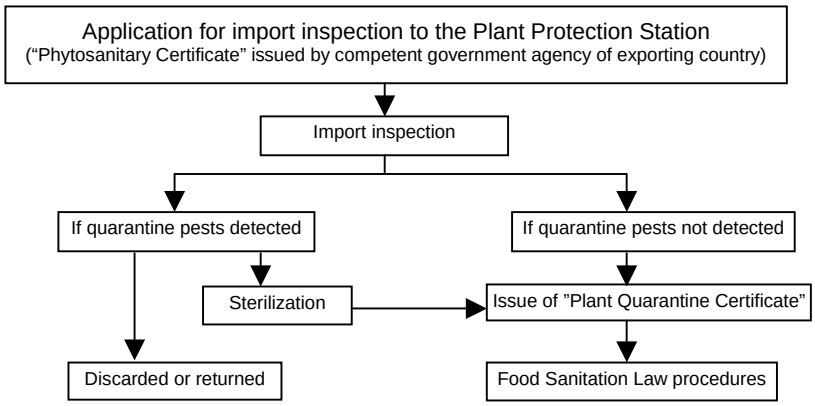
Under the provisions of the Foodstuff Law, those intending to import rice outside the bounds of the minimum access limits shall do the following:

- Submit to the local food agency office a copy of the "Report of Payment for Importation of Rice, etc." along with an invoice and other documentation.
- Make payment of secondary tariff duties partially due on the payment for importation of rice, etc. (¥292/kg).
- File a report of the import volume.
- Remaining secondary tariff (¥49/kg from FY 2000 onward) shall be paid separately at customs clearance time.

2) Plant Protection Law

Rice imports are also subject to provisions of the Plant Protection Law, whose purpose is to prevent the spread of any injurious plants into Japan. Upon arrival at the port of entry, the importer must promptly submit to the Plant Protection Station an "Application for Import Inspection of Plants and Import-Prohibited Articles" along with a "Phytosanitary Certificate" issued by the competent government agency of the exporting country. Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If an infestation is detected, and then the importer will be ordered to decontaminate, discard, or return to the shipper.

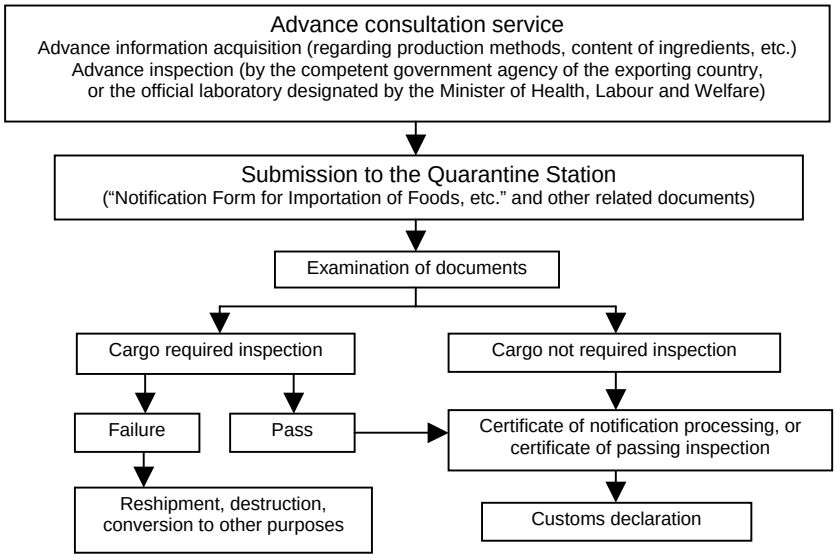
Fig. 7 Import inspection (quarantine) procedures under the Plant Protection Law



3) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for rice 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. Please note that Japan has established standards for residual agricultural chemical levels for rice, and rice found to exceed those levels cannot be imported.

Fig. 8 Import inspection (quarantine) procedures under the Food Sanitation Law



Note 1: In the case of minimum access importation under government sponsorship, the rice is inspected at the point of origin, at a processing plant in the exporter country as approved by the Food Agency, and a sample is shipped to Japan by air for inspection prior to being loaded. The results of such inspections serve as reference documents for the documentary examination conducted at customs under provisions of the Food Sanitation Law.

Note 2: In January of 2002, a lead exceeding Food Sanitation Law standards was detected in a bag containing imported rice from the United States and China. As a result, Japan temporarily halted distribution of all imported rice in the possession of the government and private-sector wholesalers. The Food Agency conducted product quality tests on samples from packaging bags, and after their safety was verified, the distribution freeze was lifted. Since then, rice importers are required to submit a certificate indicating that the container material conforms to standards established 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 Notification and Inspection Network System) for processing import-related documentation. Importers who have the required hardware and software may apply for a security code from the Minister of Health, Labour and Welfare to access the system.

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

The sale of rice is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) JAS Law

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

The JAS Law establishes proper labeling standards for all food and beverage products sold to consumers. Rice is subject to obligatory labeling requirements of the Husked Rice and Milled Rice Quality Labeling Standard and the Fresh Foods Quality Labeling Standard (see 4. Labeling).

2) Food Sanitation Law

The Law prohibits the sale of foods containing harmful or toxic substances, and the sale of unsanitary foods. The Law places the same responsibility upon importers as it does upon manufacturers and resellers in the case of domestically produced food products. (see 4. Labeling)

3) Measurements Law

Rice sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

(3) Competent Agencies

- Foodstuff Law
  Food Agency, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.syokuryo.maff.go.jp
- Plant Protection Law
  Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- 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
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

The sale of husked or milled rice sealed in wrapping and containers is subject to labeling requirements of the Husked Rice and Milled Rice Quality Labeling Standard, which is based on provisions of the JAS Law and the Measurement Law. These provisions apply to all resellers of husked or milled rice sold to consumers in containers or wrapping. The JAS Law does not apply to rice sold to commercial users, where the sale is based on contract between the seller and the purchaser. However, it does apply to cases where the producer sells directly to the consumer.

<Required Label Items>

1) Name (product name)
2) Raw material husked rice
3) Net content
4) Date of milling (date of processing for husked rice)
   An imported product that has an unknown date of milling or processing shall indicate the date of importation. If the two varieties of rice are blended, the oldest applicable date shall be displayed.
5) Retailer name, address and telephone number

For instance, if imported husked rice is milled in Japan, then purchased by another company and bagged after being processed for sale to consumers, a certificate issued by a public agency of the exporting country is required in order to display the place of origin, variety of rice and year of production. If these three items cannot be authenticated, then the place of origin may not be displayed, although the phrase “uninspected rice” may be voluntarily displayed along with the proportion of this rice used in the product mix (see following example).

Unpackaged husked or milled rice that is not sold in containers is treated for regulatory purposes as a form of fresh food. These foods are subject to the Fresh Food Quality Labeling Standard under the JAS Law. The retailers must display it in a readily visible location, indicating the name and place of origin of the rice.

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

Fig. 9 Labeling requirements of the JAS Law

[Example of single-variety rice with certificate]

Product Name	Milled Rice			
Raw material husked rice	Place of origin	Variety	Year of production	Proportion used
	X Prefecture	"Hikari"	xxxx year	100%
Net weight	5 kg			
Date of milling	2002. 10. 1			
Retailer	XX Company, Ltd. Tel : 01 (2345) 6789			

Labeling method for raw material husked rice

- The place of origin, the variety of rice and the year of production must be certifiable.
- Must indicate the place of origin, the variety and the year of production, and that the proportion of use is 100%
- Place of origin shall be indicated as follows:
  - Domestic rice: name of prefecture and municipality, or other generally known place, where grown
  - Imported rice: name of country of origin or country of origin and generally known place name
- "Certifiable" means the following:
  - Domestic rice: certification under the Agricultural Products Inspection Law
  - Imported rice: certification by an official agency or organization of the exporting country

[Example of blended rice]

Following labeling practices described only for raw material husked rice component of blended rice. Other labeling practices are the same as for single-variety rice.

Case 1

	Place of origin	Variety	Year of production	Proportion used
Raw material husked rice	Multiple raw material rice Produced in Japan 30% Produced in USA 30%			

- When the rice is not single-variety with certificate, the product must be labeled as containing multiple varieties of rice, or labeling must employ the phrase "blended rice."
- Labeling shall indicate domestic rice or shall list the countries of origin of other varieties of rice in the blend, along with the proportion used of each (in descending order).

Case 2

	Place of origin	Variety	Year of production	Proportion used
Raw material husked rice	Blended rice			
	Produced in Japan			30%
	X Prefecture		xxxx year	100%
	X Prefecture		xxxx year	100%
	Produced in USA			20%
	California		xxxx year	10%
	Uninspected rice			10%

- It is also permissible, in addition to the case 1, to list the place of origin, the variety and the year of production (only when certifiable) along with the proportion used of each.
- Listed in descending order by proportion used.
- One or another of the place of origin, variety or the year of production may be omitted. In this instance, the label items shall be listed by place of origin.
- It is permissible to list only some of the husked rice used as raw material.
- Uninspected rice may not indicate the place of origin, variety or year of production in the labeling. The labeling shall employ the phrase "uninspected rice" accompanied by the proportions used.

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

Bag **Label**

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

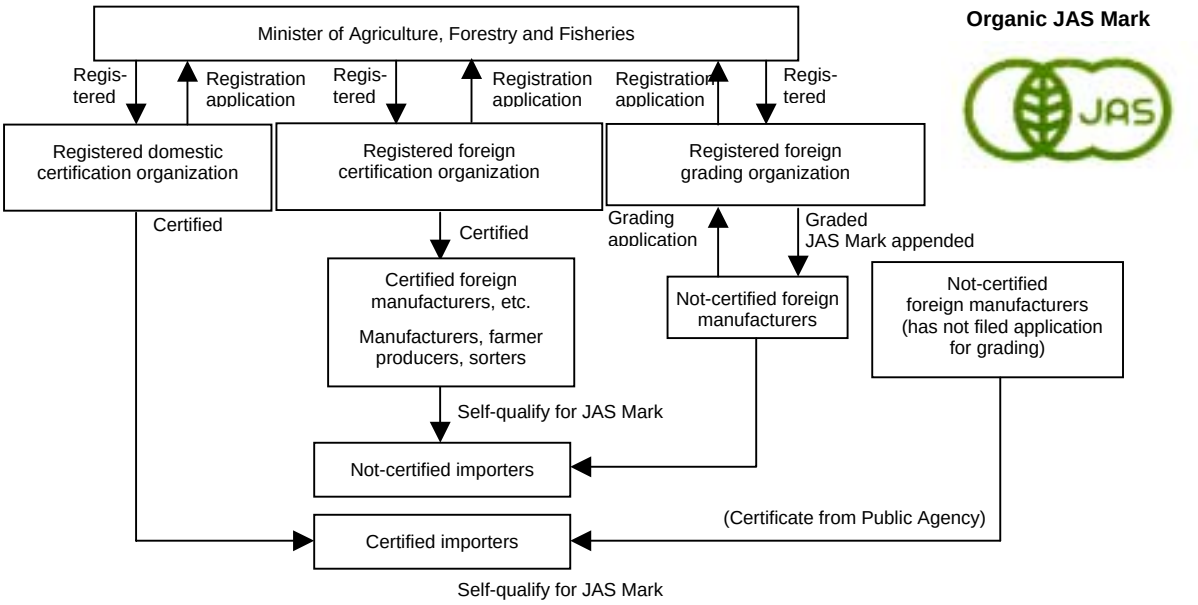
The JAS Law establishes a "special JAS standard" for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase "organic" and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase "organic" and to display the Organic JAS Mark.

1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.

2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.

3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

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



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

2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

There is no voluntary industry labeling applying to rice generally. The Japan No-Washing Rice Association, however, does have a program that allows no-washing rice that conforms to Association standards for safety, product quality and environmental soundness to display a certification mark on the container.

Contact:
Japan No-Washing Rice Association TEL: 03-3221-6271 http://www.musenmai.com/

5. Taxes

(1) Customs Duties

As of April 1999, numerical import quotas were abolished, and rice was transferred to the tariff system. At this time, a temporary tariff rate was established. Rice imported by the government under the minimum access programs is subject to the current effective tariff (duty free). Rice imports in excess of the minimum access ceiling are subject to a secondary tariff. For FY 2001, that tariff is ¥49/kg plus payment for importation of rice, etc. (¥292/kg). Anyone or any entity may import rice subject to payment of the secondary tariff.

Fig. 11 Customs duties on rice

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
1006.10-040	Rice (rice in the husk, husked (brown) rice, semi-milled or wholly milled rice, and broken rice)	(¥402/kg)			
-010	- Less than Minimum Access		(Free)		Free
-090	- Other rice		*(¥341/kg)		¥49/kg

Note 1: Tariff rate may be raised at a certain rate as a special safeguard in case import volumes increase at greater than a certain rate or value for customs fall at greater than a certain rate.

Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for more complete interpretation of tariff table.

(2) Consumption Tax

(CIF + Payment for importation of rice, etc. + Customs duty) x 5%

Rice imported under the minimum access rules is exempt from consumption tax.

6. Product Characteristics

(1) Classification by Varieties

Some 600 million tons of rice (rice in husk basis) are grown worldwide, with roughly 90% of that production concentrated in Asia, including China, India and Indonesia. Rice is divided by type into indica (long-grain), japonica (short-grain) and javanica (large-grain) varieties. The most common type is indica, which makes up about 85% of world production. In contrast, japonica rice grown in Japan accounts for less than 15% of world production. Javanica rice is grown only on the island of Java and elsewhere in the Indonesian archipelago. The following table compares the properties of non-glutinous japonica and indica rice.

Fig. 12 Comparison of japonica and indica rice

	Japonica Rice	Indica Rice
Areas cultivated	Japan, Korean peninsula, northern China, northern Australia, parts of USA and Italy	India, China, USA, Asian continent interior
Shape	Short-grain (rice in husk is short-grained and rounded)	Long-grain (rice in husk is long-grained, thin and long)
Amy lose content	17-22%	20-30%
Culinary sense	Has the appropriate degree of stickiness and sweetness	Low water content, not sticky, grains tend to scatter
Uses	Steamed for use as a primary food; also used in *sushi* and rice balls, etc.	Suitable for use in pilaf, Chinese pilaf and paella dishes. Also used in Chinese rice noodle and alpha (pre-processed) rice flour because of its suitability for machining.

Rice is evaluated overall in terms of the sweetness of steamed rice (taste), its fragrance (smell), its shiny whiteness (visual appearance), its appropriate stickiness, its appropriate tenderness and palatability (touch). Japanese people generally prefer sticky rice, and many people believe the tastiest rice is japonica with an amy lose content of 17-19%. However, as culinary tastes diversify, there are changes in rice preference by age and by region (between urban and rural areas). It is expected that Japanese people's preference for sticky rice will diversify in the future.

(2) Characteristics of Products from Different Countries / Regions

As discussed previously, imports of foreign-grown rice began in FY 1995 under the minimum access program. However, since most of the rice imported by general bidding consists of indica long-grain rice, most is used for food processing or goes into the rice reserve. Hardly any goes into the consumer market. The characteristics of rice by country of origin may be summarized as follows.

• United States

The United States produces about 9.0 million tons of rice, nearly 70% of which is long-grain rice. Rice imported into Japan from the United States by general bidding under the minimum access program mostly consists of long-grain husked rice and milled rice grown in California. Some short-grain rice is grown under contract with major trading companies in California (*akita-komachi*) and Arkansas (*koshi-hikari*), and is imported by SBS bidding. Demand is mainly in the food service industry and for commercial blend rice used in processed rice foods.

The food services industry has been racked by fierce price competition in recent years, and many cannot maintain their competitiveness unless they can obtain rice priced more cheaply than the lowest-priced Japanese rice. As rice tariffs remain under debate in WTO councils, the USA Rice Federation, the American trade association, has launched an aggressive publicity campaign that includes taste test events and in-store promotions in concert with retail stores. The campaign seeks to convince Japanese consumers of the quality, low price and safety of American rice.

• China

China is the world's leading rice grower, with nearly 40% of world production (200 million tons). Although short-grain and medium-grain rice makes up less than 20% of its production, this amount is much larger than Japan's total rice production. Nearly all the rice imported from China is short-grain rice (*koshi-hikari* and *akita-komachi*) grown in the three northeastern provinces of China, and imported by SBS. Farm management assistance by the general trading companies, along as improved strains of rice, have improved the flavor of Chinese rice while cutting the cost of production. The general trading companies were scaling back their contract growing in the United States and expanding contract growing in China. Since the time that excess pesticides were detected in Chinese spinach in 2002, a growing number of consumers have come to question the safety of agricultural products produced in China. Consequently, China saw its successful bid volume under the SBS import ceiling sink by 63% from a year earlier to 24,247 tons.

• Australia

Australia produces about 1.35 million tons of rice, nearly 80% of which is short-grain or medium-grain rice that is well suited to meet demand in foreign markets. Japan has been importing *koshi-hikari* rice from Australia since 1996. In 1999 Australian growers began replacing the older medium-grain rice with a newer short-grain rice that was developed over more than a decade and is designed specifically for the Japanese market. Australian rice has the advantage of coming to harvest sooner than Japanese rice, because of its location in the southern hemisphere, and some supermarkets promote Australian rice as "the world's earliest new rice." Under the minimum access import program, in FY 2002 Japan imported 82,500 tons of long-grain husked and milled rice by general bidding and about 4,000 tons of short-grain rice (*koshi-hikari*) by SBS.

• Thailand

Thailand grows just over 20 million tons of rice (indica long-grain). It is the world's foremost rice exporter, and it meets demand for everything from low-grade to high-grade varieties of rice. Japan imported long-grain rice from Thailand on an emergency basis during the drought of 1993. However, Thai rice failed to gain consumer support as a food item, and since 1996 virtually all imports from Thailand have been by general bidding under the minimum access program (about 135,000 tons in FY 2002). Broken rice as well as milled rice makes up a fairly high proportion of imports from Thailand. Because of its low price, there is a certain level of demand for use in processed rice foods, rice crackers, soybean paste, and cereal flour.

(3) Demand Characteristics

As Japan's culinary preferences diversify, monthly per-capita consumption of rice as a staple food has declined from 6.8 kg to 5.0 kg over the past decade. People are also eating fewer meals at home than before. Moreover, even at home people are cooking their own meals less often, and are eating more processed rice foods, prepared lunches, and take-home snack foods. People are also having more meals delivered.

Rice is widely used as an ingredient in processed foods, as well as a staple food item itself. Estimates put the volume of rice used in processed foods at about 1.3 million tons. The most common use is as a raw ingredient for alcoholic beverages and other beverages (550,000 tons), followed by rice crackers and rice flour (300,000 tons), processed rice foods (130,000 tons) and flavorings, soybean paste, *mirin* and vinegar, 110,000 tons).

Recently an object of considerable attention has been "no-washing rice," which comes already washed from the rice mill and does not need to be washed before cooking at home. It is convenient to use, keeps its nutritional value, cuts down on home water bills, and eliminates runoff water from rice washing, which has been cited as a source of environmental pollution. No-washing rice was adopted early on for commercial use rice, and recently it has gained in consumer sales as it becomes more widely available as private brands sold by food co-ops and leading supermarkets. Some co-ops report that more than 50% of their rice sales now are in no-washing rice. Industry observers believe that no-washing rice may top the 1.0 million ton mark within a few years.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Rice is a staple of the Japanese diet, and is a key product of Japanese agriculture. However, there is a chronic substantial gap between supply and demand (with productivity exceeding demand). A chronic inventory over-supply situation has persisted ever since 1995. According to the Ministry of Agriculture, Forestry and Fisheries, as of October 2002, the supply of rice exceeds the appropriate rice reserve (1.0 million tons +/- 500,000 tons) by 1.40 million tons.

Prices of domestically grown rice have been falling because of a number of factors, including depressed consumption exacerbated by deflation, chronic over-supply, and lower product quality caused by bad weather. In 2002 there was even some Japanese rice priced below Chinese rice. Thus, the prospects for imported rice have grown even dimmer.

At current tariff levels, it is difficult for imported rice to compete with domestic rice. At the present time, foreign-grown food staple rice is essentially limited to imports by SBS. Even this rice is losing its feeling of affordability, as the price of domestically grown rice continue to decline. Demand for imported rice is unquestionably declining, as is evident from the large and unprecedented volume of unpurchased rice during 2002 SBS bidding. The weighted average price per ton of ¥225,405 represents the lowest level in three years. Chinese rice in particular is experiencing a rapid loss of import share, whereas American rice is actually gaining share. (see Fig. 4)

In January of 2002, levels of lead in excess of the standard stipulated by the Food Sanitation Law were detected in container bags of imported rice from the United States and China. In response, the government temporarily halted all distribution of imported rice. During that interval many users switched over to domestic rice, and even after the ban was lifted, imported rice stayed in wholesaler storage, according to industry observers.

Moreover, as part of the SBS system, the Food Agency sets an unofficial and unpublicized "projected price," and if the proposed sale price falls below that price, the bid is not allowed to go through. In FY 2002 many trading companies proposed lower prices for Chinese rice in response to lower prices on domestic rice. The result was more instances of failed bids.

A number of incidents have occurred from 2001 onward that have raised questions about food safety. These include the outbreak of BSE (mad cow disease), the false place-of-origin labeling incidents, and the incident of excess pesticides in Chinese vegetables. As a result, major restaurant chains are now insisting on certificates of place of origin, documentation of agricultural chemical usage, and milling records on rice, vegetables and other food ingredients. Thus, the issue of traceability has assumed far greater prominence.

Given these trends, restaurants and boxed lunch makers who have been mixing Chinese rice with domestic rice are increasingly avoiding Chinese rice out of concern over worsened consumer impressions. SBS rice is subject to very strict inspection upon importation, and it is very safe. Still, with consumer skepticism building over Chinese agricultural products, many see little need to choose Chinese rice over domestic rice, especially given the narrowed price differential.

The chronic recession in Japan has made consumers extremely finicky about product selection. Increasingly they are choosing rice that tastes good and is affordably priced, and are less impressed by traditional preferences for place of origin or brand names. Leading supermarkets are seeking to meet increasingly diverse consumer needs by developing inexpensive but high-quality private brands of rice. They are also carrying high added value varieties of rice, such as rice grown with less pesticides and non-chemical fertilizers. Some are also installing rice mills in the store and selling husked rice for customers to mill on their own. Thus, supermarkets are relying less on traditional appeals to reputation and price, and instead differentiating themselves with their own distinctive product lineups and pricing strategies.

At the WTO Tokyo meeting in February of 2003, the chairman proposed lowering the current rice tariff of 490% to 270%.The United States and Australia had been seeking an even greater reduction, but even if the rate is reduced no more than under the current proposal, the price per kilogram of imported rice will drop from the current ¥450 to ¥285-300. If tariff rates are progressively lowered in the future, foreign-grown rice can be expected to compete with domestic rice in the middle price ranges, a segment where the quality differential is slight. Industry observers believe it is by no means impossible for the imported rice market to grow to the 2.0 million tons per year level. In particular, if tariffs were reduced to one-half the current level, demand for imported rice would soar in the food service industry, where there is less interest in name reputation and place of origin. Also, organic rice is difficult to cultivate in Japan, but if it can be purchased inexpensively from abroad, demand could be expected to grow among brewing companies and soybean paste makers. General trading companies, specialty trading companies and leading wholesalers already expect tariff levels to be reduced in stages. These entities are moving to establish and strengthen development import programs. Under these programs, Japanese companies would undertake contract cultivation of name-brand strains of rice and organic rice in places like the United States, China and Australia. They would provide growers with training and guidance, set up more rice mills, and improve processing capabilities of existing rice mills.

(2) Distribution Channels

When it went into effect in 1995, the Foodstuff Law dramatically eased the strict distribution channel regulations that formerly obligated producers to sell their rice to the government. Japan has moved from an approval/permission system for rice sales to a registration system, under which any retailer that meets certain qualifications may engage in the sale of rice. This has dramatically expanded the number of rice retailers, and has turned supermarkets into the leading distribution channel for rice, instead of traditional rice specialty stores. The basic distribution channels for rice are shown in Fig. 13. And Fig. 14 on the following page describes the roles of the various stages in the distribution process, and summarizes the qualifications for registration and designation.

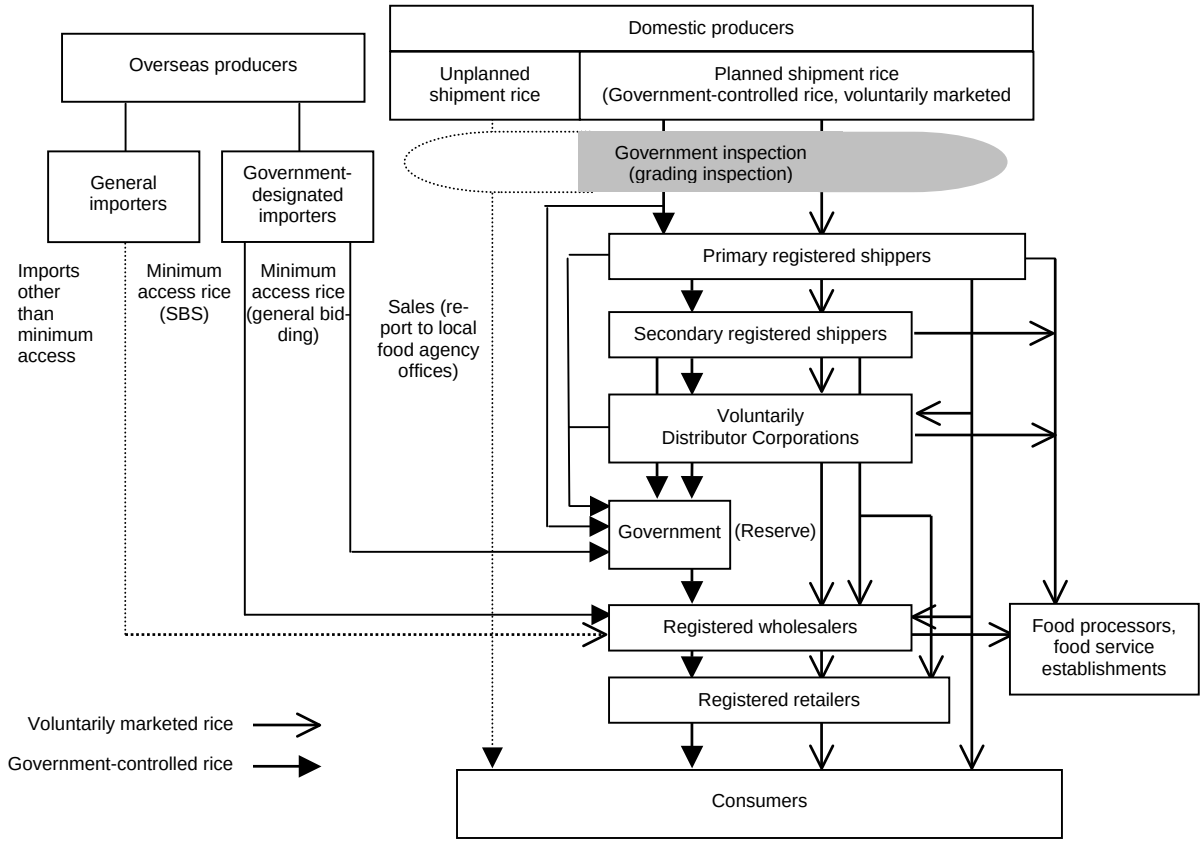
Most of the food staple SBS rice is purchased from qualified importers by food service establishments and is mixed with domestically grown rice. Average consumers almost never buy imported rice at supermarkets or other retail stores, except for limited term spot sales of American rice at some supermarkets

The USA Rice Federation, the American trade association, has launched an aggressive publicity campaign that includes taste test events and in-store promotions in concert with retail stores. The campaign seeks to convince Japanese consumers of the quality, low price and safety of American rice. In February of 2003 the Japan representative office announced a marketing alliance with 40 rice stores in the greater Tokyo metropolitan area, to establish a year-round sales network. The Federation is endeavoring through face-to-face marketing efforts to induce more consumers to use American rice by explaining to them the quality and safety of the product.

(3) Points to Consider When First Entering the Japanese Market

If tariff rates are progressively reduced in the future, more players will seek to enter the field of rice imports, and competition is likely to intensify. Since the Food Sanitation Law imposes rigorous standards for residual agricultural chemicals, it is important to study ahead of time the pesticide usage regulations and usage patterns of the exporting country. Importers need to make sure that the rice they plan to import complies with Japanese standards in this regard, either by sending a sample in advance for inspection or by submitting an inspection report issued by the competent agency in exporting country. Also, leaks during transit can result in decay or mold formation. When this happens, the rice is normally either destroyed or redirected into non-food uses, such as fertilizer or animal feeds.

Fig. 13 Rice distribution channels



Note: With regard to unplanned distributed rice, producers are free to sell rice directly to consumers (so-called "direct shipment rice from producers"). However, producers are supposed to report in advance to the local food agency office the volume they plan to sell and the scheduled date of sale, to make it possible to track the overall volume of rice distributed. In practice, though more and more registered wholesalers and retailers have been carrying unplanned distributed rice in recent times.

8. After-Sales Service

The retailer listed on the bag of a container of milled rice is responsible for the quality of the product and for dealing with any customer complaints. Although the Foodstuff Law abolished the certification and verification programs that formerly existed, the amended JAS Law provides for a strengthened program of traveling inspections and monitoring on the part of the local food agency office.

9. Related Product Categories

A related product category is prepared rice products (packaged in retort bags for reheating, or otherwise prepared in advance, listed under HS 1904.90.100). Foods with a rice content of over 30% are subject to the primary tariff on minimum access rice for 25%, and to the secondary tariff for over that amount (payment of ¥292/kg plus the tariff of ¥49/kg).

Rice flour preparations containing a mixture of rice flour, sugar and other ingredients that cannot easily be separated out are classified under HS 1901.90 and 1901.20. They are subject to the Plant Protection Law and the Food Sanitation Law.

Prepared foods containing a mixture of rice with meat or fish are classified according to the principal ingredient, into shrimp pilaf (HS 1605.20.021), crab pilaf (1605.10.021), beef pilaf (1602.50.310) and squid rice (1605.90.212 and 214). Other related product categories include rice flour products and rice confections.

Fig. 14 Roles of the stages in the distribution process and qualifications for registration

Title	Role	Qualifications	No. of designated entities
Government-designated importers	Qualified to participate in bidding for minimum access rice, carries out importation on behalf of the government.	• Corporation organized in Japan, with capital of at least ¥1.0 billion (including Japan subsidiaries of foreign-owned corporations). • Track record of at least an annual average of 10,000 tons in rice import/export over the previous three years • Other qualifications as indicated by the Food Agency.	General bidding import: 21 SBS import: 43
Voluntarily distributor corporation	Adopts distribution plans for voluntarily marketed rice, and with the Minister's approval, distributes voluntarily marketed widely and predictably.	• Considered capable of selling at least 20,000 tons annually of voluntarily marketed rice over a wide area of prefectures in Japan. • Agricultural co-ops, consumer co-ops, or other non-profit organizations.	2
Primary registered shippers	Takes possession of planned shipment rice from producers within a prefectural region and ships the rice.	• Shipment contracts with 10 producers or more. • Volume of planned shipment rice = at least 20 tons. • Voluntarily marketed rice contract with a secondary registered shipper within the same region or voluntarily distributor corporation. • Able to secure warehouse space.	2,168
Secondary registered shippers	Handles planned shipment rice received from primary registered shipper in set lot sizes.	• Voluntarily marketed rice contract with a primary registered shipper within the same region and voluntarily distributor corporation.	85
Registered wholesalers	Acquires planned shipment rice (including minimum access imports sold by the government) in large-lot sizes and sells to registered retailers, large-scale steamed rice resellers and food processors.	• Expected annual sales volume = at least 4,000 milled rice tons (a) (400 milled rice tons (b) if registered in other prefectures). • Able to utilize milling facilities to produce bagged milled rice.	(a) 377 (b) 1,032
Registered retailers	Engages in storefront sales, deliveries and mail order sales of planned shipment rice to consumers in small lot sizes.	• Able to secure retail sales space.	No. of retailers: 77,962 No. of retail outlets: 139,410

Note 1: Qualifications for adherence to law and creditworthiness apply to all. Registrations are all valid for three years. No. of registrants is as of June 2002.

Note 2: The price that serves as an index for transactions involving voluntarily marketed rice is determined by the Voluntarily Marketed Rice Pricing Center, based on bids by registered shippers (sellers) and registered wholesalers and large-scale retailers.

10. Direct Imports by Individuals

Imports of rice for individual consumption are exempt from procedural requirements of the Food Sanitation Law, although individual imports must still undergo plant quarantine. Also, individual importers must file an import volume report form with the local food agency offices. If it is confirmed that the individual has imported not more than 100 kg within the previous year, it is exempt from the payment for importation of rice, etc., the tariff, and consumption tax.

All required reports must be submitted, regardless of the method of importation, whether that is in personal possession, separate shipment, shipment by mail, or by international express carrier. Individual importers are subject to a 100 kg per year ceiling. Also, the tax exemption limit is a market value of ¥200,000 or less for personal possession or separate shipment, and ¥100,000 for rice shipped by international mail or international express carrier.

If an individual attempts to import rice in his or her personal possession (or by separate shipment) without filing a report in advance, the plant quarantine counter at the port of entry has import volume report forms available, and the individual may fill out the form and submit it to the plant quarantine officer. Also, when using an international express carrier to import rice as an individual, the individual most file the report with the local food agency office, and must retain one copy of the triplicate form to file with the customs office along with the import declaration and the plant inspection certificate.

11. Related Organizations

- USA Rice Federation http://www.usarice-jp.com

6. Pasta

1. Definition of Category

Pasta such as spaghetti, macaroni, and those containing eggs.

HS Numbers	Commodity
1902.11	Pasta (containing eggs), other than cooked, stuffed or otherwise prepared
1902.19	Pasta (not containing eggs), other than cooked, stuffed or otherwise prepared
-093	Spaghetti
-094	Macaroni

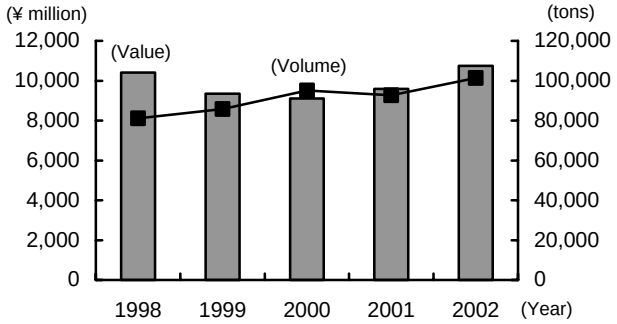
2. Import Trends

(1) Recent Trends in Pasta Imports

Pasta imports had been setting new records every year, reflecting the overall growth in the pasta market in Japan. However, Pasta imports were down in 2001 for the first time since 1990, slipping by 2.5% to 92,675 tons. In part this was a reaction to the previous year's strong 10.8% growth. Still, people in the industry were shocked at the import decline, considering that 2001 saw "Italy in Japan" project events all across the country, events that should have inspired greater interest in pasta as a quintessential Italian food.

Imports of pasta turned upward again in 2002, rising by 9.4% to 101,415 tons, the first time imports topped the 100,000 ton mark. Japan's pasta imports consist overwhelmingly of spaghetti, and spaghetti imports grew by 7.2% from the year before to 91,974 tons. In addition, macaroni imports soared 42.4% to 8,889 tons, which shows that usage of short pasta products is growing.

Fig. 1 Japan's pasta imports



		1998		1999		2000		2001		2002	
		Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume
Pasta	Spaghetti	75,433	9,329	80,010	8,482	88,347	8,242	85,808	8,561	91,974	9,345
	Macaroni	5,065	843	5,263	671	5,807	682	6,244	849	8,889	1,229
	Egg pasta	641	232	586	189	945	180	623	184	552	176
	TOTAL	81,139	10,404	85,858	9,342	95,099	9,104	92,675	9,593	101,415	10,750

Units: tons, ¥ million *Source: Japan Exports and Imports*

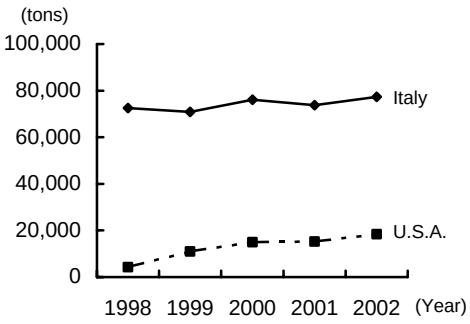
(2) Imports by Place of Origin

The leading exporter of pasta to Japan is Italy, which consistently enjoyed a dominating import share of around 93% up through 1997. Nevertheless, Japan's two leading pasta makers began full-scale production in the United States in 1998. Ever since that time, Italy's import share has been declining, and even import volume itself fell in 1999 and 2001. Nevertheless, industry sources say that sales of leading Italian brands have not fallen. Rather, they suggest that imports are down for smaller and less prominent brands that rode the Italian food boom to greater sales in earlier years.

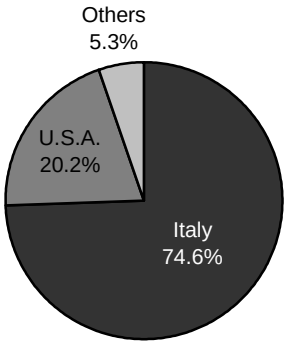
After posting the first year-to-year decline in imports since 1990 during 2001, Italy saw its pasta exports to Japan rebound in 2002, rising 4.9% to 77,367 tons. Nevertheless, imports from the United States are growing steadily, year by year. 2002 saw American imports soar by 20.5% to 18,405 tons, good for an 18.1% share of the imported pasta market. Most of this consists of OEM production for leading Japanese pasta makers. A high proportion of macaroni also characterizes American exports. Indonesia also recovered from its previous-year slump, though its vitality is probably only temporary

Fig. 2 Principal exporters of pasta to Japan

Trends in import volume by leading exporters



Shares of pasta imports in 2002 (value basis)



		1998	1999	2000	2001		2002			
		Volume	Volume	Volume	Volume	Value	Volume	Share	Value	Share
Egg pasta	Italy	496	471	771	474	133	389	70.5%	125	71.0%
	Brazil	18	38	75	40	7	54	9.8%	9	5.1%
	Hong Kong	49	39	33	38	18	27	4.8%	14	7.8%
	Other	79	38	66	71	27	82	14.8%	27	16.1%
	TOTAL	641	586	945	623	184	552	100.0%	176	100.0%
Spaghetti	Italy	67,452	66,128	70,897	68,773	6,696	71,924	78.2%	7,288	78.0%
	U.S.A.	3,951	10,280	13,622	14,162	1,645	15,909	17.3%	1,763	18.9%
	Indonesia	3,219	2,725	2,833	1,775	151	2,455	2.7%	164	1.8%
	Turkey	630	742	527	497	33	845	0.9%	42	0.5%
	Germany	0	42	74	363	19	321	0.3%	47	0.5%
	Other	180	94	395	238	16	320	0.6%	41	0.24%
	TOTAL	75,433	80,010	88,347	85,808	8,561	91,974	100.0%	9,345	100.0%
Macaroni	Italy	4,523	4,346	4,370	4,531	522	5,054	56.9%	603	49.0%
	U.S.A.	238	718	1,283	1,089	183	2,482	27.9%	392	31.8%
	Belgium	2	0	0	198	64	895	10.1%	151	12.3%
	Indonesia	0	0	2	165	49	154	1.7%	10	0.8%
	Other	302	199	153	261	30	304	3.4%	74	6.0%
	TOTAL	5,065	5,263	5,807	6,244	849	8,889	100.0%	1,229	100.0%
Total	Italy	72,471	70,945	76,037	73,778	7,351	77,367	76.3%	8,015	74.6%
	U.S.A.	4,199	11,006	14,915	15,269	1,845	18,405	18.1%	2,168	20.2%
	Indonesia	3,389	2,847	2,968	1,868	159	2,609	2.6%	175	1.6%
	Other	1,081	1,061	1,179	1,759	239	3,033	3.0%	392	3.6%
	TOTAL	81,139	85,858	95,099	92,675	9,593	101,415	100.0%	10,750	100.0%

Units: ton, ¥million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

As stated earlier, the pasta market in Japan endured its first year-to-year decline in ten years during 2000, due to declining sales of Japanese-made pasta. The slump spilled over into imported pasta during 2001. By 2002 both domestic and imported pasta were on the road to recovery. Total sales of 249,003 tons set a new all-time record. During this time imports' share of the market rose to almost 40%, propelled by increased production in the United States by leading Japanese pasta makers.

Fig. 3 Imports' share in the Japanese market

		1998	1999	2000	2001	2002	Yearly change
Domestic production	Spaghetti	129,941	131,963	121,880	115,635	121,329	104.9
	Macaroni	29,362	29,640	28,338	28,106	26,514	94.3
	Subtotal	159,303	161,603	150,218	143,741	147,843	102.9
Imports		81,139	85,858	95,099	92, 675	101,415	109.4
Exports		1,547	661	376	315	255	81.0
Total market		238,895	246,800	244,940	236,097	249,003	105.5
Imports' share		34.0%	34.8%	38.8%	39.3%	38.9%	

Unit: tons *Source: Japan Pasta Association, Japan Exports and Imports*

3. Key Considerations related to Importing

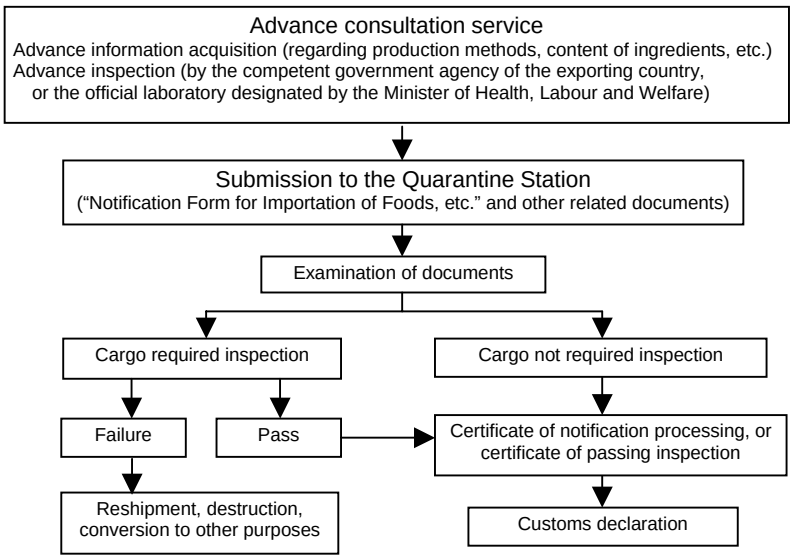
(1) Regulations and Procedural Requirements at the Time of Importation

The importation of pasta is subject to provisions of the Food Sanitation Law.

1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for pasta being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Fig. 4 Procedures required under the Food Sanitation Law



Frozen pasta products are defined under the Food Sanitation Law as frozen foods to be heated before consumption. Note that separate standards apply to frozen foods that are heated immediately before being frozen, and other frozen foods.

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

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

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

The sale of pasta is subject to provisions of the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits to see foods containing toxic or harmful substances and foods that are unsafe for human health. When selling packaged pasta, it must be labeled in accordance with provisions of the Food Sanitation Law. In addition, processed foods and food additives containing allergens are required or recommended to state in the labeling to the effect that they contain allergenic foods. (see 4. Labeling)

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

Pasta sealed in wrapping or containers is required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

(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
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling pasta sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients (also list of food additives, if used)
3) Net contents
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

Example of labeling for imported pasta

Product name	Spaghetti	Macaroni, spaghetti, vermicelli, noodles (See Fig. 7 for JAS product category definitions).
Ingredient name	Durum semolina Calcium salt	Raw material wheat flour and, other raw materials and additives must be listed in descending order by percentage of weight within the product. Raw material wheat flour may be described on the label by the phrases "durum semolina," "durum wheat flour," "reinforced wheat farina," or "reinforced wheat flour."
Net content	300 kg	Gram (g), kilogram (kg)
Best-before date	2003.4	Year/month or Year/month/day
Preservation method	Keep out of direct sunlight.	Products that can be stored at room temperature may omit this instruction from labeling.
Country of origin	Italy	
Importer's name, address or telephone No.		

<Labeling of Foods Containing Allergens>

The Food Sanitation Law mandates or recommends ingredient labeling for 24 items that contain allergens. Processed foods containing the food items listed in the following table, and processed foods containing additives derived from these food items are either required or advised to bear labeling to the effect that they contain allergenic foods.

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

<Labeling of Law for Promotion of Effective Utilization of Resources>

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging

Individual packaging

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

<JAS Mark>

JAS Mark

The JAS Law defines standards on macaroni. Products that undergo inspection and are certified compliant with JAS standards are allowed to display the JAS mark. However, application for grading is voluntary, and products do not have display the JAS mark in order to be sold.

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.

<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

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

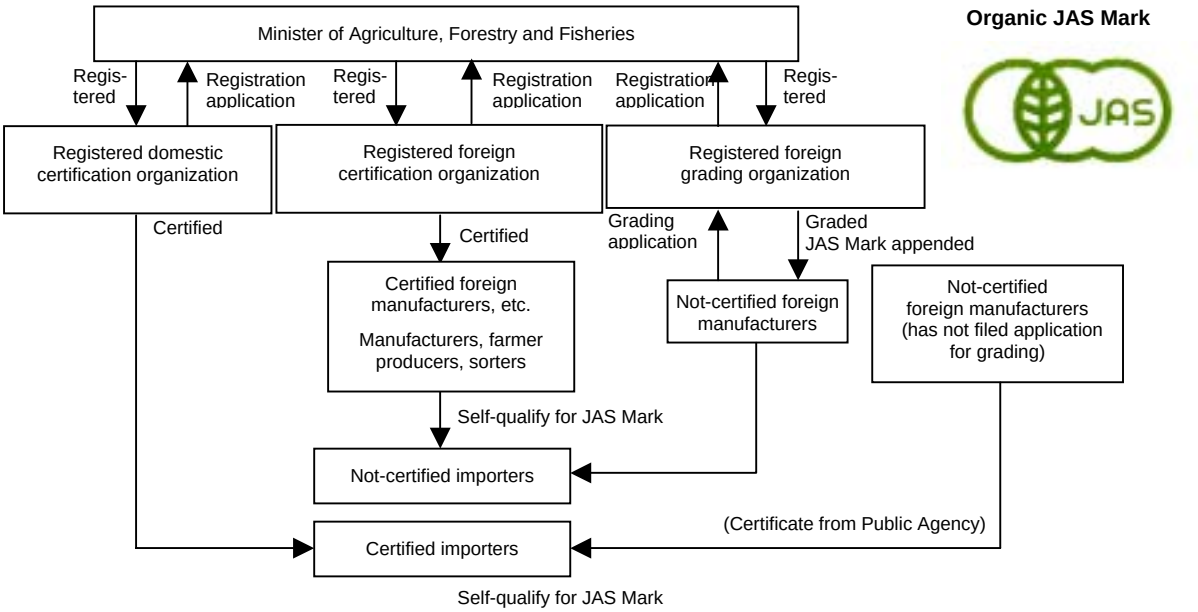
Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase "organic" and to display the Organic JAS Mark.

1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.

2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.

3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

Fig. 5 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



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

2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

There is no voluntary industry labeling for pasta.

5. Taxes

(1) Customs Duties

Fig. 6 presents customs duties on pasta.

Fig. 6 Customs duties on pasta

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
1902.11	Pasta, containing eggs	¥40/kg	¥30/kg		
1902.19	Pasta, not containing eggs				
-093,094	- Spaghetti and macaroni	¥40/kg	¥30/kg		

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

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

(1) Classification by Varieties

The word “pasta” literally means “flour dough” in Italian. It is a term generally applied to noodles such as spaghetti and macaroni. Please note, however, that there are different definitions of pasta under the JAS Law and for customs and tariff classification purposes (Note 1). The JAS Law defines as macaroni products that are made by adding water to durum semolina (Note 2), ordinary wheat or reinforced wheat farina, or to ordinary wheat flour, and then made into dough with eggs or vegetables, etc., added or not added, and then pressed at high pressure using a macaroni forming machine, after which it is cut and dried. The Law imposes further sub-classifications based on shape as described in Fig. 7.

Because of the properties of durum wheat flour, pasta does not disintegrate when boiled, but instead retains a flexible chewiness. Unlike other types of noodles that are typically eaten with soup broth, pasta can be freely combined with olive oil, tomato sauce, cheese, fish and shellfish, meats and vegetables. Thus, pasta offers a diverse menu of possible food dishes.

There are more than 300 different types of pasta, with different terms for each type according to the shape, the shape of the sectional cut, and the thickness. Pasta may be broadly classified into long types and short types. In Japan, the most widely purchased type is spaghetti, one of the varieties of long pasta.

Note 1: The category of pasta under HS No. 1902 in the official customs and tariff classification system includes products made from rice flour, along with Japanese udon, soba and ramen noodles, plus ravioli and other stuffed pasta products. The category also includes non-dried products and frozen products.

Note 2: Durum wheat is the type of flour best suited for making pasta, with large amounts of flexible gluten (protein) and a yellow color. Durum wheat is hard and difficult to grind into flour, and is used in rough-ground form, which is called durum semolina.

Fig. 7 Definitions of macaroni under the JAS Law

Product name	Definition
Spaghetti	Cylindrical pasta with a thickness of at least 1.2 mm, or tubular pasta with a thickness of less than 2.5 mm
Macaroni	Tubular or other shaped pasta (excluding cylindrical or flat pasta) with a thickness of at least 2.5 mm
Vermicelli	Cylindrical pasta with a thickness of less than 1.2 mm
Noodles	Flat-shaped pasta

(2) Characteristics of Products from Different Countries / Regions

The most commonly imported form of pasta is spaghetti. Other imported pastas include fettuccine, other egg pastas, and pastas with added spinach, tomatoes or paprika powder, in a wide variety of colors and shapes not found among pasta made in Japan.

- Italy

  Italy is the traditional home of pasta, and nearly all its prominent brands are imported into Japan. The leading brands of Italian pasta in Japan are Barilla (importer: Nihon Seifun), Buitoni (Nestle Japan) and De Cecco (Nisshin Foods). The Italian food fad of a few years ago has settled down, but Italian pasta retains the strong support of Japanese consumers.

- United States

  Nearly all of the imports consisted of production from US factories owned by leading Japanese makers, or development imports, produced for those makers on an OEM basis. Most pasta imported from the United States is for commercial and industrial use, rather than for consumer sale. By setting up production facilities where the durum wheat is grown, Japanese makers hope to supply the Japanese market with inexpensive and high-quality pasta. Imports of pasta are expected to grow further from the United States in the future.

- Indonesia

  Indonesia exports pasta under the Bogasari brand label made by the state-owned corporation to Japan through multiple importers. Despite the inexpensive price, Indonesian pasta is made from 100% durum wheat and offers consistent product quality. It is used in the commercial and industrial market (especially for frozen and processed foods), and is also sold at retail in some mass merchandiser outlets.

At one time Japanese pasta had a reputation for being softer than Italian pasta, and for losing its flavor in cooking. In recent years, though, technical cooperation with Italian makers, new production facilities, and increased proportions of durum semolina have narrowed the product quality gap with Italian pasta. Many observers now say that Japanese pasta is much closer to Italian pasta in quality.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Japanese people generally are fond of noodle dishes, including long-time Japanese favorites *ramen*, *udon* and *soba* noodles. Thus, it is easy for Japanese people to adapt to and come to enjoy pasta-based Italian food. Pasta has also gained attention for its health benefits, which has helped elevate the profile of pasta and other Italian food ingredients such as red wine and olive oil. The Japanese pasta market has experienced steady growth, but the growth rate in pasta consumption has slowed since it topped the 200,000 ton mark in 1996. 2000 marked the first year in the last ten when overall domestic pasta supplies declined. The likely reason for this decline was a drop in the incidence of purchasing dry pasta for preparation at home. In recent years, makers have launched a number of quick-preparation fresh pasta foods, including chilled products (where dry pasta is softened by adding hot water) and frozen products, where the pasta is combined with sauce and microwaved. These products target the home user market as part of efforts to diversify pasta consumption. These efforts are helping popularize thinner types of long pasta, with diameters of 1.4-1.6 mm, in addition to standard 1.9 mm spaghetti.

In the commercial and industrial market, Italian restaurants have fared well in spite of the overall poor sales in the food service industry, which has been hurt by the slump in consumer spending. Italian restaurants have proliferated in a variety of forms, including hotel restaurants, Italian style *ristorante*, and pasta specialty restaurants. Growth in pasta demand has also been aided by the popularity of pre-packaged lunch and snack foods sold at convenience stores, as well as steady strong demand in the food processing industry. The market for convenience store pasta lunches has grown into a large market, with annual use about 20,000 tons of pasta. Future growth is expected in this sector in the future. Nearly all frozen pasta is imported as unprepared pasta and then is processed and frozen after being brought into Japan. However, as consumer demand spreads for the convenience afforded by frozen pasta, imports of frozen pasta (frozen and frozen cooked pasta) appear likely to increase. In addition, increased consumer interest in natural foods and concern over food safety has inspired some importers to try their hand once again at importing organic pasta.

The annual per capita consumption of pasta in Japan is only about 1.7 kg. This is far less than the United States' annual per capita consumption of 10 kg, not to mention Italy's 28 kg. This means that further growth can be expected in the future. Spaghetti has long been the favorite in Japan, but makers and importers are working to promote short pasta and stimulate demand by devising new menu items that combine short pasta with a variety of pasta sauces.

(2) Distribution Channels

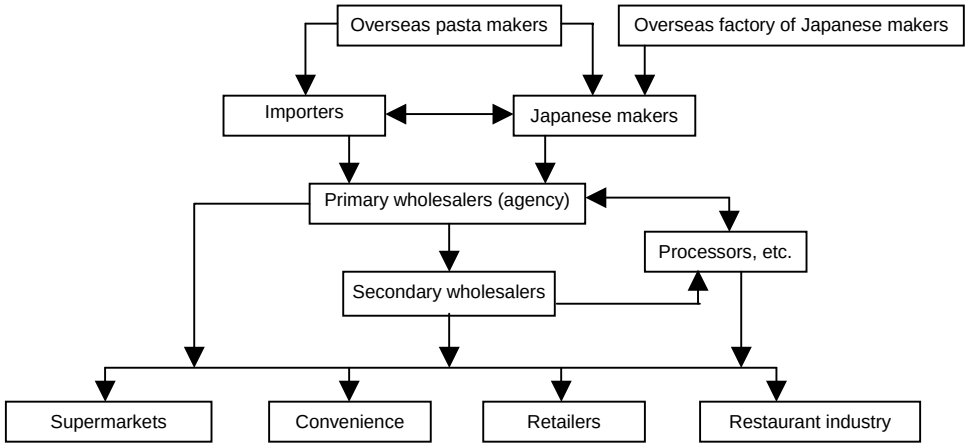
There are two main types of distribution channels in the pasta market. Pasta for the consumer market is distributed from makers or importers through food product wholesalers to retail stores. On the other hand, pasta for the commercial and industrial market is distributed direct to Italian restaurants and other food service establishments, and to food product makers and food processors.

According to a survey by the Japan-Pasta Association, 58.2% of domestic pasta production was sold into the consumer market in 2001, while 41.8% was sold to the commercial and industrial market. There are no similar statistics on sales of imported pasta, but industry sources say that imports are sold in larger proportion to the commercial and industrial market than is the case with pasta made in Japan. The four top Japanese pasta makers together account for 80% of total domestic pasta production. The two leading brands are also importers and resellers of well-known imported pasta brands. Their market leadership comes from the fact that they have all areas covered. They produce pasta themselves in Japan and overseas, plus they import pasta by foreign makers.

(3) Key Considerations for entering the Japanese Market

The Japanese pasta market is divided between the consumer market and the commercial-industrial market. At the same time, the forms of consumption and the modes of commercial and industrial use are diversifying as well. To enter the Japanese market, it is essential to formulate a carefully targeted approach that meets the needs of each type of use. The pasta market has matured, and the Italian food fad has waned somewhat. Entering the Japanese market at this stage requires that an importer be able to offer something distinctive, something that contributes to product diversification and that addresses consumer needs.

Fig. 8 Distribution channels for pasta



8. After-Sales Service

In general, there is no after-sales service required, but either the distributor or importer is held liable for defective products.

9. Related Product Categories

For customs and tariff purposes, pasta is classified under HS No.19.02. This category includes non-fermented products made from a variety of flours, including durum semolina, wheat, corn, rice and potato flour. These include *biefun* (1902.19-010), Japanese *udon*, *somen* and *soba* noodles (1902.19-092), stuffed pasta (1902.20) and instant *ramen* (1902.30-290). Virtually all imports of stuffed pasta products consist of Chinese-style dumplings and egg rolls, most of which are imported frozen. Note that content standards under the Food Sanitation Law differ between products that were heated immediately prior to being frozen, and other products.

10. Direct Imports by Individuals

Individuals may import without restriction quantities of pasta deemed appropriate to personal consumption. Individual imports for personal consumption are exempt from procedural requirements of the Food Sanitation Law, Imports for the purpose of distribution to a multiple non-specific persons are subject to provisions of the Food Sanitation Law.

11. Related Organization

- Japan-Pasta Association TEL: 03-3667-4245 http://www.pasta.or.jp

I 7. Fresh and Frozen Vegetables

1. Definition of Category

Edible fresh (including chilled) and frozen vegetables.

HS Numbers	Commodity
<Fresh vegetables>	
0703.10-011~013	Onions
0704.10, 20, 90	Cabbages, broccoli
0706.10	Carrots and turnips
0706.90-010	Burdock
0709.90-091	Pumpkins
0910.10-231	Ginger
0701.90 / 0702.00 / 0703.10-020 /0703.20, 90 / 0705.11, 19, 21, 29 / 0706.90--090 / 0707.00 / 0708.10, 20, 90 /0709.10, 20, 30, 40, 60, 70, 90-010, -099	
0714.90-210, 290	Other fresh vegetables
<Frozen vegetables>	
0710.10-000 / 2004.10-100, -210, -220	Potatoes
0710.29-010	Green soybeans
0714.90-110	Taros
0710.40-000 / 2004.90-110, -230	Sweet corn
0710.30-000	Spinach
0710.21, 22, 29-090, 80, 90 / 0714.90-120 / 2004.90-120, -210, -220, -240, -291, -299	Other frozen vegetables

Note 1: In this section, fresh vegetables do not include matsutake, shiitake, and other mushrooms. For details on these items, refer to "I-8 Mushrooms" in this guidebook.

Note 2: Chilled vegetables are fresh vegetables maintained at or near 0°C in order to preserve vegetable freshness without freezing.

Note 3: Frozen vegetables are pre-processed (peeled, cut, or blanched) and then quick-frozen at –18°C or lower. Sometimes vegetables at steamed or boiled in water before freezing, or vegetables may be cooked with sugar or oils before freezing.

Note 4: Vegetables cooked with other non-vegetable materials (other than seasonings or oils) before freezing are classified as frozen cooked vegetables, and are not discussed in this report.

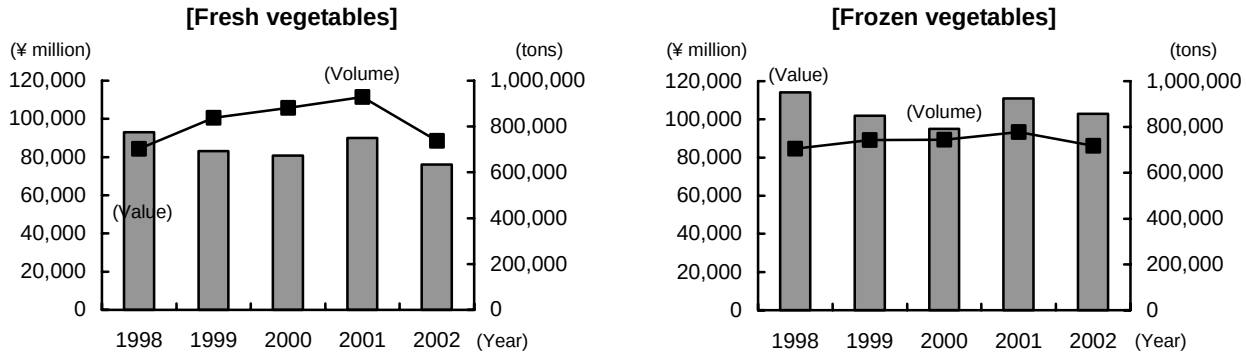
2. Import Trends

(1) Recent Trends in Fresh and Frozen Vegetable Imports

Over the five-year period from 1997 through 2001, aggregate vegetable imports (fresh + frozen, products classified under the HS numbers shown above) rose from 1.17 million tons to 1.70 million tons. However, 2002 witnessed a drop of more than 250,000 tons, to 1.455 million tons (down 14.7% from the year before). This represented the lowest total in four years, since 1998. The steepest drop of all came in fresh vegetables, which tumbled by 20.7% from the previous year's record level, down to 736,915 tons. One reason for the decline was a bumper crop of vegetables in Japan, which pushed down prices and deprived imports of their price advantage. Another important reason, though, was a series of incidents in spring and summer when excess levels of pesticides were detected in Chinese frozen and fresh vegetables. This led consumers and restaurants to shy away from Chinese vegetables, and it put a halt to the robust growth of Chinese vegetable imports, which had been growing rapidly in recent years.

Imports of frozen vegetables were also down by 7.6%, to 718,392 tons, partly due to the voluntary suspension of imports of frozen spinach from China. Spinach imports alone tumbled from 50,831 tons to 22,979 tons, a decline of more than half. The impact was felt in other key product categories, as white potatoes, green soybeans and sweet corn all finished down as well. However, the margin of decline was not as severe as in fresh vegetables.

Fig. 1 Japan's fresh and frozen vegetable imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Fresh vegetables	702,146	92,933	838,076	83,076	881,116	80,703	929,214	89,954	736,915	76,153
Onions	204,639	9,767	223,435	7,461	262,179	7,748	260,896	9,426	154,183	4,941
Pumpkins	128,875	11,853	153,964	9,872	133,167	8,181	140,652	10,641	128,474	10,478
Cabbages, broccoli	118,796	19,110	134,039	17,202	101,058	13,649	136,973	16,009	106,562	14,961
Burdock	*	*	71,715	5,129	81,676	4,866	80,683	5,127	74,665	3,310
Ginger	30,462	2,588	34,337	2,147	47,826	2,978	49,994	3,528	40,939	2,355
Carrots, turnips	34,009	2,643	50,490	2,937	43,586	2,271	47,140	2,494	37,000	1,721
Others	185,365	46,974	170,097	38,328	211,624	41,010	212,876	42,729	195,092	38,388
Frozen vegetables	705,798	114,060	742,352	101,949	744,867	95,046	777,351	110,937	718,392	102,938
Potatoes	266,651	35,230	281,190	31,159	272,987	27,522	274,237	30,155	266,984	29,606
Green soybeans	68,260	14,693	73,075	13,558	74,985	12,971	77,200	14,719	69,510	13,659
Taros	52,093	8,158	51,861	5,965	55,874	5,785	55,012	7,392	49,103	6,005
Sweet corn	51,878	8,134	52,339	6,920	50,882	6,394	48,350	6,992	46,279	7,020
Spinach	45,814	5,683	44,426	4,782	44,978	4,589	50,831	5,985	22,979	2,648
Others	221,102	42,161	239,460	39,565	245,161	37,785	271,721	45,694	263,537	44,000
TOTAL	1,407,943	206,993	1,580,428	185,025	1,625,983	175,749	1,706,565	200,891	1,455,307	179,090

Units: tons, ¥ million *Source: Japan Exports and Imports*

(Note) Burdock is separately classified since 1999.

<Fresh vegetables>

By specific product category, onions are the leading imported fresh vegetable on a volume basis. Onions experienced in 2002 the largest decline of all, sinking 40.9% from 260,896 tons to 154,183 tons. This was a major reason for the overall import decline. 2002 saw a bumper crop of onions in Japan, which relieved the domestic supply-demand situation and temporarily pushed the wholesale price down to less than half the level of a normal year. As a result, many importers deferred procurements from abroad. Pumpkin imports fell by 8.7% to 128,474 tons, while cabbage and broccoli declined 22.2% to 136,973 tons and burdock finished down 7.5% to 74,665 tons. Thus, all the leading products ended the year with lower imports.

However, bad weather in the autumn caused prices of Japanese vegetables to soar. Since the start of 2003, fresh vegetable import volume has been running above levels of the same months in 2002. Still, it is unclear whether 2003 will finish the year down or up. Market observers are divided in their opinions. Some believe that imported vegetables have become firmly rooted in the Japanese market and that the decline is only temporary. Others believe that heightened consumer concern over safety has led them to take a new look at the safety of Japanese vegetables and put a definitive halt to the growth of imported vegetables.

Also, in 1997 the top three vegetables accounted for 70% of all imports, but the intervening years saw not only a quantitative increase in imports but also a diversification in the types of vegetables imported (52.8% for top three vegetables in 2002). In recent years, further, the diversification of the diet has led to imports of previously unfamiliar vegetables such as chicory, shallots, leeks, salad beet roots, salfacies, and the like.

Fig. 2 Trends in fresh and frozen vegetable imports by varieties in 2002

	Fresh Vegetables			
	Volume		Value	
	Share	Yearly change	Share	Yearly change
Onions	20.9%	59.1	6.5%	52.4
Pumpkins	17.4%	91.3	13.8%	98.5
Cabbages, broccoli	14.5%	77.8	19.6%	93.5
Burdock	10.1%	92.5	4.3%	64.6
Ginger	5.6%	81.9	3.1%	66.8
Carrots, turnips	5.0%	78.5	2.3%	69.0
Others	26.5%	91.6	50.4%	89.8
TOTAL	100.0%	79.3	100.0%	84.7

	Frozen Vegetables			
	Volume		Value	
	Share	Yearly change	Share	Yearly change
Potatoes	37.2%	97.4	28.8%	98.2
Green soybeans	9.7%	90.0	13.3%	92.8
Taros	6.8%	89.3	5.8%	81.2
Sweet corn	6.4%	95.7	6.8%	100.4
Spinach	3.2%	45.2	2.6%	44.2
Others	36.7%	97.0	42.7%	96.3
TOTAL	100.0%	92.4	100.0%	92.8

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Frozen vegetables>

Volume imports of frozen vegetables preceded those of fresh vegetables, having begun in the early 1990s. This was due partly to the strong yen, which reduced prices of imported goods, and to the growth of fast food outlets, family dining restaurants, and other parts of the food services industry. In addition, frozen foods are well suited to the needs of young adults and working couples that only want to prepare small servings. Total imports of frozen vegetables topped 700,000 ton mark in 1998. Nevertheless, frozen vegetable imports had been growing, albeit slowly, until a succession of incidents began in April of 2002 when excess levels of pesticides were detected in Chinese frozen spinach. In July the Ministry of Health, Labour and Welfare called on the related industries to voluntarily suspend imports of frozen spinach produced in China. The suspension was lifted at the end of February, 2003. The impact spread to green soybeans and other Chinese frozen vegetables, and has created a negative image for all imported frozen vegetables.

But, imports of white potatoes, the largest vegetable product category, were off only slightly from the year before, finishing down 2.6% to 266,984 tons (37.2% of the total). Broccoli and asparagus imports actually increased, as a more diverse range of vegetables are imported to Japan.

(2) Imports by Place of Origin

<Fresh vegetables>

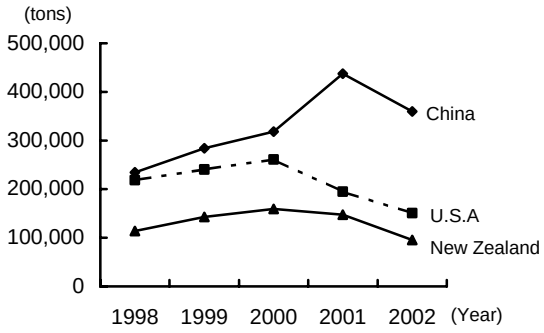
The main source of fresh vegetables is China. As is clear from the figure below, rapid growth in fresh vegetable imports from China over the past three years meant that by 1999 China took over the top spot from the United States on a volume basis, and by 2000 on a value basis. In 2001 China recorded a sizable growth of 37.5% from the year before, with 47.1% share of the total. However, China experienced declines in its exports to Japan of cabbage, Chinese cabbages, broccoli and onions, finishing down in 2002 by 17.7% from the year before at 359,932 tons.

China was not the only vegetable exporter to see its exports to Japan go down. Imports from the United States, New Zealand, the Republic of Korea and virtually all the other leading exporters were also lower. Because of this, China's import share actually increased, to 48.8%. Of the nine nations that exported at least 1,000 tons of fresh vegetables to Japan, only Tonga exported a greater volume in 2002.

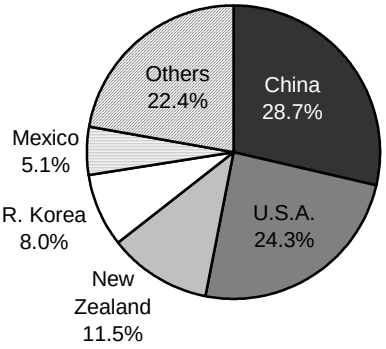
China's geographic proximity and low prices give it an advantage in a wide spectrum of vegetables, including onions, leeks, Chinese cabbages, carrots and gingers, which are developed for Japanese market. On the other hand, main varieties of imports from the United States are onions, broccoli and asparagus. Because New Zealand is in the South Hemisphere, it can supply fresh vegetables such as pumpkin, carrots, and onions to Japan during Japan's off-season.

Fig. 3 Principal Exporters of fresh vegetables to Japan

Trends in import volume by leading exporters



Shares of fresh vegetable imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	234,363	283,710	317,919	437,260	28,896	359,932	48.8%	21,890	28.7%
U.S.A.	218,516	240,369	260,706	194,821	20,198	150,867	20.5%	18,542	24.3%
New Zealand	113,880	143,225	159,719	147,494	10,023	95,335	12.9%	8,727	11.5%
Mexico	34,966	36,084	25,316	28,689	5,296	26,857	3.6%	3,909	5.1%
R. Korea	25,959	26,246	26,909	38,606	8,106	24,045	3.3%	6,065	8.0%
Other	74,461	108,442	90,547	82,343	17,434	79,879	10.8%	17,020	22.4%
TOTAL	702,146	838,076	881,116	929,214	89,954	736,915	100.0%	76,153	100.0%
(E U)	7,611	7,205	8,674	7,723	3,352	8,047	1.1%	3,854	5.1%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 4 Leading exporters of fresh vegetables to Japan by variety (2002)

	First			Second			Third		
	Country	Share	Yearly change	Country	Share	Yearly change	Country	Share	Yearly change
Onions	China	46.3%	68.3	U.S.A.	41.8%	59.1	New Zealand	6.3%	26.5
Pumpkins	New Zealand	60.0%	79.0	Mexico	19.0%	100.7	Tonga	14.1%	135.0
Cabbage, broccoli	U.S.A.	64.3%	108.5	China	33.3%	55.2	R Korea	1.4%	22.7
Burdock	China	88.2%	95.4	R Korea	11.7%	76.0	Australia	0.1%	52.4
Carrots, turnips	China	72.0%	88.2	New Zealand	11.2%	45.7	Australia	10.8%	72.2
Ginger	China	98.4%	83.2	Thailand	1.4%	40.1	Indonesia	0.1%	68.6
Other	China	61.7%	99.5	R Korea	6.7%	78.5	U.S.A.	7.9%	72.6

Unit: tons *Source: Japan Exports and Imports*

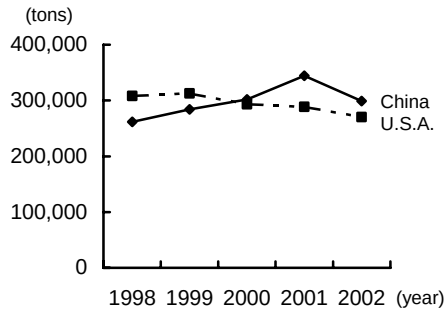
<Frozen vegetables>

The main suppliers of frozen vegetables are China and the United States. 2000 marked the first year when China topped the United States as a frozen vegetable exporter to Japan. From China, Japan imports large volumes of green soybeans, green peas, kidney beans, spinach and taro *(satoimo)*. The United States is the largest exporter of frozen potatoes, mainly for use in French fries. Sweet corn and mixed vegetables are also imported from the United States.

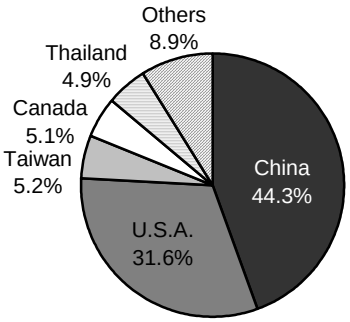
2002 saw a decline of 13.1% for China to 299,139 tons (42.0% share) and a decline of 6.3% to 270,515 tons (38.0% share). After the voluntary spinach import suspension was announced in July, Chinese frozen spinach imports dropped to less than half the level of the year before. Consumers also avoided Chinese-grown green soybeans and other vegetables that had not been targets of any special measures. The incidents drove down overall imports of spinach, but in the case of green soybeans, demand for supplies from Taiwan and Thailand increased to compensate for lower Chinese imports. Canada increased its exports of potatoes to Japan enough to set a new record for itself at 43,655 tons (import share 6.1%).

Fig. 5 Principal Exporters of frozen vegetables to Japan

Trends in import volume by leading exporters



Shares of frozen vegetable imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	261,482	283,931	301,936	344,131	52,652	299,139	42.0%	45,238	44.3%
U.S.A.	307,926	312,808	293,053	288,776	33,710	270,515	38.0%	32,272	31.6%
Canada	24,855	33,675	37,285	36,780	4,233	43,655	6.1%	5,170	5.1%
New Zealand	24,851	24,665	25,663	26,178	3,621	25,932	3.6%	3,702	3.6%
Taiwan	25,700	25,667	25,695	23,623	5,089	23,892	3.4%	5,266	5.2%
Other	52,654	53,028	51,473	48,651	10,564	48,322	6.8%	10,431	10.2%
TOTAL	697,469	733,775	735,105	768,138	109,870	711,456	100.0%	102,079	100.0%
(E U)	3,541	4,130	4,267	4,502	885	4,335	0.6%	975	1.0%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 6 Leading exporters of frozen vegetables to Japan by variety (2002)

	First			Second			Third		
	Country	Share	Yearly change	Country	Share	Yearly change	Country	Share	Yearly change
Potatoes	U.S.A.	80.8%	94.8	Canada	15.5%	113.9	China	1.9%	90.1
Green soybeans	China	49.8%	77.0	Taiwan	33.9%	103.9	Thailand	12.7%	113.8
Taros	China	99.7%	89.2	Philippines	0.2%	109.1	Canada.	0.1%	All
Sweet corn	U.S.A.	72.6%	91.2	New Zealand	22.6%	101.8	Australia	1.5%	1,716.8
Spinach	China	98.7%	44.7	Taiwan	0.9%	2,418.9	Chili	0.1%	All

Unit: tons *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

The share of imported fresh vegetables expanded from FY 1994 and reached 18.5% in FY 2001. Import growth to compensate short supply due to crop failures or disaster has resulted in growth in imports' share and consistently lower prices in the Japanese market. According to Japan Frozen Food Association , domestic products of frozen vegetables in 2001 is 83,011 tons, and the share of imported frozen vegetables continues to expand and reaches about 90%.

Fig. 7 Imports' share of fresh vegetables in the Japanese market

FY	1996	1997	1998	1999	2000	2001
Domestic production	14,621	14,313	13,642	13,861	13,670	13,555
Imports	2,466	2,384	2,642	2,921	3,002	3,073
Exports	1	3	3	3	2	5
TOTAL	17,086	16,694	16,281	16,779	16,772	16,623
Imports' share	14.4%	14.3%	16.2%	17.4%	18.0%	18.5%

Unit: 1,000 tons *Source: Food Supply and Demand*
Note) Product category covered in the Food Supply and Demand differs partially from import statistics.

3. Key Considerations related to Importing

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

Imports of all vegetables (fresh, chilled, or frozen) are subject to provisions of the Food Sanitation Law and the Plant Protection Law. Further, imports of garlic and ginger grown in China are subject to reporting with the Minister of Economy, Trade and Industry.

1) Plant Protection Law

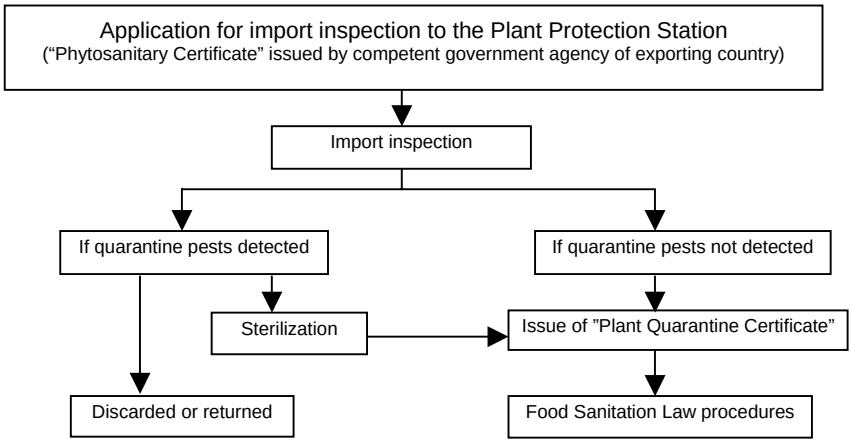
Under the Plant Protection Law, in order to prevent the entry and spread into Japan of harmful micro-organisms, insect pests, and parasites that would cause serious damage to crops and forest resources of Japan,

- No root crops with soil attached can be imported into Japan.
- No host fresh (frozen) vegetables of the Mediterranean fruit fly, the Colorado leaf beetle, the citrus burrowing nematode, etc. from or through the infested area are allowed into Japan.

There is a separate list of import-prohibited items for every infested area. If one of these import-prohibited items is brought to Japan, an order will be issued to burn and the like. For instance, potato is designated as an import-prohibit item for almost all areas. Further, potatoes and sweet potatoes must be cultivated for a certain time and inspected in isolation at a plantation of the Plant Protection Station in order to test for viruses even when from other than infested areas. Further, for ginger etc., 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.

When importing fresh or chilled, frozen, and dried, the importer must promptly submit to the Plant Protection Station an "Application for Import Inspection of Plants and Import-Prohibited Articles" along with a "Phytosanitary Certificate" issued by the competent government agency of the exporting country. Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If an infestation is detected, and then the importer will be ordered to decontaminate, discard, or return to the shipper.

Fig. 8 Plant Protection Law procedures



All vegetables, both fresh and frozen, are subject to provision of the Plant Protection Law. However, even an import-prohibited item may be imported if it can be verified that they were completely freeze-dried, completely dried, or pickled or otherwise processed. In this instance, the importer must submit a "Phytosanitary Certificate" issued by a competent government agency of the exporting country affirming that the frozen vegetables have been quick-frozen and maintained at a temperature no higher than –17.8°C (0°F). If the vegetable is not an import-prohibited item, the importer should obtain documentation from the manufacturer demonstrating that the vegetable was frozen at a temperature of –17.8°C (0°F) or lower. If the freezing was inadequate, the vegetable will fail the plant quarantine inspection.

2) Food Sanitation Law

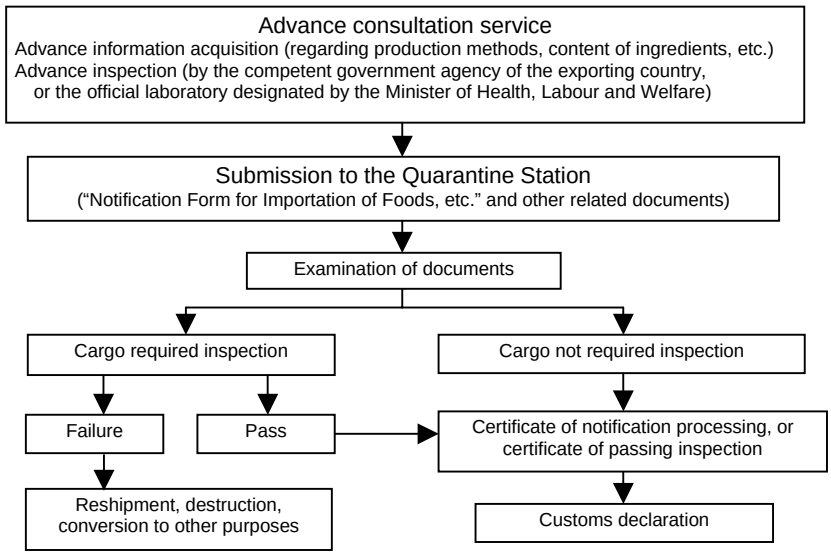
Under provisions of the Food Sanitation Law, an import notification is required for all vegetables being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Fresh vegetables are inspected for residual pesticides and agricultural agents (including preservatives, film compounds, etc.), food additives (including colorings) and radioactivity. Frozen vegetables are inspected for compliance with bacterial content standards, when taking either as-is or after being cut into pieces and put in containers before freezing.

On the other hand, frozen vegetables, which are frozen after being blanched (Note) or sautéed or otherwise heat-treated, are subject to composition specifications for bacteria count and presence of coliform group. The applicable composition specifications differs according to whether heat treatment was applied immediately before the vegetables were frozen, whether the vegetables are meant to be eaten as-is after thawing, or whether the vegetables are meant to be reheated before eating.

Note: Vegetables undergo deterioration in product quality even after freezing due to the actions of yeast. If the vegetables are blanched, which involves applying heat for a very brief period of time, it inhibits the activity of yeast, and then the vegetables can be frozen.

Fig. 9 Procedures required under the Food Sanitation Law



A succession of violation of the Food Sanitation Law by frozen vegetables from China in 2002 led to tightened import inspections of frozen vegetables. Residual agricultural chemical inspections were expanded from fresh vegetables to include processed vegetables subjected to simple processes such as blanching of salt water boiling.

Note: The Enforcement Order for the Food Sanitation Law has amended in August of 2002 to add frozen vegetables to the list of product subject to ordered inspection. The amended Law also authorizes the Japanese government to ban imports from particular countries in case of repeated violations of agricultural chemical residue standards or other standards (promulgated September, 2002).

Safety review of genetically modified foods have been mandatory in Japan since April of 2001. The Food Sanitation Law prohibits the importation and sale of products that have not yet undergone this review, even if they have been approved for use in other countries. The Law also requires import notification of genetically modified foods and processed foods thereof.

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

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

3) Foreign Exchange and Foreign Trade Law

Under Import Notice, which was issued based on provisions of the Foreign Exchange and Foreign Trade Law, importers of garlic and ginger grown in China are required to file report with the Minister of Economy, Trade and Industry within two weeks of clearing customs. This report must list the volume imported, value of the cargo imported, place of origin, port of loading, name of the exporter and other items as required.

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

The sale of vegetables is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits to see foods containing toxic or harmful substances and foods that are unsafe for human health. When selling packaged frozen vegetables, they must be labeled in accordance with provisions of the Food Sanitation Law. In addition, a legal obligation was newly added for labeling standards for genetically modified foods. (see 4. Labeling)

2) JAS Law

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

The JAS Law establishes proper labeling standards for all food and beverage products sold to consumers. The JAS Law provides for separate quality labeling standards for fresh vegetables by the "Fresh Food Product Quality Labeling Standards," and for frozen vegetables by the "Processed Food Quality Labeling Standards," and "Vegetable Frozen Food Quality Labeling Standards." In addition, a legal obligation was newly added for labeling standards for genetically modified foods. (see 4. Labeling)

3) Measurement Law

Frozen vegetables sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Act Against Unjustifiable Premiums and Misleading Representations

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

(3) Competent Agencies

- Food Sanitation Law
  Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Plant Protection Law
  Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- JAS Law
  Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- Measurement Law
  Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Foreign Exchange and Foreign Trade Law
  Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

<Fresh vegetables>

Fresh vegetables are subject to the Fresh Food Product Quality Labeling Standards under the JAS Law. It is required to place labeling of the following items on the container or packaging in a readily visible location, or to display it in a readily visible location adjacent to the applicable fresh food item.

1) Product name
2) 2) Country of origin

<Frozen vegetables>

When selling frozen vegetables sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the Processed Food Product Quality Labeling Standards and Vegetable Frozen Food Quality Labeling Standards under the JAS Law, and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients and food additives, if any
3) Producing area of raw material (other than imports)
4) Net contents
5) Best-before date
6) Preservation method
7) Pre-heat-treatment indication (only for products requiring cooking)
8) Cooking requirement, if any
9) Country of origin
10) Importer's name and address

<Labeling requirements for genetically modified foods>

The Food Sanitation Law and the JAS Law classify genetically modified foods into three categories according to their scientific properties, and stipulates labeling method for soybeans (including green soybeans and soybean sprouts), corn, potatoes, rapeseed, cottonseed, and processed food products made from these designated agricultural products.

1) For the genetically modified organism (GMO) and processed foods made from GMO as a main ingredient, if they are produced or distributed without segregation between GMO and non-GMO, it shall be declared that segregation has not been made. (Compulsory labeling)

2) For the genetically modified organism (GMO) and processed foods made from GMO as a main ingredient, if they are confirmed that they have been treated under a identity preserved handling, it shall be declared as the ingredient is GMO. (Compulsory labeling)

3) For the non-GMO and foods made from non-GMO as a main ingredient, if they are confirmed that they have been treated under a identity preserved handling, labeling is not required. But they may voluntarily declare as the ingredient is non-GMO. (Voluntary labeling)

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging

Individual packaging

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

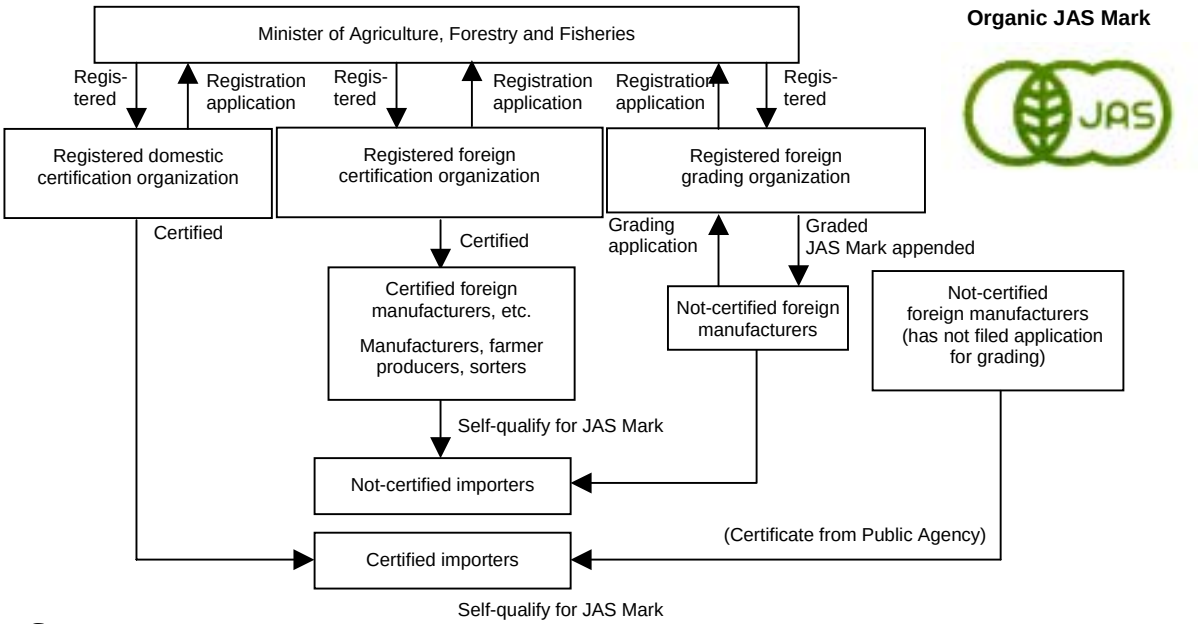
The JAS Law establishes a "special JAS standard" for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase "organic" and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase "organic" and to display the Organic JAS Mark.

1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.

2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.

3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

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



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

(3) Voluntary Industry Labeling

<Labeling Guideline by the Japan Frozen Food Association>

The Japan Frozen Food Association has adopted voluntary labeling standard based on the laws. These standards require that the following items appear on the product label:

- Frozen food item statement
- Product name
- Ingredient name
- Net contents

- Best-before date
- Preservation method
- Usage instructions
- Pre-heat-treatment indication (only for products requiring cooking)
- Cooking requirement, if any
- Country of origin
- Producer or importer name and address

<Certification Mark by the Japan Frozen Food Association>

The Japan Frozen Food Association has voluntarily adopted food quality guidelines and established approved facility designation procedures. The frozen food processing plants of Association members may be inspected for facility and product and sanitation quality control procedures. Plants that pass inspection are designated as Japan Frozen Food Association Approved Factory, indicating compliant with Association quality guidelines.

Contacts:

Japan Frozen Food Association TEL: 03-3667-6671
http://www.reishokukyo.or.jp

Certification Mark by the Japan Frozen Food Association

5. Taxes

(1) Customs Duties

Following tables present tariff rates on fresh and frozen vegetables.

Fig. 11 Customs duties on fresh vegetables

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0701.90	Potatoes	5%	4.3%		
0702	Tomatoes	5%	3%		
0703.10	Onions	10%	8.5%		
-011	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-the value for customs duty)/kg
-013	More than ¥73.70/kg in value for customs duty				Free
-020	Shallots	5%	3%		
0703.20, 90	Garlic, leeks and other alliaceous vegetables	5%	3%		
0704.10, 20, 90	Cabbages, cauliflowers Brussels sprouts, broccoli and other	5%	3%		
0705.11, 19, 21, 29	Cabbage lettuce (head lettuce), lettuce, witloof chicory and others	5%	3%		
0706.10	Carrots and turnips	5%	3%		
0706.90	Other edible roots	5%			
-010	Burdock		2.5%	Free	
-090	Other edible roots except above		3%		
0707	Cucumbers and gherkins	5%	3%		
0708.10, 20, 90	Peas, beans, and other leguminous vegetables	5%	3%		
0709.10, 20, 30, 40, 70	Globe artichokes, asparagus, aubergines (egg-plants), celery, spinach, New Zealand spinach and orache spinach(garden spinach)	5%	3%		
0709.90	Other fresh vegetables				
-010	1. Sweet corn	10%	6%		
-091, -092, -099	2. Pumpkins, lotus roots and other	5%	3%		
0714.90 -210	Taros	15%	9%		
0910.10 -231	Fresh ginger	5%	2.5%	Free	

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

Fig. 12 Customs duties on frozen vegetables

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0710.10, 21, 22	Potatoes, Peas, beans, and other leguminous vegetables	10%	8.5%		
0710.29	Other frozen vegetables	10%			
-010	Green soybeans		6%		
-090	Other leguminous vegetables		8.5%		
0710.30	Spinach, New Zealand spinach and orache spinach (garden spinach)	10%	6%		
0710.40	Sweet corn	12.5%	10.6%		
0710.80-010, -090	Broccoli and other	10%	6%		
0710.90	Mixtures of vegetables				
-100	1. Chiefly consisting of sweet corn	12.5%	10.6%		
-200	2. Other mixtures of vegetables	10%	6%		
0714.90 -110	Taros	10%	(10%)		
2004.10-100	Cooked potatoes, not otherwise prepared	10%	8.5%		
-210	Mashed potatoes	16%	13.6%		
-220	Other prepared potatoes	9.6%	9%		
2004.90-100	Prepared sweet corn, containing added sugar	17.5%	10.5%		
-120	Other prepared vegetables, containing added sugar	28%	23.8%		
-210	Asparagus and leguminous vegetables (no sugar)	20%	17%		
-220	Bamboo shoots (no sugar)	16%	13.6%		
-230	Sweet corn (no sugar)	12.5%	7.5%		
-240	Young corncobs (no sugar, in airtight containers)	25%	15%	9% *Free	
-291	Young corncobs (no sugar, other than in airtight containers)				
-299	Other vegetables (no sugar)	9.6%	9%		

*Note 1: "*Free" in Preferential Rate is applicable only for Least Developed Countries.*
Note 2 : Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

<Fresh vegetables>

Japan consumes about 17 million tons of vegetables a year. Japanese therefore eat more vegetables than people do in most other countries. The Ministry of Agriculture, Forestry and Fisheries (MAFF) has calculated the per capita annual consumption to be around 100 kg. A look at the types of vegetables shows that there has been an increase in vitamin-rich green vegetables in recent years amid a health craze. On the other hand, consumption of Chinese cabbage, *daikon* (Japanese radish), and other heavier vegetables has been falling.

Household consumption has been declining, while industrial consumption (by food processors and the food service industry) has been rising. Right now household and industrial consumption are about equal. Underlying this trend are changes in Japanese society and lifestyles. People used to pick and choose seasonal vegetables at their local greengrocers based on freshness, shape, color, and gloss and prepare them at home, but this practice has been on the wane in recent years. With young families living separately from their parents, more women holding down full-time jobs and young men and women choosing to live by themselves rather than with their parents, the Japanese are eating out more often. And at-home meals have become simpler, reducing preparation time. Due in part to the spread of microwaves ovens and other convenient cooking devices, more and more frozen food and precooked food is being consumed.

Main reasons for the imports of fresh vegetables were:

(1) Domestically grown vegetables are sometimes in short supply due to crop failures or disasters.
(2) Shortage of domestically produced vegetables owing to the aging of farmers.
(3) Imported vegetables can supply at lower prices than vegetables grown in Japan.

(4) Food processors have actively sought low-cost import sources of items (such as carrots and onions).
(5) Increasing purchases by GMS chains and food service industry to stabilize procurement
(6) Distributors are looking for out-of-season supply sources (such as pumpkin, broccoli, and asparagus imported from countries with different growing seasons from Japan).
(7) To accommodate increasingly diverse and westernized Japanese culinary tastes (by introducing new types of vegetables).
(8) To accommodate needs for convenience, safety, and highly value-added (precut vegetables, organic vegetable).

This is spurring imports of fresh vegetables and leading to growth in overall consumption as well.

<Frozen vegetables>

Because they are maintained at a temperature of –18°C or lower, frozen vegetables will keep for a year or longer without any loss of quality. The Japan Frozen Food Association has set quality retention guidelines for most varieties of frozen vegetables. For example, the Association recommends a quality maintenance deadline after the date of production of 12 months for asparagus and kidney beans, 10 months for corn on the cob, 20 months for carrots and 24 months for pumpkins. Nevertheless, enzymes in the vegetables remain active even after freezing and enzymatic action can degrade the quality of the produce. Therefore, frozen vegetables are often blanched prior to freezing, which deactivates the enzymes and helps maintain product quality. However, lettuce and other leafy vegetables commonly eaten raw in salads lose their crispness after blanching, and thus are not good candidates for freezing.

Frozen vegetable production usually takes place when the vegetable is in season at its place of origin and quality is at its peak. This means that frozen vegetables are available year-round with consistent quality and at stable prices. Consequently, whenever fresh vegetable prices go up, demand for frozen vegetables tends to increase.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

<Fresh vegetables>

Fresh vegetable imports grew especially quickly in 1998 and 1999, when heavy rains significantly reduced domestic production (543,283 tons in 1997, up to 839,336 tons in 1999). This put fresh vegetable imports ahead of frozen vegetable imports. Growth in fresh vegetable imports, and most especially the large volume of low-priced fresh vegetables from China, has resulted in consistently lower fresh vegetable prices. This has raised concerns in some quarters about the possibility of further shrinkage in domestic productive capacity. As stated previously, it is concerned whether the substantial import decline in 2002 is only temporary, or heightened consumer concern over safety leads them to take a new look at the safety of Japanese vegetables and put a definitive halt to the growth of imported vegetables.

A succession of violation of the Food Sanitation Law by frozen vegetables from China in 2002 leads the fresh vegetable market to see an accelerating trend to create a traceability system to assure safety and confidence by disclosing to consumers in the store and on the Web who has grown vegetables in what manner.

Health and naturalness have been two recent trends in the vegetable market. One sign of this is the sale of locally grown vegetables by mass merchandisers. While it is difficult to ensure stable supplies with locally grown vegetables alone due to fluctuations in the harvests, there is strong consumer demand for freshness. Therefore, the large supermarket chains have been increasing the number of outlets handling local produce and specialized sales corners all around the country. They station expert buyers in producing areas to buy vegetables, which they then ship to outlets in nearby consumption areas.

Organically grown vegetables are also making their way into the market. Not only are they delivered direct to the home, but also they are sold through special sales corners in major supermarkets and department stores. A consumer group has even set up a full-sized specialized supermarket. Food service chains are also adding organically grown vegetables to their offerings. The department stores, on the other hand, treat organically grown produce mostly as gift items because it sells more slowly than other food and often sell it in prepared form. Also rising in popularity in recent years are precut vegetables. The supermarket chains are all marketing precut vegetables for use in salads or other dishes. Sold in two- to three-person servings and containing several types of vegetables mixed together, they offer the consumer both convenience and economy. Demand is growing from single persons living alone, families with working wives and elderly couples living on their own..

<Frozen vegetables>

Industry observers estimate the breakdown of frozen vegetable consumption at 60% commercial use and 40% home use. Prices of fresh vegetables affect demand for frozen vegetables for household consumption, whereas commercial demand generally remains steady. Japan relies on imports for 90% of frozen vegetables mainly from China and the United States.

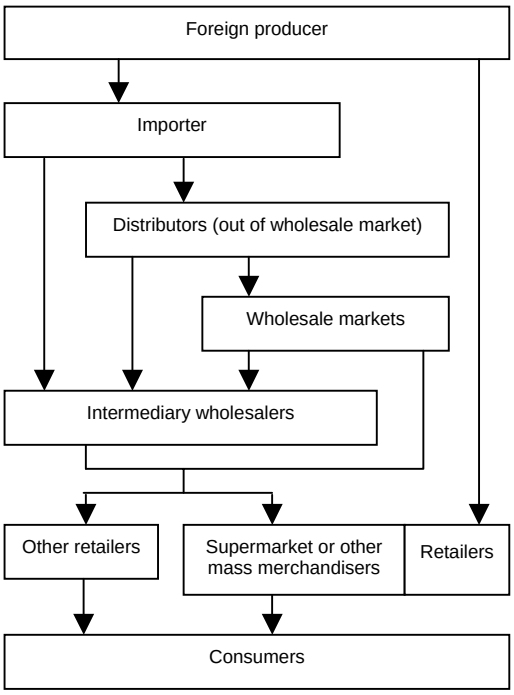
The succession of incidents in the spring of 2002 of excess residual pesticides in Chinese frozen spinach dealt a major blow to the industry. For a time Chinese frozen vegetables disappeared entirely from frozen food sections of supermarkets, and many restaurants stopped using not only spinach but also all Chinese frozen vegetables. Then in July the Ministry of Health, Labour and Welfare issued its call for a voluntary halt to imports. After a series of talks between the Japanese and Chinese governments, a number of legal measures were taken to rectify the situation. These included a halt to usage of the offending agricultural chemical, institution of export inspections and the issuance of health certificates to products that pass inspection, and issuance of export permits only to products from registered farms. Accordingly, the import halt was lifted at the end of February of 2003. Japanese frozen food companies have established programs in concert with their Chinese partners to directly control the type, quantity, and number of applications of agricultural chemicals, and to maintain traceable production records. The aim is to resume sales of Chinese frozen vegetables in May. Whether or not they will be able to restore the sullied image of Chinese frozen vegetables and regain consumer confidence, however, is another matter. Then experts look for personal consumption of frozen vegetables to increase, and they believe restaurants will make more extensive use of frozen vegetables to supplement their current menus. Other factors pointing to continued growth include continued low and stable farm and wholesale prices and the prospect for increased use in food service operation (cafeterias, etc.).

(2) Distribution Channels

<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 authorized buyers purchase from daily vegetable auctions, then sell the vegetables to retailers. Industry sources claim that roughly 80% of all vegetables consumed in Japan are distributed in this manner. The remaining 20% is distributed direct (bypassing the wholesale markets) to food cooperatives, agricultural cooperatives, trading companies and volume purchasers in the food services industry, who ultimately sell the produce to consumers.

Fig. 13 Distribution channels for imported fresh vegetables



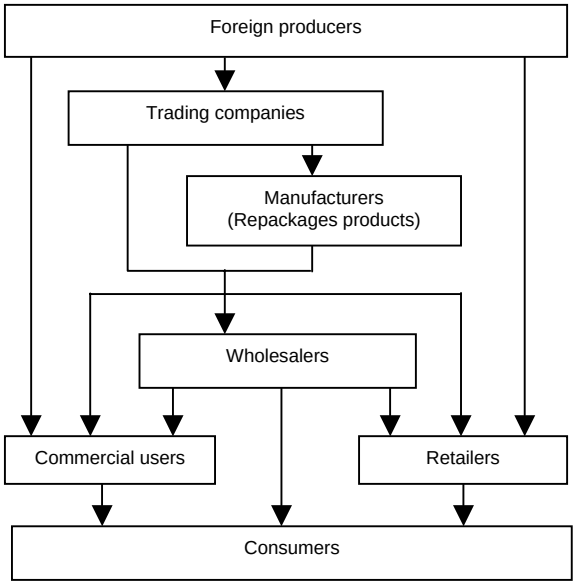
Imported vegetables brought in by importers and then either put on the wholesale markets just as if they were grown in Japan (market sales) or sold direct to wholesalers, who in turn sell to retailers (out-of market sales). Judging from transaction patterns on the central wholesale markets, imported vegetables appear to be sold direct to wholesalers or volume purchasers more than domestic grown vegetables. Recently larger mass merchandisers and specialty shops have begun contracting directly with overseas distributors to provide vegetables that meet specified conditions. This practice seems to be on the increase.

<Frozen Vegetables>

In the case of frozen vegetables, almost none are sold through the wholesale markets. The most common distribution method is for a trading company to provide the frozen vegetables to a Japanese frozen food maker, 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. Sometimes imported frozen vegetables go directly from the trading company 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 the usual distribution process, such as contract production overseas for large food services companies and direct imports by mass merchandisers.

Consequently, the increase in frozen vegetable imports has meant a smaller role for the wholesale markets in vegetable distribution as a whole. This represents one reason why wholesalers intermediary wholesalers have been experiencing financial difficulties.

Fig. 14 Distribution channels for imported frozen vegetables



(3) Key Considerations for entering the Japanese Market

<Fresh Vegetables>

Prospective fresh vegetable importers may face potential problems with understanding the auction system in the wholesale markets and with distribution costs, when entering the market for the first time. Selling on the wholesale markets simplifies the process somewhat since the importer does not have to search for customers and the shipment wells out the same day. Accordingly, spot imports should probably be sold on the wholesale markets.

Distribution costs are high because of the need for measures to minimize damage, refrigeration costs, and sorting and packaging costs. The key is whether the importer can sell the produce at a lower price than domestically grown produce while maintaining freshness and quality. There are a number of cases where importers have found success by contracting with mass merchandisers or large food services industry firms to supply fresh vegetables on an ongoing basis. In other cases, such as Chinese vegetables or New Zealand pumpkins, foreign producers and distributors have succeeded in the Japanese market by tailoring their products to Japanese consumer preferences. It is important to establish a program of rigorous inspection ahead of time to make sure the cultivation method conforms to Japan's residual agricultural chemical standards.

Finally, prospective importers of vegetables that are unfamiliar to Japanese consumers have to conduct advertising and public information campaigns to create demand for the product and educate consumers on how to prepare and use the product.

<Frozen Vegetables>

Frozen vegetable imports are usually bulk-ordered in shipping container lots. Imports incur freezing, refrigeration, sorting and packaging costs during the distribution process. In addition, Japanese quality and labeling standards are fairly stringent. This means that prospective importers must make sure their products meet exacting requirements for freshness, breakage and spoilage, size and color. It is especially important that proper food health and safety procedures be followed at every stage of the process, from production in the country of origin to importation and distribution in Japan.

8. After-Sales Service

Because fresh vegetables are prepared and consumed in fairly predictable ways, and because they are consumed within a rarely short time after sale, there is rarely any need for after-sales service. Sometimes, however, importers need to include some explanation about the country of origin or, in the case of less common vegetable items, how to prepare and use the item.

As with any processed food item, product defects may be the responsibility of the retailer, the shipper, the brand name owner or the importer, depending on the circumstances.

9. Related Product Categories

- Mushrooms

  Please refer to “I-8 Mushrooms” in this guidebook.

- Prepared vegetables

  Cucumbers, ginger, bracken, miniature eggplant and scallions are often soaked in brine or pickled and bottled before importing. Such products are subject to provisions of the Food Sanitation Law. In addition, all prepared vegetables are subject to the Frozen Food Product Quality Labeling Standards under the JAS Law.

10. Direct Imports by Individuals

All fresh vegetable imports are subject to quarantine requirements under the Plant Protection Law. However, imports of quantities deemed appropriate for personal consumption are exempt from requirements of the Food Sanitation Law.

Imports of frozen vegetable by individuals are also exempt from requirements of the Food Sanitation Law. It is farfetched that an individual importing a small quantity of frozen vegetables would be able to keep the food frozen and acceptably fresh for long enough to bring it into Japan from abroad without access to the refrigeration facilities possessed by the usual distribution channels.

11. Related Organizations

- Japan Fruit Produce Import Facilitation Association (Nisseikyo)
  TEL: 03-5833-5141
- Japan Frozen Food Association TEL: 03-3667-6671 http://www.reishokukyo.or.jp
- Japan Frozen Food Inspection Corporation TEL: 03-3438-1411 http://www.jffic.or.jp

8. Mushrooms

1. Definition of Category

Fresh, chilled or dried mushrooms. It does not include mushrooms that have been boiled or processed in some other manner.

HS Numbers	Commodity
0709.51.000	Mushrooms of the *genus Agaricus* (fresh / chilled)
.52-000	Truffles (fresh / chilled)
.59-010	*Matsutake* (fresh / chilled)
.51-020	*Shiitake* (fresh / chilled)
.51-090	Other mushrooms (fresh / chilled)
0712.31-000	Mushrooms of the *genus Agaricus* (dried)
.32.000	Wood ears (dried)
.33.000	Jelly fungi (dried)
.39.010	*Shiitake* (dried)
.30-090	Other mushrooms and truffles (dried)

2. Import Trends

(1) Recent Trends in Mushroom Imports

Domestic demand for mushrooms has been steadily rising due to the health and nature concerns. Especially, imports of fresh *shiitake* mushrooms have soared, as it has become increasingly difficult to supply them domestically at affordable prices. *Shiitake* mushroom imports grew from 26,028 tons in 1997 to 42,057 tons in 2000. Nearly all of these imports came from China.

Under provisions of the WTO Safeguards Agreement and the Customs Tariff Law, the Japanese government initiated provisional safeguard measures regarding three agricultural products: onions, fresh *shiitake* mushrooms, and straw mat coverings, asserting that soaring cheap imports were causing serious harm to the domestic industry. The safeguard measures lasted for 200 days beginning April 23, 2001. This represented the first time that general provisional safeguard measures were initiated. In each of these instances, more than 90% of imports come from China. After this step was taken, imports dropped to about half the former level and wholesale prices stabilized. As a result, the government decided not to implement the safeguard measures on December 21, 2001.

Imports of fresh *shiitake* mushrooms slid to 36,301 tons in 2001 (down 13.7% from the year before) and to 28,148 tons in 2002 (down another 22.5%), representing lower figure than in 1997. Production of *matsutake* in Japan has been insufficient (though artificial cultivation of matsutake is being research), therefore imports from North Korea and China have been growing to fill the resultant gap. But, in *Matsutake* mushroom imports also fell dramatically, as imports from North Korea tumbled from 1,309 tons in 2000 to just 211 tons in 2001. North Korean exports recovered slightly in 2002, Chinese matsutake, on the other hand, was down. Accordingly, total import volume of 2,109 tons represented the lowest figure in the recent past. (see Fig. 1).

For its part, dried mushroom import volume had remained steady for a number of years. But in 2002 imports of dried *shiitake* from China declined, resulting in an overall decline of 6.4% from the year before, to 11,356 tons.

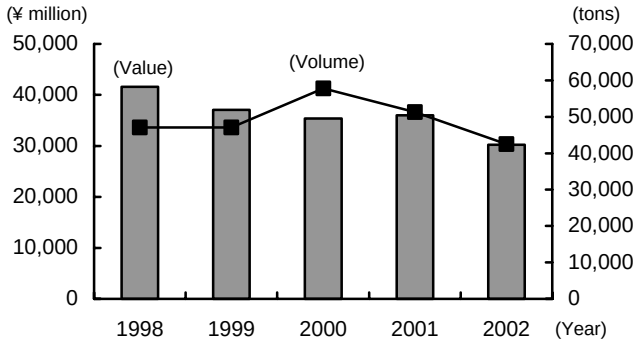
(2) Imports by Place of Origin

China is the leading exporter of mushrooms on a volume basis. Overall, imports from China have been down since 2001, and there has been no sign of a countervailing rise in imports from other countries. Thus, total mushroom imports have fallen. In 2002 China had a 96.6% share of the imported mushroom market, and it retains the import share lead in every product category (see Fig. 2). The most important category for China is fresh *shiitake* (28,136 tons), followed by dried *shiitake* (8,478 tons). In addition, China comes the top spot in Wood ears and other mushrooms as well (see Fig. 3).

Dried *Shiitake* is a traditional preserved food of Japan. Now almost of the imported *shiitake* is from China. Lower priced dried *shiitake* from China is used mainly for industrial use. A considerable amount of wood ears had being imported from Taiwan in the past, but Chinese products have overwhelmed recently Taiwanese products.

Although imports of fresh *matsutake* from North Korean recovered slightly in 2002, and higher-priced South Korean *matsutake* mushrooms experienced growth, China is still the leading exporter of *matsutake* on a volume basis. While small in value and volume, truffles are being imported from France and Italy. But on a volume basis, China overwhelmingly leads with a 68.5% share.

Fig. 1 Trends in Japan's mushroom imports

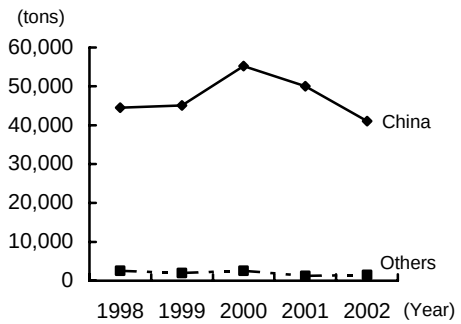


	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Fresh, chilled	35,489	28,159	35,218	25,345	46,110	25,343	39,472	25,597	31,121	19,377
Matsutake	3,248	16,671	2,674	15,490	3,452	14,567	2,395	15,835	2,109	11,468
Shiitake	31,396	10,524	31,628	8,991	42,057	10,068	36,301	8,925	28,148	7,108
Mushrooms of the *genus Agaricus*	-	-	-	-	-	-	-	-	54	34
Truffles	10	281	12	254	24	301	16	364	17	377
Others	835	684	904	610	577	407	759	473	793	390
Dried	11,601	13,419	11,831	11,740	11,688	10,020	11,783	10,389	11,356	10,840
Shiitake	9,048	9,693	9,146	9,227	9,144	7,952	9,253	8,204	8,633	8,383
Wood ears	2,308	2,094	2,528	2,019	2,405	1,725	2,390	1,804	2,390	1,976
Jelly fungi	-	-	-	-	-	-	-	-	154	109
Mushrooms of the *genus Agaricus*	-	-	-	-	-	-	-	-	27	36
Other & truffles	245	1,631	157	494	139	342	139	381	152	336
TOTAL	47,090	41,578	47,050	37,086	57,798	35,363	51,255	35,986	42,477	30,217

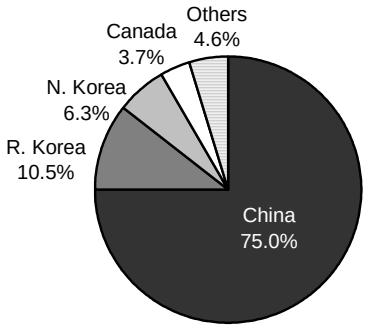
Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 2 Principal exporters of mushrooms to Japan

Trends in import volume by leading exporters



Shares of mushroom imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	44,503	45,051	55,259	50,015	28,389	41,028	96.6%	22,653	75.0%
N. Korea	1,086	309	1,309	211	1,180	514	1.2%	1,895	6.3%
R. Korea	556	870	531	292	3,176	416	1.0%	3,167	10.5%
Canada	442	431	323	349	1,789	237	0.6%	1,110	3.7%
U.S.A.	79	132	126	125	504	74	0.2%	418	1.4%
Others	425	257	250	263	948	208	0.5%	974	3.2%
TOTAL	47,090	47,050	57,798	51,255	35,986	42,477	100.0%	30,217	100.0%
(E U)	129	69	63	88	574	90	0.2%	628	2.1%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 3 Leading exporters of mushrooms to Japan by variety (2002)

		First			Second		
	TOTAL	Country	Share	Yearly change	Country	Share	Yearly change
Fresh *shiitake*	28,148	China	100.0%	77.5	N. Korea	0.04%	All
Dried *shiitake*	8,633	China	98.2%	92.5	R. Korea	1.8%	207.6
Wood ears (dried)	2,390	China	99.9%	99.9	R. Korea	0.1%	1,702.4
Fresh *matsutake*	2,109	China	47.3%	65.1	N. Korea	23.8%	238.4
Jelly fungi (dried)	154	China	99.7%	☆	R. Korea	0.3%	☆
Mushrooms of the *genus Agaricus* (fresh/chilled)	54	China	67.4%	☆	Canada	22.3%	☆
Mushrooms of the *genus Agaricus* (dried)	27	China	98.2%	☆	R. Korea	1.8%	☆
Truffles	17	China	68.5%	97.1	Italy	18.8%	148.5
Other (fresh / chilled)	793	China	85.9%	132.2	France	5.0%	92.5
Other & truffles (dried)	152	China	68.5%	97.1	Italy	18.8%	148.5

Unit: tons (☆ new classification) *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

As it has become increasingly difficult to supply fresh *shiitake* domestically at affordable prices, domestic production of fresh *shiitake* have shown a rapid decline in recent years. Although import volume was down in 2001, domestic shipments were also down. As a result, imports' market share of 35.4% represented only a slight decline. The share of imported dried *shiitake* topped the 60 percent mark. There are no accurate figures on domestic production of truffles, but observers believe that imports hold a near-monopoly on this market.

Fig. 4 Imports' share of *shiitake* in the Japanese market

		1997	1998	1999	2000	2001
Fresh shiitake	Domestic production	74,782	74,217	70,511	67,224	66,128
	Imports	26,028	31,396	31,628	42,057	36,301
	Exports	100,810	105,613	102,139	109,281	102,429
	Imports' share	25.8%	29.7%	30.9%	38.5%	35.4%
Dried shiitake	Domestic production	5,786	5,552	5,582	5,236	4,965
	Imports	9,400	9,048	9,146	9,144	9,253
	Exports	15,186	14,600	14,728	14,380	14,218
	Imports' share	61.9%	62.0%	62.1%	65.6%	65.1%

Unit: tons *Sources: Forestry Agency, Japan Exports and Imports*

3. Key Considerations related to Importing

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

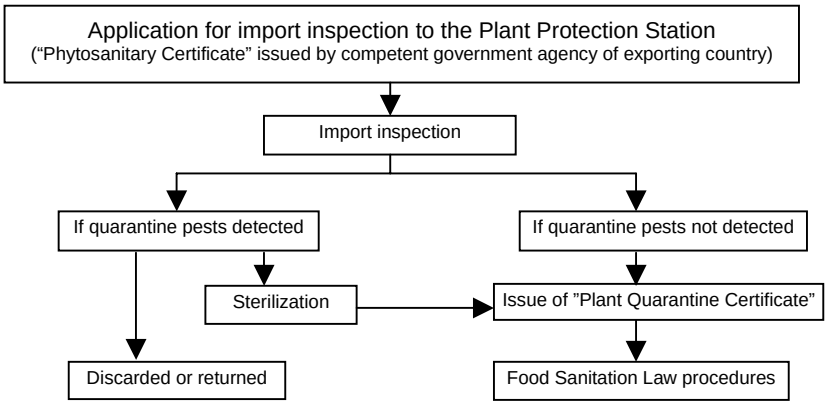
Depending on how they are used, mushroom imports are subject to provisions variously of the Plant Protection Law, the JAS Law, and the Pharmaceutical Affairs Law.

1) Plant Protection Law

The Law prohibits the importation of mushrooms with attached particles of soil, regardless of their intended use. Mushrooms intended for consumption as food, such as *matsutak*e, *shiitake* and wood ears, generally pose no potential harm to other plants or trees, and they usually need not fulfill procedural requirements of the Plant Protection Law.

Imports of some other type of mushroom or a mushroom that has never before been imported are subject to provisions of the Plant Protection Law, whose purpose is to prevent the spread of any injurious plants into Japan. Upon arrival at the port of entry, the importer must promptly submit to the Plant Protection Station an "Application for Import Inspection of Plants and Import-Prohibited Articles" along with a "Phytosanitary Certificate" issued by the competent government agency of the exporting country. Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If an infestation is detected, and then the importer will be ordered to decontaminate, discard, or return to the shipper.

Fig. 5 Plant Protection Law procedures



2) Food Sanitation Law

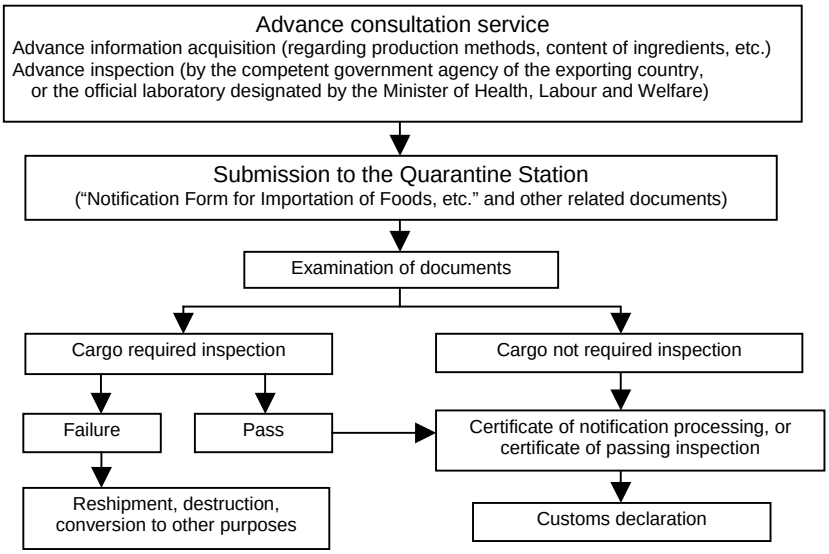
Mushrooms being imported and sold for consumption as food are subject to provisions of the Food Sanitation Law designed to assure the health and safety of food items. Under provisions of the Law, an import notification is required for mushrooms being imported for the purpose of sale or for other commercial 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.

Mushrooms imported from Europe (such as French truffles) remain subject to radiation check requirements instituted after the Chernobyl nuclear power plant accident. However, if the importer submits inspection results for radiation testing by a testing laboratory of the competent government agency of the exporting countries, radiation testing may be omitted at customs in Japan.

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

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

Fig. 6 Procedures required under the Food Sanitation Law



3) Pharmaceutical Affairs Law

Some mushrooms, such as hoelen and hog-tuber, are used as raw materials for making certain types of traditional Chinese-style herbal medicines. Imports of mushrooms intended for medicinal use are subject to provisions of the Pharmaceutical Affairs Law.

For more complete information, please consult "VI-6 Natural Medicines" in this guidebook.

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

The sale of mushrooms is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, and the Act Against Unjustifiable Premiums and Misleading Representations. When the mushroom is regarded as pharmaceuticals, it is subject to the Pharmaceutical Affairs Law.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling processed mushrooms such as dried *shiitake* and wood ears, they must be labeled in accordance with provisions of the Food Sanitation Law (see 4. Labeling).

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. Accordingly, fresh mushrooms are subject to the Fresh Food Product Quality Labeling Standard, and dried mushrooms are subject to the Processed Food Product Quality Labeling Standard. Further, the Dried Shiitake Quality Labeling Standard defines labeling items according to the product characteristics. (see 4. Labeling)

3) Measurement Law

Processed mushrooms sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Act Against Unjustifiable Premiums and Misleading Representations

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

5) Pharmaceutical Affairs Law

Some mushrooms, such as hoelen and hog-tuber, are used as raw materials for making certain types of traditional Chinese-style herbal medicines. When selling mushrooms intended for medicinal use, they are subject to provisions of the Pharmaceutical Affairs Law. For more complete information, please consult “VI-6 Natural Medicines” in this guidebook.

(3) Competent Agencies

- Mushrooms in general
  Forest Policy Planning Department, Forestry Agency, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.rinya.maff.go.jp
- Food Sanitation Law
  Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Plant Protection Law
  Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- JAS Law
  Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- Measurement Law
  Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp

- Pharmaceutical Affairs Law
  General Affairs Division, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL:03-5253-1111 http://www.mhlw.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

<Fresh mushrooms>

Fresh mushrooms are subject to the Fresh Food Product Quality Labeling Standards under the JAS Law. It is required to place labeling of the following items on the container or packaging in a readily visible location, or to display it in a readily visible location adjacent to the applicable fresh food item.

1) Product name 2) Country of origin

<Dried mushrooms>

When selling processed mushrooms such as dried *shiitake* and wood ears sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the Processed Food Product Quality Labeling Standards under the JAS Law, and the Measurement Law. Further, the Dried Shiitake Quality Labeling Standard defines labeling items according to the product characteristics.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, food additives (if used)
3) Net contents
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

Example label for dried *shiitake*

Product name	Dried *shiitake*
Ingredients	*Shiitake* (grown on sticks of wood)
Size	Medium
Net contents	150g
Date of minimum durability	Year/month/day
Preservation method	Avoid direct sunlight, and store at a location of low humidity and at room temperature.
Country of origin	China
Importer	Name and address

Mushrooms used in Chinese-style herbal medicines are subject to labeling requirements of the Pharmaceutical Affairs Law. For more complete information, please consult "VI-6 Natural Medicines" in this guidebook.

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging **Individual packaging**

(2) Voluntary Labeling based on Provisions of Law

<Labeling under the JAS Law>

JAS Mark

The JAS Law defines standards on fresh and dried *shiitake*. Products that undergo inspection and are certified compliant with JAS standards for cap shape, thickness and width, as well as net contents and packaging condition are allowed to display the JAS mark on the product. However, application for grading is voluntary, and products do not have display the JAS mark in order to be sold.

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.

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

(3) Voluntary Industry Labeling

There is no voluntary industry labeling for mushrooms.

5. Taxes

(1) Customs Duties

The table below presents tariff rates on mushrooms.

Fig. 7 Customs duties on mushrooms

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0709.51	Mushrooms of the *genus Agaricus*, fresh and chilled	5%	4.3%		
0709.52	Truffles, fresh and chilled	5%	3%		
0709.59-010	*Matsutake* mushrooms	5%	3%	Free	
0709.59-020	*Shiitake* mushrooms	5%	4.3%		
0709.59-090	Other mushrooms	5%	4.3%		
0712.31	Mushrooms of the *genus Agaricus*, dried	15%	9%	*Free	
0712.32	Wood ears	15%	9%	*Free	
0712.33	Jelly fungi	15%	9%	*Free	
0712.39-010	*Shiitake* mushrooms	15%	12.8%		
0712.31-090	Other mushrooms	15%	9%	*Free	

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

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

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

The varieties of mushroom most commonly imported into Japan have the following characteristics:

- *Shiitake* (dried or fresh)
  Inoculating large boxes of sawdust with the spores produces Chinese *shiitake*. Compared with Japanese *shiitake*, which is grown on sticks of wood, Chinese *Shiitake* has a more bland taste and fragrance and has softer flesh, and it can be harvested year-round. Its prices are very low, and it is often used not only for restaurants and in food processing industries, but also for household use. The average consumer would find it difficult to tell apart Japanese-grown *shiitake* from imported *shiitake* when shopping in stores, without a country of origin labeling defined by the JAS Law.

• *Matsutake*

Matsutake is noted for its distinctive fragrance, the stronger the better. Korean and Chinese *matsutake* is similar to Japanese *matsutake* in taste, but the fragrance is much weaker, so their prices are lower. Canadian and American *matsutake* tends to have an even weaker fragrance than Korean and Chinese *matsutak*e, so it is often flavored and then used in soup stock. Canadian and American *matsutake* also tends to be larger than Japanese *matsutak*e.

• Wood ears

Japan produces only a very small amount of wood ears. Imports have almost all of the Japanese market, and most are imported in dried form.

• Truffles

Japan produces virtually no truffles. In volume, nearly 70% are imported from China and used mainly for commercial and industrial use. Truffles imported from France and Italy are prized for their distinctive fragrance and their delicacy, and they are much more expensive than other types of mushrooms.

• Other mushrooms

There are many different types of mushrooms, each of which has own unique taste and potential uses. Climate and growing conditions can also produce notable differences in taste and texture even in the same species of mushroom. Field mushrooms are being used in an ever-wider range of foods nowadays. Imports from the United States and Canada have much the same taste as Japanese field mushrooms, but they are often larger. The United Stated and Canada also export brown mushrooms to Japan, while China also exports white mushrooms to Japan.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Mushrooms are broadly classified into fresh and dried types, each of which has different systems for production and distribution. Because fresh mushrooms remain fresh for only a limited amount of time, fresh mushrooms are concentrated near large cities where there are large numbers of consumers. Recent years have seen increased use of airfreight to import fresh *matsutake* and *shiitake* in order to get them to market when they are still fresh. While production of *shiitake* mushrooms is in long-term decline that of *shimeji* and *maitake* mushrooms have grown.

Mushroom demand in Japan can be generally classified into commercial use, household use and gift purchase uses. Commercial use demand both for restaurants and for food processors has grown more rapidly in recent years than the other types of demand. *Shiitake* demand tends to be fairly constant throughout the year, partly because it can be grown year-round and partly because it has a vast range of culinary uses. About 80 percent of fresh *shiitake* are used in the home and 20 percent by industry. The home and the remainder for gift use about 60 percent of the dried *shiitake* for industry, just under 30 percent. Fresh and dried *shiitake* is less vulnerable to changes in the weather. Prices are relatively stable year round. In recent years, growth in fresh *shiitake* imports, and most especially the large volume of low-priced fresh *shiitake* from China, has resulted in consistently lower fresh vegetable prices.

Market prices for *matsutake* fluctuate considerably according to supply and demand factors and according to the quality of the mushrooms. The *matsutake* supply depends greatly on weather conditions. Prices go down when supplies are plentiful and up when supplies are scarce. The market is made more complex by the fact that mushroom demand is driven to some extent by changing trends in consumer taste, and yet higher prices tend to drive consumers away.

(2) Distribution Channels

There are two primary distribution channels for mushrooms. Fresh *matsutake* and *shiitake* are usually distributed through the same channels as vegetables and fruits (see Fig. 9). On the other hand, dried *shiitake* and other dried mushrooms are generally sold on consignment through farmers' cooperatives and forestry cooperatives to mushroom wholesalers. Dried *shiitake* falls under the category of dried goods and in the past was considered a luxury type of mushroom; therefore its own unique distribution channel has been formed. (see Fig. 10)

In the case of imports, fresh mushrooms go from the importer to the produce markets, after which they are distributed through the same channels as Japanese mushrooms. Imported dried mushrooms go from the trading company to the wholesaler and then to retailers or food processors. 60 to 70 percent of the imports of dried *shiitake* are used by packers (wholesalers doing the grading, packaging, and primary processing) doubling as importers. Importers who are not packers are called "outsiders."

Fig. 9 Distribution channels for fresh mushrooms

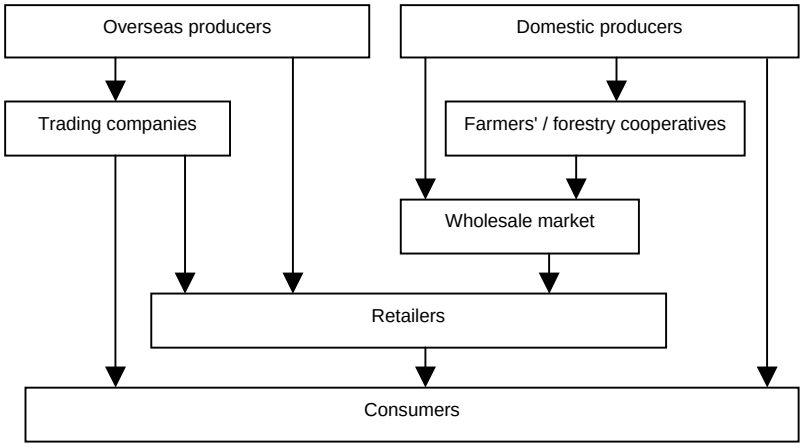
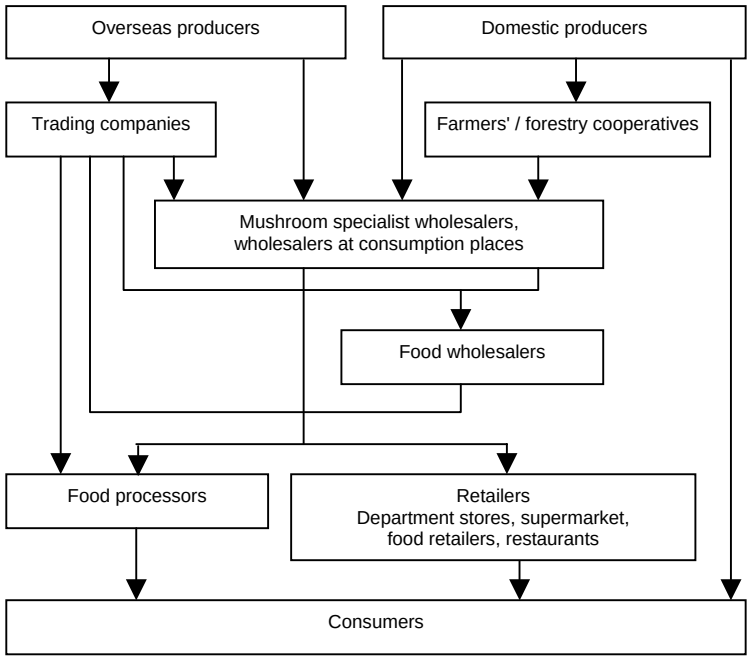


Fig. 10 Distribution channels for dried mushrooms



Note: The comments in this section apply to mushrooms intended for use as food. Please refer to the separate section on "VI-6 Natural Medicines" for market conditions for mushrooms used as ingredients for traditional Chinese-style herbal medicines.

(3) Key Considerations for entering the Japanese Market

Mushrooms are subject to regulatory requirements of the Food Sanitation Law and other statutes, and prospective importers need to be fully knowledgeable about the legal and regulatory environment. Prospective importers of fresh mushrooms should carefully study not only the cost of production but also the cost of transportation, inasmuch as most importers rely on airfreight to get the goods to market while still fresh. It is also important to identify likely prospects for the products.

Importers also need to realize that the Japanese market judges products very severely with regard to product quality and standards compliance. They need to pay close attention to freshness, size and other characteristics of their products. Prospective importers of a new variety of mushroom need to know its correct tax classification, since there are many species mushrooms which are harmful to human health.

8. After-Sales Service

After-sales service is generally not required. But, if happened, importers and resellers bear legal responsibility for any defects in mushrooms.

9. Related Product Categories

A related product category is canned or bottled boiled mushrooms. These products are subject to provisions of the Food Sanitation Law when imported into or sold in Japan. There are also product standards and labeling standards for these products under the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products (JAS Law).

10. Direct Imports by Individuals

The Plant Protection Law regulates imports of mushrooms for non-food purposes, and the Law prohibits imports of mushrooms with attached soil particles. However, imports of such items may be permitted for research purposes, subject to approval by the appropriate government agency.

Normally imports of mushrooms by individuals deemed appropriate for personal consumption are exempted from requirements of the Food Sanitation Law. But, imports of mushrooms to provide to a multiple non-specific persons are subject to provisions of the Law.

11. Related Organizations

- Japan Special Forest Product Promotion Association TEL: 03-3293-1197
- The Japan Mushroom Growers Cooperative TEL: 054-667-3121
- The Japan *Kinoko* Research Center Foundation TEL: 0857-22-6161 http://www.kinokonet.com
- The Mushroom Research Institute of Japan TEL: 0277-22-8165
  http://www.sunfield.ne.jp/~kinoko/kinokoken/

9. Processed Tomato Products

1. Definition of Category

Processed food products and beverages whose primary ingredients are tomatoes.

HS Numbers	Commodity
2002.10, .90-100, -290	Prepared tomato (including sugar-added)
.90-211, -221	Tomato puree, paste (for tariff quota volume)
.90-219, -229,	Tomato puree, paste (for other than tariff quota volume)
2009.50	Tomato juice
2009.90-210, -220	Mixtures of vegetable Juice
2103.20-010	Tomato ketchup
-090	Tomato sauce

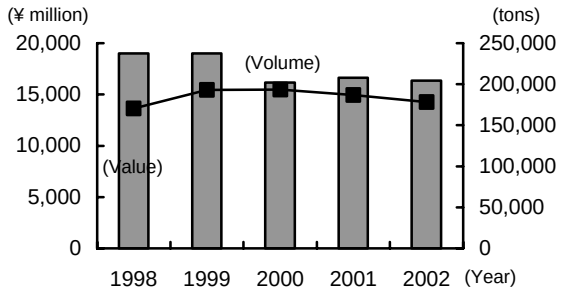
2. Import Trends

(1) Recent Trends in Processed Tomato Product Imports

Nearly all of domestic production is used to make fresh packed tomato juice. Tomato ketchup, tomato sauce and other processed tomato products are mostly made from imported tomato puree, tomato paste and prepared tomatoes (canned whole tomatoes). Imported processed tomato products are broadly classified as follows: (1) tomato puree and paste only for use as raw material for tomato ketchup or sauce (subject to tariff quota), (2) tomato puree and paste for other uses (not subject to tariff quota), (3) prepared tomatoes (canned whole tomatoes, etc.), and (4) tomato sauce, juice, or other finished product imports. In volume terms, the most numerous is (3), which accounted for 46.7% of all imports on a volume basis in 2002. Next most numerous, in order, are (2) with 30.6%, (1) with 17.8% and (4) with 4.9%.

Processed tomato product import volume rose dramatically in 1998 and 1999 as domestic demand expanded, then it shrank by almost 15,000 tons annually in 2001 and 2002, falling to 178,125 tons. In terms of the above classification, (1) and (2) were down 18.3% (to 31,759 tons) and 11.9% (to 54,550 tons) respectively, while (4) was off by 14.7% (to 8,591 tons). In contrast, prepared tomatoes (3) gained 9.6% to 883,225 tons, setting a new all-time record.

Fig. 1 Japan's processed tomato product imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Tomato puree, paste	81,868	9,112	98,372	10,082	102,368	9,067	100,774	9,059	86,309	8,096
Tariff quota	30,017	3,058	38,991	3,766	38,094	3,132	38,881	3,232	31,759	2,641
Other than tariff quota	51,851	6,055	59,381	6,316	64,274	5,936	61,893	5,827	54,550	5,455
Tomato ketchup	9,213	946	8,074	722	7,162	559	5,991	509	6,013	569
Tomato sauce	723	153	550	100	604	86	588	108	647	129
Prepared tomato	72,830	7,866	81,780	7,480	79,607	5,979	75,968	6,447	83,225	7,292
Tomato juice	2,032	318	1,454	193	1,226	136	1,244	171	1,129	140
Mixtures of vegetable juice	3,710	613	2,853	418	2,585	349	2,246	340	802	132
Total	170,377	19,009	193,082	18,995	193,552	16,177	186,811	16,633	178,125	16,358

Units: tons, ¥ million *Source: Japan Exports and Import*

(2) Imports by Place of Origin

Total world production of tomatoes for making processed products stood at 23.68 million tons in 2001, more than half of which was produced in California, USA, and in Italy. Other leading producers include Spain, China, Brazil, Turkey, Greece, Chile and Portugal. Imports of processed tomato products vary greatly according to the size of the crop and production conditions in the various grower nations. Japanese processed tomato product makers and trading companies have diversified their supply sources in an effort to reduce the associated risk. Two straight years of lower production in California resulted in significant changes in 2002 in the rankings of leading exporter nations of processed tomato products to Japan.

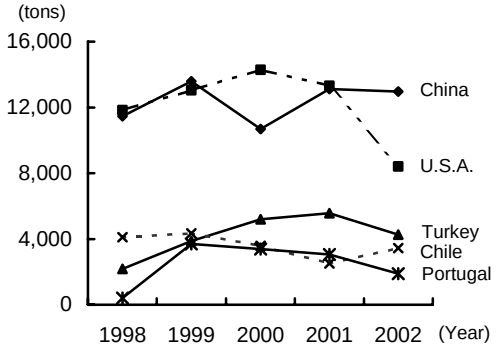
In the area of tomato puree and paste subject to tariff quotas, lower production in the United States put China (40.8%) further ahead of the USA (26.5%). Turkey is the leading supplier of tomato puree and paste not subject to tariff quotas (32.9%). Other grower nations include China (16.5%) and the United States (10.8%). All three of these nations saw their exports to Japan decline, while imports increased from Portugal (16.2%).

In the fast-growing area of prepared tomatoes, Italy recovered from its slump the previous year, increasing to 67,116 tons (import share 80.6%) and giving Italy an even firmer grip on the import market (see Fig. 4). The United States retained its commanding lead in tomato ketchup with an 86.1% share. But, the United States has given up ground to Spain (47.5%) and Israel (25.8%) in tomato juice, to the Republic of Korea (47.5%) in mixed vegetable juice, and to New Zealand (35.1%) and Italy (29.0%) in tomato sauce.

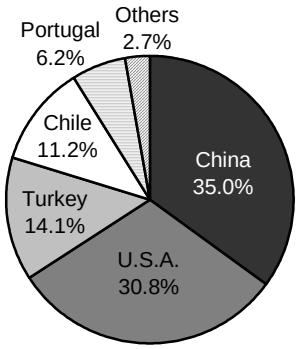
As a result, only top-ranked Italy managed to increase its export volume of processed tomato products to Japan in 2002 (70,735 tons, share 39.7%). Italy increased its lead over 2nd place Turkey (29,319 tons, 16.5%) and China (23,717 tons, 13.3%), the latter of which slid below the United States into fourth (21,778 tons, 12.2%).

Fig. 2 Principal exporters of tomato puree and paste (TQ) to Japan

Trends in import volume by leading exporters



Shares of tomato puree/paste (TQ) imports in 2002 (value basis)

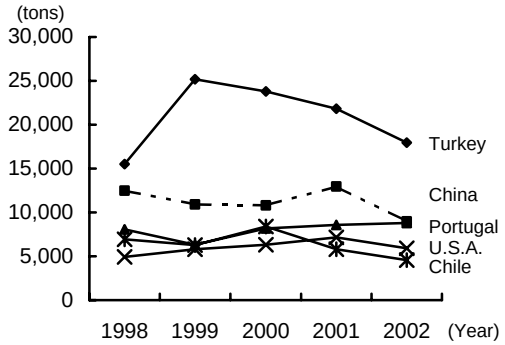


	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	11,458	13,586	10,679	13,119	940	12,966	40.8%	925	35.0%
U.S.A.	11,831	13,036	14,293	13,316	1,209	8,402	26.5%	813	30.8%
Turkey	2,180	3,871	5,193	5,560	495	4,254	13.4%	371	14.1%
Chile	4,111	4,334	3,585	2,516	221	3,446	10.8%	297	11.2%
Portugal	406	3,694	3,395	3,055	250	1,887	5.9%	164	6.2%
Other	31	469	949	1,314	117	804	2.5%	71	2.7%
TOTAL	30,017	38,991	38,094	38,881	3,232	31,759	100.0%	2,641	100.0%
(E U)	437	3,749	4,046	3,839	318	2,658	8.4%	232	8.8%

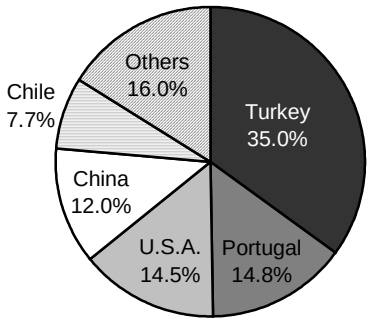
Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 3 Principal exporters of tomato puree and paste (other than TQ) to Japan

Trends in import volume by leading exporters



Shares of imports in 2002 (value basis)

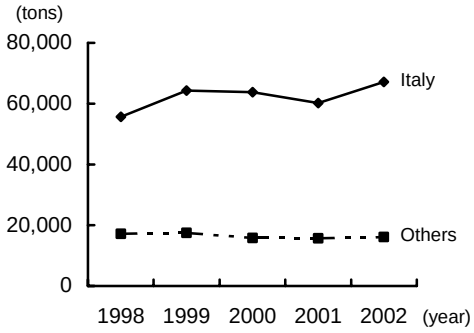


	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Turkey	15,493	25,165	23,809	21,817	2,149	17,963	32.9%	1,910	35.0%
China	12,484	10,923	10,811	12,965	890	8,988	16.5%	653	12.0%
Portugal	8,067	6,309	8,159	8,570	756	8,812	16.2%	805	14.8%
U.S.A.	4,922	5,819	6,300	7,156	931	5,900	10.8%	793	14.5%
Chile	6,943	6,286	8,380	5,802	567	4,545	8.3%	423	7.7%
Other	3,942	4,879	6,814	5,583	534	8,342	15.3%	873	16.0%
TOTAL	51,851	59,381	64,274	61,893	5,827	54,550	100.0%	5,455	100.0%
(E U)	9,184	7,634	11,519	12,213	1,080	15,867	29.1%	1,494	27.4%

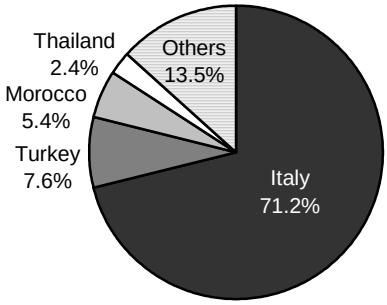
Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig.4 Principal exporters of prepared tomato to Japan

Trends in import volume by leading exporters



Shares of prepared tomato imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Italy	55,644	64,303	63,791	60,231	4,266	67,116	80.6%	5,192	71.2%
Turkey	3,587	7,278	6,984	6,169	514	6,828	8.2%	553	7.6%
Thailand	2,151	2,843	2,639	2,485	199	2,083	2.5%	171	2.4%
U.S.A.	4,777	2,267	1,950	1,518	162	1,858	2.2%	163	2.2%
China	1,232	1,206	1,296	1,901	150	1,711	2.1%	148	2.0%
Other	5,439	3,883	2,947	3,664	1,156	3,630	4.4%	1,065	14.6%
TOTAL	72,830	81,780	79,607	75,968	6,447	83,225	100.0%	7,292	100.0%
(E U)	56,338	65,282	64,249	60,844	4,442	68,130	81.9%	5,447	74.7%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 5 Leading exporters of other processed tomato products to Japan (2002)

		First			Second		
	TOTAL	Country	Share	Yearly change	Country	Share	Yearly change
Tomato ketchup	6,013	U.S.A	86.1%	83.9	Turkey	4.6%	All
Tomato juice	1,129	Spain	41.8%	315.3	Israel	25.8%	140.4
Mixtures of vegetable juice	802	R. Korea	47.5%	119.7	U.S.A	30.7%	14.9
Tomato sauce	647	New Zealand	36.9%	115.8	Italy	29.0%	160.2

Unit: tons *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

Japan produces about 800,000 tons of tomatoes domestically, nearly all of which is for use as fresh food. Only about 60,000 tons goes into making processed tomato products. Moreover, nearly all of this is used to make fresh-squeezed tomato juice. Accordingly, domestically processed tomato products rely on tomato pure, paste and prepared tomatoes imported from abroad.

Although demand for processed tomato products in Japan has been down since 2000, there is no reason to expect increased domestic production of tomatoes for use in making processed products. Moreover, processed tomato product makers continue to develop new products and deploy promotional campaigns. Thus, reliance on tomatoes from abroad has actually increased. Finished product imports have only a small share in the Japanese market in this area, about 10% in tomato ketchup and roughly 2% in tomato juice.

Fig. 6 Imports' share in the Japanese market (reference)

	1998	1999	2000	2001
Domestic production (total)	296,299	308,375	292,213	288,835
Tomato puree, paste	11,756	10,803	12,684	12,996
Tomato juice	97,701	96,247	86,831	85,507
Tomato ketchup	113,821	117,784	116,048	113,383
Other	73,021	83,541	76,650	76,949
Imports	170,377	193,082	193,552	186,811
Exports	236	260	309	619
TOTAL	466,440	501,197	485,456	475,027
Imports' share	36.5%	38.5%	39.9%	39.3%

Unit: tons

Sources: Domestic production= Ministry of Agriculture, Forestry and Fisheries (April-March)
Imports and Exports=Japan Exports and Imports (Jan.-Dec.)

Note: Domestic production of tomato puree and tomato paste consists primarily of end-user products, whereas imports are mainly intermediate raw materials. Consequently, the volume of domestic demand cannot be found by simply adding domestic production volume to import volume.

3. Key Considerations related to Importing

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

Importation of processed tomato products is subject to provisions of the Food Sanitation Law and the Customs Tariff Law.

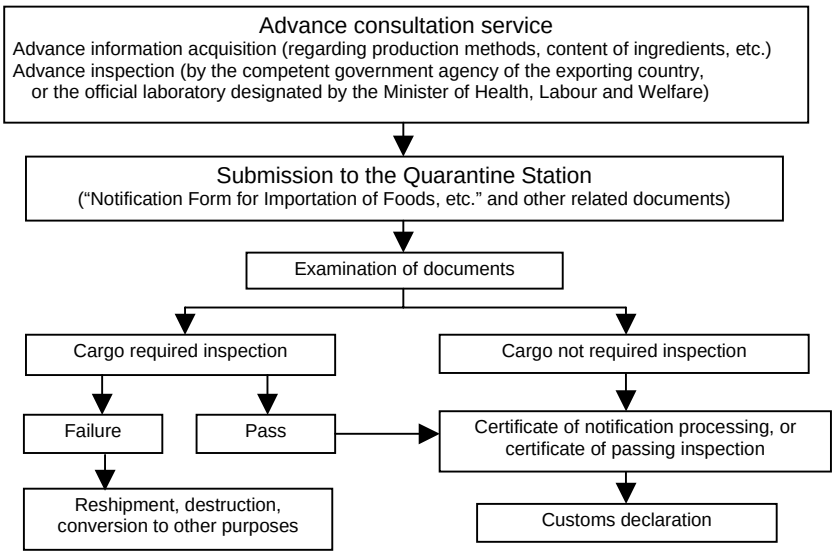
1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for processed tomato products 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.

Documents will be examined and inspection is also conducted with respect to the following:

(1) decontamination, time and temperature during the manufacturing process
(2) raw materials
(3) compliance with materials standards for synthetic resin containers, if used
(4) labeling
(5) compliance with ingredient standards for soft drinks, for juice products

Fig. 7 Procedures required under the Food Sanitation Law



Prior to importing, the importer may take a sample of forthcoming imports to a testing laboratory designated by the Minister of Health and Welfare. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites the quarantine clearance process, so administrative procedures can be completed more quickly.

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

2) Customs Tariff Law

Tomato puree and tomato paste are subject to tariff quota system. Under this system, up to a certain amount stipulated by a Cabinet order, imports are either duty free or subject to a low tariff rate (the primary tariff rate), thereby providing users with low-cost imported products. Imports in excess of that amount are subject to a high tariff rate (the secondary tariff rate), which provides protection to domestic producers. In order to obtain a quota allocation for tariff quota limit, applicants are required to possess manufacturing facilities for tomato ketchup and other tomato sauces, and must be deemed to actually use the tomato puree and tomato paste as raw material to make tomato ketchup or other tomato sauces.

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

The sale of processed tomato products is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling packaged processed tomato products, they must be labeled in accordance with provisions of the Food Sanitation Law. In addition, processed foods and food additives containing allergens are required or recommended to state in the labeling to the effect that they contain allergenic foods. (see 4. Labeling)

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 consumers. Processed tomato products are subject to requirements of the JAS Standards and the Processed Tomato Product Quality Labeling (other than tomato pure and tomato paste). (see 4. Labeling)

3) Measurement Law

Processed tomato products sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

<Fair Competition Code Concerning Restrictions on Premiums, etc. in Sale of Processed Tomato Products > <Fair Competition Code Concerning Representations of Processed Tomato Products >

The industry has voluntarily adopted the guidelines on premiums and representations 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)

(3) Competent Agencies

- Food Sanitation Law
  Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare TEL: 03-5253-1111 http://www.mhlw.go.jp
- Plant Protection Law
  Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- JAS Law
  Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- Measurement Law
  Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Customs Tariff Law
  International Trade Policy Coordination Division, International Affairs Department, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
  Compensation and Operation Division, Customs and Tariff Bureau, Ministry of Finance
  TEL: 03-3581-4111 http://www.mof.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling processed tomato products sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law. In addition, labels of products sold in cans with uncoated interior surfaces must list usage warnings. Labels of solid tomato products must indicate the form of the product.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, food additives (if used)
3) Net contents
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

Example label for tomato sauce

Product name	Tomato sauce
List of ingredients	Tomatoes, vinegar, sugar, salt, spices, pectin, acidic matter
Net contents	300g
Best-before date	2003. 1. 22
Country of origin	U.S.A.*
Importer	XYZ Corp., Ltd. X-X, YY-machi, ZZ Prefecture

** Items that are repacked after entering Japan must so indicate along with stating the country of origin.*

Example label for canned solid tomato product

roduct name	Tomatoes with tomato puree
hape	Whole
ist of ingredients	Tomatoes, tomato puree, sugar, salt, acidic matter
rained weight	140g
let contents	230g
est-before date	Listed on can top
sage instructions	The inside surface of this can is not coated. Make sure you transfer the contents to a glass or porcelain container and keep covered.
ountry of origin	Taiwan
Importer	XYZ Corp., Ltd. X-X, YY-machi, ZZ Prefecture

<Labeling of Foods Containing Allergens>

The Food Sanitation Law mandates or recommends ingredient labeling for 24 items that contain allergens. Processed foods containing the food items listed in the following table, and processed foods containing additives derived from these food items are either required or advised to bear labeling to the effect that they contain allergenic foods.

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

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

The Law requires that all canned or PET-bottled tomato products, whether produced in Japan or elsewhere, display an identifying mark affixed to or printed on at least one spot on the side of the container. In addition, when paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Container >

Equilateral triangle with Japanese characters for "aluminum"

Circle with Japanese characters for "steel"

Equilateral triangle with "PET"

< External packaging, cap, etc. >

Circle with Japanese characters for "paper"

Rectangular with Japanese characters for "plastic"

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

<The JAS Mark >

JAS Mark

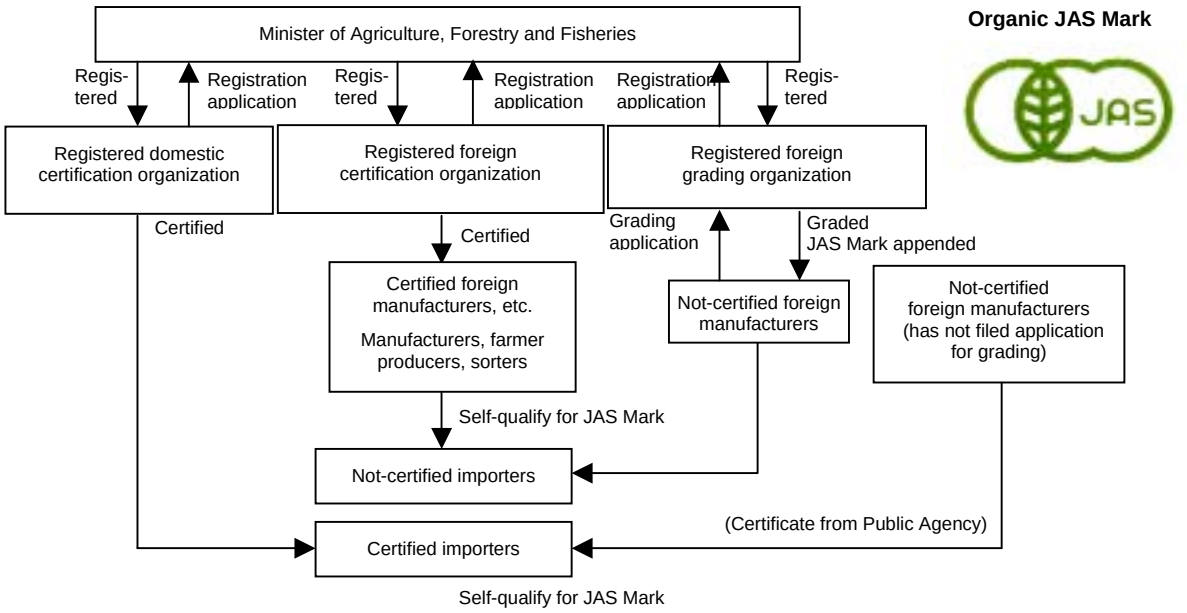
Processed tomato products (other than tomato pure and tomato paste) are subject to JAS standards. Products that undergo inspection and are certified compliant with JAS standards are allowed to display the JAS mark on the product. However, application for grading is voluntary, and products do not have display the JAS mark in order to be sold.

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

<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

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

Fig. 8 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



Organic JAS Mark

. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase “organic” and to display the Organic JAS Mark.

1) Product is qualified by a foreign grading organization registered with Japan’s Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.
3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

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

2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

< Fair Competition Code Concerning Representation of Processed Tomato Products>

This Code sets definitions and establishes fair labeling practices for certain processed tomato products not covered by provisions of the JAS Law, including tomato soup and dried tomatoes. In addition, it also sets requirements for labeling of products made from tomato concentrate and for percentage juice content.

Prospective importer should also note that the Code establishes precise standards for the use of words and phrases such as “fresh,” “natural,” “best quality” and “energy restorative,” among others, on product labeling.

• Japan Processed Tomato Product Fair Trade Council TEL: 03-3639-9666

5. Taxes

(1) Customs Duties

Japan lowered the tariff rates on processed tomato products starting April 1, 1995 as agreed at the Uruguay Round. Fig. 9 presents tariff rate for FY 2001.

Tomato puree and tomato paste are subject to tariff quota system. Under this system, up to a certain amount stipulated by the Cabinet ordinance, imports are subject to the primary tariff rate (duty free), thereby providing users with low-cost imported products. Imports in excess of that amount are subject to the secondary tariff rate (for FY 2001, general rate: 20%, WTO rate: 16%), which provides protection to domestic producers.

Fig. 9 Customs duties on processed tomato products

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
2002.10	1. Tomatoes, whole or in pieces	9.6%	9%	7.6% *Free	
2002.90	2. Other tomatoes				
-100	1. Containing added sugar	22.4%	13.4%	*Free	
	2. Other tomatoes				
	(1) Tomato puree and tomato paste	20%			
	In airtight containers and others		16%		
-211, -221	(a) Stipulation for manufacture of tomato ketchup and other tomato sauces (by a Cabinet order) *(Note 3)*				+Free
-219, -229	(b) Other than stipulation for manufacture				
-290	(2) Other	9.6%	9%	7.6% *Free	
2009.50	Tomato juice				
-100	1. Containing added sugar	35%	29.8%		
-200	2. Other tomato juice	25%	21.3%		
2009.90	Mixtures of juices				
-210	1. Containing added sugar	10.8%	8.1%	*Free	
-220	2. Other mixtures of juices	7.2%	5.4%	*Free	
2103.20	Tomato ketchup and other tomato sauces				
-100	1. Tomato ketchup	25%	21.3%		
-900	2. Other tomato sauces	20%	17%		

*Note 1: “*Free” in preferential rate is applicable only for the Least Developed Countries.*

Note 2: "+Free" in temporary rate applicable only for using for specific purpose. When used at a bonded manufacturing warehouse for the manufacture of canned processed tomato products with fish or shellfish for export and re-exported shall be exempted from customs duty in accordance with the provisions of the Customs Law.

Note 3: Applies for the primary tax rates under the tax quota system. For the quantity (quota) stipulated for manufacture of tomato ketchup and other tomato sauces by a Cabinet Order, on the basis of the quantity of prospective domestic demand in the coming fiscal year (April-March) with deduction of the quantity of prospective domestic production, and also in consideration of international market situation and other relevant conditions.

Note 4: Refer to “Customs Tariff Schedules of Japan” (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

Because of distribution considerations, fresh tomatoes for use as table food are usually sold unripened. For processing, however, tomatoes are allowed to ripen on the vine before picking, then processed within 24 hours. In Japan fresh tomatoes are in season from July through September, and almost all Japanese tomatoes go into production of fresh packed tomato juice. Most processed tomato products in Japan are made from imported tomato puree or tomato paste, and are manufactured year-round. Imports consist largely of tomato puree and tomato paste, most of which is used either directly as a food or as a secondary-processing ingredient in canned herring or mackerel, in meat sauces, or in tomato ketchup. With the increasing Westernization of Japanese culinary culture, a greater variety of tomato-based sauces and foods other than tomato ketchup are becoming available.

(1) Classification of Processed Tomato Products

Processed tomato products may be broadly classified as follows based on their form and manner of use. Tomato ketchup is primarily used as a table condiment with omelets and potato dishes. In recent years, ketchup has tended to be replaced as a cooking base by tomato puree and whole tomatoes. Demand for tomato ketchup for use as a condiment has been flat.

Fig. 10 Classification of processed tomato products

Beverages	Tomato juice, mixed tomato juice, tomato soup, etc.
Seasonings	Tomato ketchup, tomato sauce, chili sauce, mixed tomato sauce (pizza sauce, etc.)
Seasoning materials	Tomato puree, tomato paste, solid tomatoes (canned or bottled tomatoes, whole tomatoes, stewed tomatoes), etc.

(2) Characteristics of Products from Different Countries / Regions

The quality of the tomatoes used to make processed tomato products makes a considerable difference in the quality of those products. Tomatoes are native to the dry high country along the Andes mountain range in South America. Today, though, tomatoes are widely grown around the Mediterranean as well as in South and North America. Tomato puree and tomato paste have relatively uniform product quality the world over, but Italian tomatoes have a reputation as being the best for bottling or caning. Tomato quality is affected greatly by changing weather conditions from one growing season to another. Characteristics of tomatoes from various countries are summarized below.

Italy.....The flesh is thick and soft. The taste is only slightly sour, and there are few seeds.

U.S.A. .....American tomatoes have tough skin but are high in fiber.

Turkey.....Turkish tomatoes are beautifully colored and juicy.

Chile .....Chilean tomatoes have a very sweet taste.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Consumer interest in healthy foods has increased demand for so-called fresh-packed tomato juice, which is made from freshly picked tomatoes. Practically all Japanese grown processing tomatoes go into making fresh-packed tomato juice. The number of contracted tomato growers (Note) in Japan has been steadily declining. There are a number of reasons for this decline, including the unwillingness of younger members of farm families to take over farm operations, the aging of the farmer population, and the sheer strenuousness of the labor involved in picking and transporting tomatoes during the hottest season of the year. Many people like fresh-packed tomato juice, but the share of products incorporating imported condensed juice has risen steadily. The industry is endeavoring to boost demand for tomatoes as a health food product, since ripe tomatoes for processing contain larger quantities of lycopene, beta carotene, vitamin C and dietary fiber than fresh tomatoes for direct consumption.

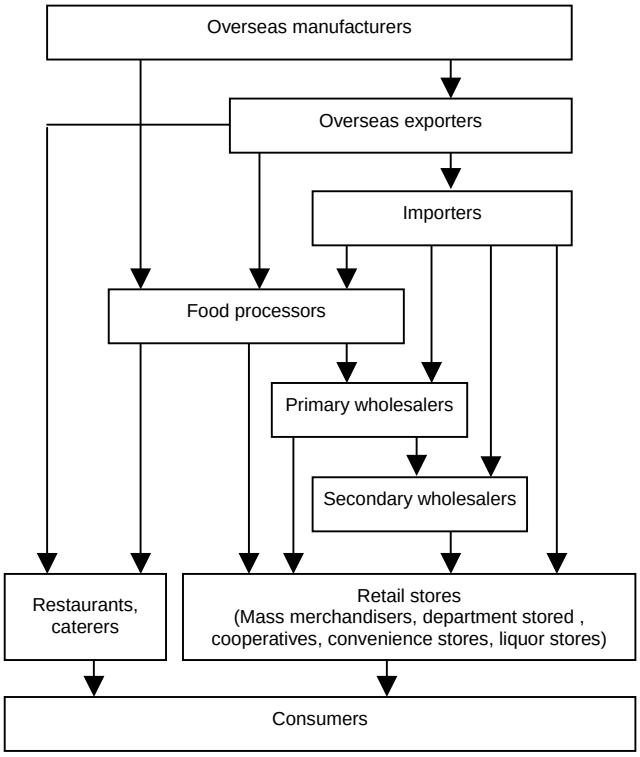
Note: Tomato farmers who sign a contract agreeing to sell their entire crop to a single purchaser, typically a major food processor.

The market for processed tomatoes such as tomato puree/paste, tomato juice and tomato ketchup is 475,027 tons, showing down from the peak in 1995. Industry sources put the ratio of household use to commercial use at about 6:4. By product category, the leading type of finished processed tomato product is tomato ketchup, but ketchup sales have been declining, while new product lineups using various processed tomato come on the market.

(2) Distribution Channels

Three leading food processors together command the lion's share of the processed tomato product market. They have set up production facilities or operations in Turkey, Chile, the United States, China, and other countries, and importing tomato pastes as a raw material for making processed tomato products back to Japan.

Fig. 11 Distribution channels for processed tomato products



Most tomato paste and tomato puree is used as a raw material for secondary food processing. A small amount is distributed by import trading companies direct to restaurants and other commercial user. In most cases, though, a Japanese manufacturer uses a processed tomato product to make some other product, which is then distributed, to consumers via food wholesalers. Most products for home use are sold through supermarkets. Tomato juice is available nowadays in an increasing number of vending machines, but it still enjoys far fewer than other beverages. In addition, companies from the beverage industry and the food flavorings industry also have a market presence. The number of brands is quite large, especially when supermarket private label brands are factored in.

8. After-Sales Service

Normally after-sales service is not required. Problems with defective merchandise are handled either by the retail store or the manufacturer's consumer relation's office.

9. Related Product Categories

Related product categories include food flavorings, canned agricultural products and juices. The regulatory environment is fundamentally the same for all these products as for processed tomato products.

10. Direct Imports by Individuals

Imports in quantities appropriate to individual consumption and not intended for resale are exempt from requirements of the Food Sanitation Law, and may be freely imported into Japan.

11. Related Organizations

- Japan Tomato Processors Association TEL: 03-3639-9666 http://www.japan-tomato.or.jp
- Japan Sauce Industry Association TEL: 03-3639-9667

10. Fresh Fruits

1. Definition of Category

A wide variety of fresh fruits are imported into Japan, including tropical fruits (bananas, pineapples, avocados, mangos, papayas, etc.), temperate climate fruits (grapes, melons, kiwifruits, cherries, etc.), and citrus fruits (oranges, lemons, grapefruits, etc.) But this report will examine only the most common types of imported fresh fruit. This report will not address frozen, dried or canned fruit products.

HS Numbers	Commodity
0803.00-100	Bananas
0804.30-010	Pineapples
0804.40-010	Avocados
0804.50-011	Mangoes
0805.10-000	Oranges
0805.50-010	Lemons (*Citrus limon, Citrus limonum*)
0805.50-090	Limes (*Citrus aurantififolia, Citrus latifolia*)
0805.90-020	Other limes
0805.40-000	Grapefruits
0806.10-000	Grapes
0807.11-000, 19-000	Water melons, melons
0807.20-000	Papayas
0808.10-000	Apples
0809.20-000	Cherries
0810.50-000	Kiwifruits

2. Import Trends

(1) Recent Trends in Fresh Fruit Imports

Japan imported less than 1.5 million tons of fresh fruits during 1989-1991 (time of liberalization). Progress in liberalization, however, has led to increase to 1.55-1.80 million ton ranges. Banana imports, which account for majority of increase in total fruit import in recent five years (about 260,000 tons), and topped 1.0 million ton mark in 2000.

However, imports of bananas, Japan's flagship fresh fruit import, were down in 2001 and 2002, and overall fresh fruit imports were also off, slipping to 1,677,586 tons (down 2.5% from the year before). Of the ten leading fresh fruits, only bananas, oranges and cherries failed to keep pace with previous-year import volume levels in 2002. All the other seven fruits were up, and some hit the highest numbers in the last five years, including grapefruit, pineapples and kiwifruit. Many products had higher import unit prices than the year before, and with sales of domestic fruit still depressed by the stalled economic recovery and prices declining as a result, imported fruit has fared quite well overall. On a value basis imports rose by 10.3% to ¥163.8 billion, the highest level any time in the recent past. (see Fig. 1)

<Tropical fruits>

Banana imports fell by 5.5% to 936,272 tons in 2002, but still accounted for 55.8% of total fresh fruit imports. The main reason for the import decline was a pest infection and bad weather in the Philippines, one of Japan's principal suppliers, which resulted in higher prices. Other tropical fruits had better results. Pineapple imports grew by 3.8% to 122,871 tons, while avocados were up a healthy 26.1% to 12,648 tons. Mangoes and papayas held at or near previous-year levels. Pineapple imports have risen steadily since imports broke through the 100,000 ton level. 2002 represented the first time that pineapple imports exceeded orange imports on a volume basis, which is a noteworthy result. (see Fig. 2)

<Citrus fruits>

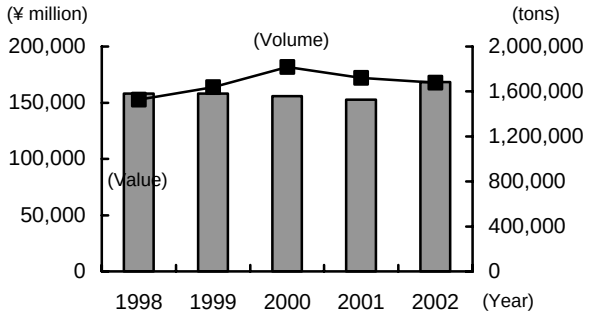
In the area of citrus fruits, grapefruit is the most common import (284,687 tons, up 6.0% from the year before), with a 17.0% share and second place ranking overall. Lemon imports climbed by 4.6% to 88,193 tons despite even higher prices than a year earlier. Lime imports skyrocketed from just 12 tons the year before all the way to 2,406 tons. Citrus fruits are characterized by the fact that commercial demand is higher than home use demand, unlike other fruits. Citrus fruits are used more and more in combination with alcoholic spirits.

For their part, oranges continue their decline, plunging 17.3% in 2002 to 103,873 tons, the first time ever that oranges finished below pineapples. In retrospect, the turning point came with the cold wave that hit California at the end of 1998, which caused catastrophic damage to the navel orange crop and dropped 1999 imports from the United States to just one-third of the 1998 level. Japan turned to other growing areas for replacement supplies, including South Africa, Australia and Spain, but although imports from other growing regions increased, lower product quality and higher prices significantly depressed demand for oranges. Demand has yet to recover.

<Temperate zone fruits>

In the area of temperate zone fruits, kiwifruit recovered from its decline the year before to increase to 48,311 tons (up 22.1% from the year before). Conversely, cherries dropped to 12,873 tons (down 16.8%) after strong growth a year earlier. Melons, watermelons (35,728 tons, up 2.7%) and grapes (11,837 tons, up 2.8%) all finished with slight increases. Apple imports are restricted to certain supplier nations because of plant quarantine considerations. Import volume was just 120 tons in 2002.

Fig. 1 Japan's fresh fruit imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Bananas	864,853	61,515	983,204	62,593	1,078,655	59,301	990,554	54,801	936,272	65,028
Pineapples	84,710	4,970	89,866	5,020	100,092	5,330	118,344	7,154	122,871	7,697
Avocados	8,605	2,285	7,491	2,141	14,070	3,026	10,821	3,031	13,648	3,160
Mangoes	8,877	3,210	8,873	2,934	9,627	2,940	8,892	3,093	8,875	3,150
Oranges	150,470	17,714	89,703	13,680	136,150	11,207	126,203	13,083	103,873	10,912
Grapefruits	229,905	26,232	262,416	27,163	272,278	27,338	268,650	27,330	284,687	29,443
Lemons	85,630	16,614	84,578	14,362	91,655	13,152	84,321	13,466	88,193	14,613
Limes	815	490	19	7	73	28	12	5	2,406	1,111
Grapes	7,649	2,064	9,005	2,019	13,219	2,845	11,511	2,475	11,837	2,344
Water melons, melons	30,449	3,794	40,204	4,515	36,864	3,922	34,783	3,799	35,728	3,784
Papayas	4,670	1,983	5,180	1,796	5,796	1,778	6,869	1,997	6,606	1,901
Apples	221	30	308	72	594	93	2,339	295	120	28
Cherries	7,253	6,701	15,891	11,905	16,716	12,460	17,031	12,783	14,162	11,920
Kiwifruits	42,537	10,459	41,249	9,990	41,531	12,281	39,564	9,327	48,311	13,230
TOTAL	1,526,644	158,062	1,637,987	158,197	1,817,320	155,700	1,719,893	152,640	1,677,586	168,321

Units: tons, ¥ million *Source: Japan Exports and Imports*

Note: Orange, lemons/limes, and grapefruits include dried fruits.

Fig. 2 Japan's fresh fruit imports by variety (2002)

Ranking	Item	Volume base			Value base			Unit price/kg	
		Volume	Share	Yearly change	Value	Share	Yearly change	2001	2002
1	Bananas	936,272	55.8%	94.5	65,028	38.6%	118.7	55	69
2	Grapefruits	284,687	17.0%	106.0	29,443	17.5%	107.7	102	103
3	Pineapples	122,871	7.3%	103.8	7,697	4.6%	107.6	60	63
4	Oranges	103,873	6.2%	82.3	10,912	6.5%	83.4	104	105
5	Lemons	88,193	5.3%	104.6	14,613	8.7%	108.5	160	166
6	Kiwifruits	48,311	2.9%	122.1	13,320	7.9%	141.9	236	274
7	Water melons, melons	35,728	2.1%	102.7	3,784	2.2%	99.6	109	106
8	Avocados	13,648	0.8%	126.1	3,160	1.9%	104.2	280	232
9	Cherries	12,783	0.8%	83.2	14,162	7.1%	93.2	751	842
10	Grapes	11,837	0.7%	102.8	2,344	1.4%	94.7	215	198
11	Mangoes	8,875	0.5%	99.8	3,150	1.9%	101.8	348	355
12	Papayas	6,606	0.4%	96.2	1,901	1.1%	95.2	291	288
13	Limes	2,406	0.1%	19,961.0	1,111	0.7%	21,451.9	430	462
14	Apples	120	0.0%	5.1	28	0.0%	9.6	126	236
	TOTAL	1,677,586	100.0%	97.5	168,321	100.0%	110.3	89	100

Units: volume=tons, value=¥ million, unit price per kg=¥ *Source: Japan Exports and Imports*

(2) Imports by Place of Origin

The suppliers of any particular kind of fresh fruit are generally limited due to the small number of producing areas and plant quarantine regulations. In most cases some 80-90% of any one fresh fruit comes from a single country/region. In terms of overall totals, the Philippines has a 52.0% import share on a volume basis, aided by its top-ranked share in bananas and pineapples. The United States ranks second overall with a 23.6% share, based on its strength in citrus fruits (grapefruits, oranges, lemons).

The next leading exporters of fresh fruit to Japan on a volume basis, though trailing far behind, are Ecuador (9.4%, mainly bananas), South Africa (3.9%, mainly oranges) and New Zealand (2.7%, mainly kiwifruits). On a value basis, rising prices for bananas and pineapples boosted the Philippines to a hefty 23.6% growth rate in 2002, to ¥61.3 billion, lifting it above the United States into first for the first time ever. (see Fig. 3)

<Tropical fruits>

Bananas are overwhelmingly from the Philippines (78.9%), and also being imported from Ecuador (16.8%). Pineapples are almost all from the Philippines (97.8%), and avocados are almost all from Mexico (98.6%). Mangoes come mainly from the Philippines (63.1%) and Mexico (24.5%). Imports from Mexico had been increasing, but over the last two years Mexican imports have been down. Until 1998 Hawaii overwhelmingly was the main source of papayas, but after the ban was lifted on Filipino exports to Japan, imports have been growing year by year. 2002 marked the first time that imports of papayas from the Philippines (3,721 tons, up 12.0%) topped imports from Hawaii (2,813tons, down 19.5%).

<Citrus fruits>

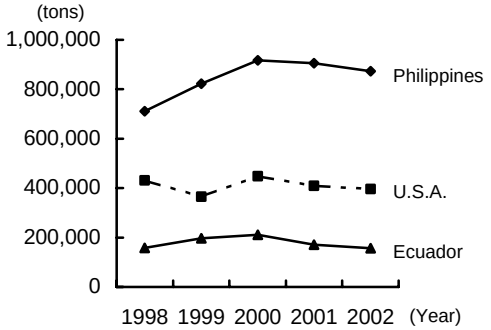
The United States is the leading exporter of the top three citrus fruits to Japan. In the past the USA had an import share of over 90%, but a strong showing by South Africa has given it an import share of 18.5% in grapefruit, 7.7% in oranges and 4.7% in lemons. There has been strong import growth from Australia (8.4%) in oranges and from Chile (17.0%) in lemons. Most of Japan’s imported limes come from Mexico with a share of 96.2%.

<Temperate zone fruits>

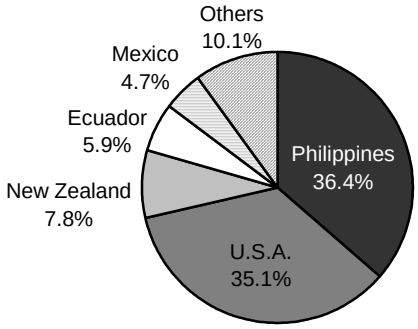
The leading exporter nations of temperate zone fruits are New Zealand (89.6%) for kiwifruits, Chile (70.1%) and the United States (27.2%) for grapes, Mexico (66.5%) and the United States (28.9%) for melons and watermelons, and the United States (98.4%) for cherries. In 2001 Japan imported 1,410 tons of apples from the Republic of Korea, but virtually none in 2002.

Fig. 3 Principal exporters of fresh fruits to Japan

Trends in import volume by leading exporters



Shares of imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Philippines	710,878	822,535	917,387	905,950	49,620	873,035	52.0%	61,311	36.4%
U.S.A.	431,323	365,462	448,765	409,275	59,619	396,081	23.6%	59,008	35.1%
Ecuador	158,117	197,186	210,820	170,669	10,654	157,016	9.4%	9,918	5.9%
South Africa	23,829	46,638	45,460	60,804	4,042	64,733	3.9%	4,295	2.6%
New Zealand	39,432	39,056	38,145	36,763	9,181	45l,766	2.7%	13,177	7.8%
Others	163,066	167,110	156,744	136,432	19,523	140,955	8.4%	20,613	12.2%
TOTAL	1,526,644	1,637,987	1,817,320	1,719,893	152,640	1,677,586	100.0%	168,321	100.0%
(E U)	910	9,760	3,170	1,315	162	1,856	0.1%	244	0.1%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 4 Principal exporters of fresh fruits by variety (2002, volume basis)

	First	Share	Yearly change	Second	Share	Yearly change
Bananas	Philippines	79.4%	95.2	Ecuador	16.8%	92.0
Pineapples	Philippines	97.8%	103.8	U.S.A.	0.9%	213.3
Avocados	Mexico	98.6%	127.2	New Zealand	1.3%	361.8
Mangoes	Philippines	63.1%	103.8	Mexico	24.5%	89.1
Oranges	U.S.A.	76.6%	76.4	Australia	8.4%	121.1
Grapefruits	U.S.A.	77.1%	108.5	South Africa	18.5%	108.5
Lemons	U.S.A.	73.7%	99.7	Chile	17.0%	115.0
Limes	Mexico	96.2%	19,205.9	Chile	3.7%	All
Grapes	Chile	70.1%	106.6	U.S.A.	27.2%	100.1
Water melons, melons	Mexico	66.5%	111.6	U.S.A.	28.9%	96.5
Papayas	Philippines	56.3%	112.0	U.S.A	42.6%	80.5
Apples	Australia	99.5%	18.4	R. Korea	0.5%	0.0
Cherries	U.S.A.	98.4%	82.9	Chile	1.6%	105.6
Kiwifruits	New Zealand	89.6%	123.8	Chile	9.8%	103.3

Unit: tons *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

Most fresh fruit imports consist of fruits that are not grown at all, or grown only in very small amounts in Japan. Since domestically grown fresh fruit is used not only as fresh food but also to make juice and other processed fruit products, it is impossible to calculate a precise market share for fresh fruit imports.

Fresh fruit production in Japan increased in FY 2001 by 6.1% from the year before, to 4.08 million tons. More than half of that total consisted of mandarin oranges (1.28 million tons) and apples (0.93 million tons). Imports' share of the combined total market for fresh fruit and processed fruit products rose from 33.7% in FY 1989, the last year before fruit imports were liberalized, to 56.0% in FY 2001. Imported fresh fruit and processed fruit products have become an essential component, therefore, of the Japanese diet.

Fig. 5 Imports' share in the Japanese market

	1997	1998	1999	2000	2001
Domestic production	4,587	3,935	4,289	3,847	4,082
Imports	4,265	4,110	4,626	4,843	5,151
Exports	20	13	59	68	64
Changes in inventory	145	△36	112	△69	△33
Domestic supply totals	8,687	8,068	8,744	8,691	9,202
Imports' share	49.1%	50.9%	52.9%	55.7%	56.0%

Unit: 1,000 tons *Source: Food Supply and Demand*

(Note) Figures are calculated as a total of fresh fruits and processed fruit products in the fiscal year(April to March.)

3. Key Considerations related to Importing

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

The importation of fresh fruits is subject to provisions of the Plant Protection Law and the Food Sanitation Law.

1) Plant Protection Law

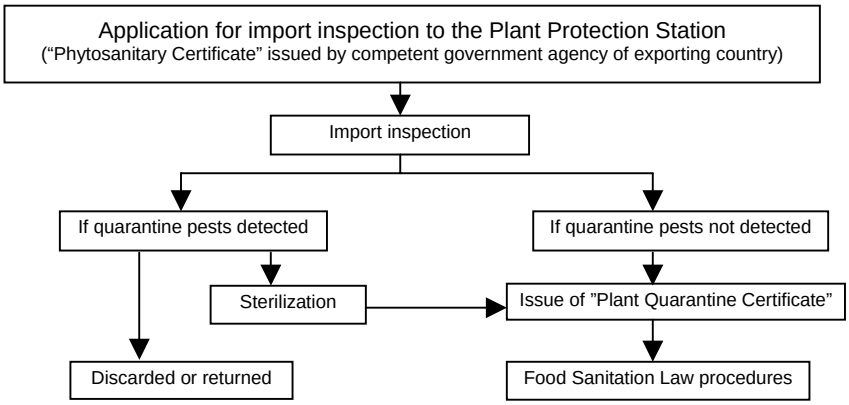
Under the Plant Protection Law, in order to prevent the entry and spread into Japan of harmful microorganisms, insect pests, and parasites that would cause serious damage to crops and forest resources of Japan,

- No root crops with soil attached can be imported into Japan.
- No host fresh (frozen) vegetables of the Mediterranean fruit fly, the Colorado leaf beetle, the citrus burrowing nematode, etc. from or through the infested area are allowed into Japan.

There is a separate list of import-prohibited items for every infested area. If one of these import-prohibited items is brought to Japan, an order will be issued to burn and the like.

Fresh fruit imports are subject to provisions of the Plant Protection Law. Upon arrival at the port of entry, the importer must promptly submit to the Plant Protection Station an "Application for Import Inspection of Plants and Import-Prohibited Articles" along with a "Phytosanitary Certificate" issued by the competent government agency of the exporting country. Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If an infestation is detected, and then the importer will be ordered to decontaminate, discard, or return to the shipper.

Fig. 6 Import inspection (quarantine) procedures under the Plant Protection Law



Conditionally permitted items

When the Japanese plant quarantine authorities and a government organization requesting that a prohibition against certain fresh fruit be lifted engage in technical deliberations and the exporting country establishes a full disinfection method etc., the Minister of Agriculture, Forestry and Fisheries may set a plant quarantine standard and lift the prohibition on import for fruit meeting all of its conditions. The methods of disinfection differ for each product and country and include the following:

Steam heating, low temperature, a combination of steam heating and low temperature, fumigation by methyl bromide etc., and shipment from quarantine controlled regions.

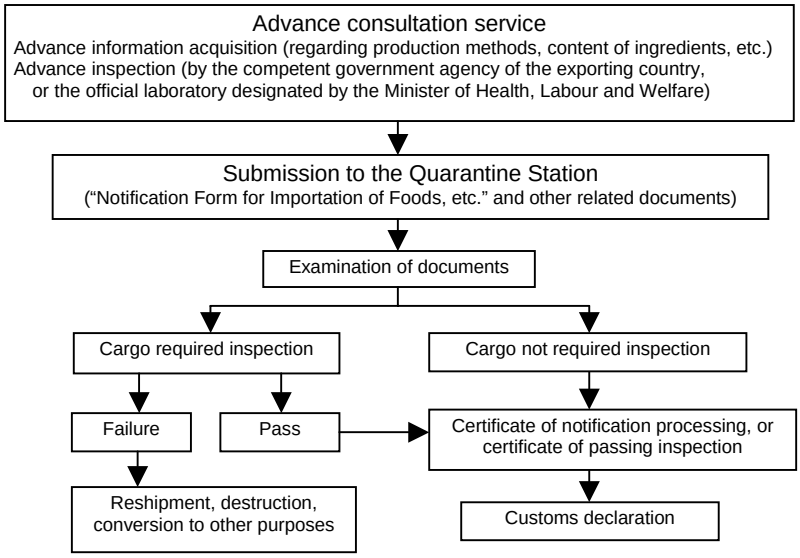
In both the case of imported fresh fruit and conditional and other imports, the fruit is inspected upon landing. If a disease or pests are discovered, it is fumigated by cyanide gas (in the case of scale insects, thrips, white flies, and cockroaches) or methyl bromide gas.

2) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for fresh fruits 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.

The food sanitation inspection on fresh fruits mainly checks for food additives (anti-molding agent, film compounds, coloring agent, etc.) and residual agricultural chemicals. Regulations specify the types of fruit with which anti-molding agent may be used and the permissible level of residue. Usage standards have also been defined for film compounds and coloring agents. If non-designated additives are found, the fruit must be burned or otherwise disposed of. Residual agricultural chemical standards have been defined for each type of fruit. It is essential to find out in advance what agricultural chemical usage patterns prevail in the producer nation (including whether the producer nation uses chemical post-harvest, which is normally not done in Japan).

Fig. 7 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 Notification and Inspection Network System) for processing import-related documentation. Importers who have the required hardware and software may apply for a security code from the Minister of Health, Labour and Welfare to access the system.

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

The sale of fresh fruits is subject to the Food Sanitation Law, the JAS Law, and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health.

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. Fresh fruits are subject to the Fresh Food Product Quality Labeling Standard. (see 4. Labeling)

3) Act Against Unjustifiable Premiums and Misleading Representations

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

(3) Competent Agencies

- Plant Protection Law
  Fruit and Flower Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
  Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- 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
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

Fresh fruits are subject to the Fresh Food Product Quality Labeling Standards under the JAS Law. It is required to place labeling of the following items on the container or packaging in a readily visible location, or to display it in a readily visible location adjacent to the applicable fresh fruits.

1) Product name 2) Country of origin

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging **Individual packaging**

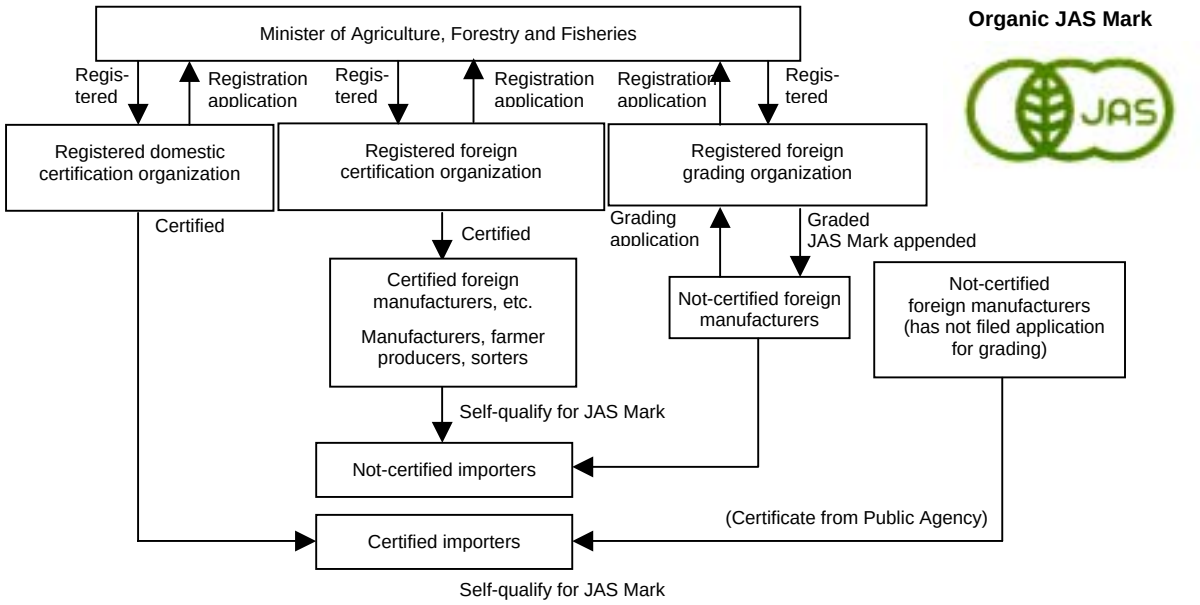
(2) Voluntary Labeling based on Provisions of Law

<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

The JAS Law establishes a "special JAS standard" for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase "organic" and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase "organic" and to display the Organic JAS Mark.

1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.
3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

Fig. 8 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



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

(3) Voluntary Industry Labeling

There is no voluntary industry labeling for fresh fruits.

5. Taxes

(1) Customs Duties

Fig. 9 below presents tariff rates on fresh fruits. Tariff rates on bananas, oranges, grapefruits, and grapes differ according to the seasons being imported.

(2) Consumption Tax

(CIF + Customs duty) x 5%

Fig. 9 Customs duties on fresh fruits

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0803	Bananas				
-100	(1) If imported during the period from 1st April to 30th September	40%	20%	10% *Free	
-100	(2) If imported during the period from 1st October to 31st March	50%	25%	20% *Free	
0804.30-010	Pineapples	20%	17%		
0804.40-010	Avocados	6%	3%	*Free	
0804.50-011	Mangoes	6%	3%	Free	
0805.10	Oranges				
-000	(1) If imported during the period from 1st June to 30th November	20%	16%		
-000	(2) If imported during the period from 1st December to 31st May	40%	32%		
0805.30-010	Lemons	Free	(Free)		
0805.30-090	Limes (*Citrus aurantififolia, Citrus latifolia*)				
0805.50-020	Other limes	Free	(Free)		
0805.40	Grapefruits	10%	(10%)		
0806.10	Grapes				
-000	(1) If imported during the period from 1st March to 30th October	20%	17%		
-000	(2) If imported during the period from 1st November to the last day of February	13%	7.8%		
0807.11, 19	Watermelons and other	10%	6%		
0807.20	Papaws (papayas)	4%	2%	*Free	
0809.20	Cherries	10%	8.5%		
0810.05	Kiwifruit	8%	6.4%		

*Note 1: "*Free" in Preferential Rate is applicable only for the Least Developed Countries.*

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

6. Product Characteristics

(1) Timing of Fresh Fruit Imports

Fig. 10 on the following page illustrates timing of fresh fruit imports. Demand is generally strongest for imported fresh fruit from March through May, when the supplies of mandarin oranges and other domestic fruit from the fall harvest have run low and watermelon and other summer fruits have yet to come in. There is a tendency to do the most business at times when prices are at higher levels.

(2) Product Characteristics

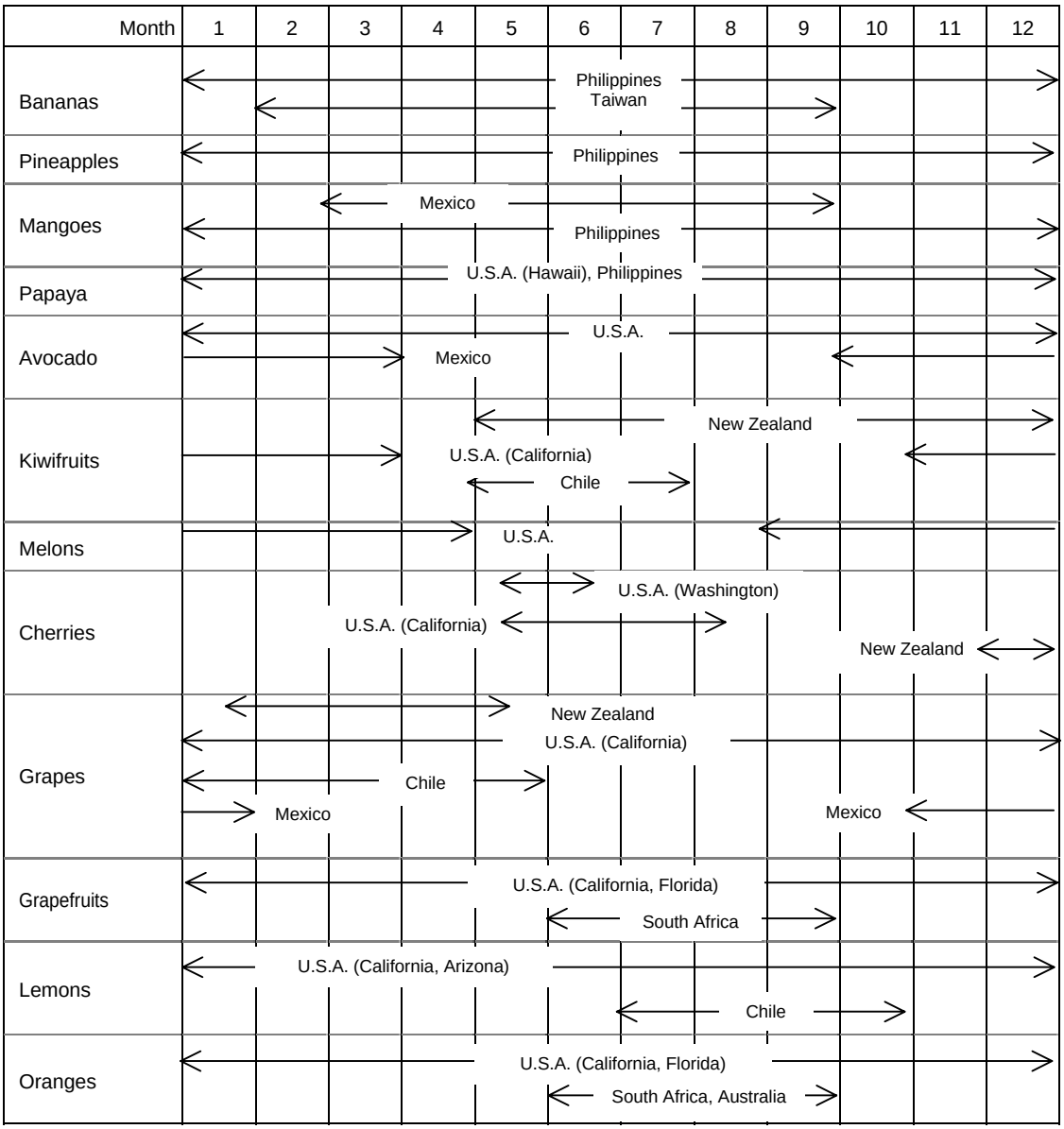
1) Bananas

Only green bananas are imported (importation of yellow bananas is prohibited under the Plant Protection Law). The green bananas are then left to ripen in warehouses before being put on sale. Almost all of the bananas imported are of the Cavendish variety or other improved varieties, though some so-called "monkey" bananas are also imported. Bananas are imported from the Philippines and Ecuador year-round, and from Taiwan from February through September.

2) Pineapples

Almost all imported pineapples are "smooth cayenne" pineapples, although Japan also imports some "Queen" variety pineapples from Taiwan as well as so-called snack pineapples that can be split open by hand and eaten. Pineapples are imported fresh, frozen and canned. Frozen pineapples are peeled and cored before being quick-frozen and are consumed directly as a type of frozen fruit. When thawed, frozen pineapple can be used as raw material for making juice or canned pineapple. Pineapples are imported from the Philippines year-round and from Taiwan from March through July. In recent years, almost all of pineapples are imported from the Philippines.

Fig. 10 Timing of fresh fruit imports



3) Papayas

Papayas grown in Hawaii and Solo type papayas from the Philippines are exempt from the normal import prohibition under plant quarantine regulations. Papayas are imported year-round. At one time Hawaiian papayas virtually owned the market, but the need for air freight transport made prices high, and demand was mostly limited to commercial purchasers. Filipino papayas can be imported by ship at lower prices, which boosted demand for papayas. In 2002 Filipino papayas topped Hawaiian papayas on a volume basis for the first time

4) Mangoes

Japan imports “Manila Super” variety mangoes, also known as “pelican mangoes,” from the Philippines. Japan imports mangoes from Mexico that are also called “apple mangoes” because of their red skin color. They are imported in 5-kilogram cartons. The import season is year-round for imports from the Philippines and from March through September for imports from Mexico.

5) Avocados

Almost all avocado imports come from Mexico and partially from the United States (California). The import season is from October through March for imports from Mexico, and year-round for imports from the United States.

6) Other tropical fruits

Japan also imports certain other tropical fruits, including about 1,000 tons of litchi from Taiwan as well as small amounts of several varieties of durian and passion fruit. Guavas and mangosteen are rarely imported in other than frozen form due to plant quarantine restrictions.

7) Grapefruits

Grapefruit are produced either by bud mutation or by natural cross-fertilization. The fruit grows in bunches like grapes. Japan produces virtually no grapefruit. Almost all imported grapefruit comes from the United States (from the states of Florida and California). Most of Japan's imports consist of white seedless grapefruit, although imports of ruby red grapefruit, characterized by its red flesh, have increased of late.

8) Oranges

Oranges are a citrus fruit belonging to the genus Rutaceae. They are grown over large areas of the world from the tropics into the temperate zone. Common varieties include Valencia oranges, navel oranges, blood oranges, and acid-free oranges. Almost all imported oranges come from the United States, with navel oranges imported in the winter and Valencia oranges imported during the summer In recent years, imports of oranges from Australia and South Africa are in demand from June through September, when oranges from the United States are out of season. The leading producing region of Valencia is California, and the Sunkist brand name has become virtually synonymous with oranges in Japan. Valencia oranges from Florida are smaller and less attractive in appearance than California oranges, but the fructose content is high, and they make good juice oranges. American oranges are produced in large volume, and carry affordable prices as a result.

9) Lemons, limes

Unlike other citrus fruits, principal demand for lemons is from commercial users. There is consistent demand for about 100,000 cartons of lemons every week, according to industry sources. Nearly all come from the United States, although Japan imports some lemons from Chile between August and October, when they are out of season. Limes resemble lemons both in external appearance and in application. But, the import price of limes is 150% higher than lemons. Commercial users mainly use limes, and nearly all imports come from Mexico.

10) Kiwifruits

Kiwifruit is imported from New Zealand from April through December, from Chile from May through July, and from the United States from October through April.

11) Cherries

Cherries can be divided into sweet and sour varieties. Virtually all of Japan's fresh cherry imports consist of sweet cherries. Almost all of Japan's cherry imports come from the United States Imports of California cherries typically start in early May, while imports of Washington and Oregon cherries appear in mid-June. A small number of cherries come from New Zealand in December. In October 2001, import ban was lifted on all varieties of cherries from the United States (and Bing from Chile) which come up to the standards established by the Minister of Agriculture, Forestry and Fisheries.

12) Grapes

Most of Japan's imports of fresh grapes come from Chile and the United States. Japan also imports small amounts of grapes from New Zealand. Grapes are imported virtually year-round, although American grapes are imported during October to November, while most imports from Chile come in from February through April.

13) Apples

Apple imports were officially liberalized in 1971, but plant quarantine regulations continued to ban imports in order to prevent the spread of certain plant diseases and pests. Consequently, the only imports came from places like the Republic of Korea, to which these conditions had not yet spread. However, after fumigation technology was developed that allowed for complete destruction of all prohibited disease and pest organisms, the ban has been lifted on several varieties of apples such as Gara, Granny Smith, Fuji, Braiburn, Red Delicious and Royal Gara imported from New Zealand, Red Delicious and Golden Delicious apples from the United States. Finally, in October 2001, import ban was lifted on all varieties of apples from the United States which come up to the standards established by the Minister of Agriculture, Forestry and Fisheries.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

More than a decade has passed since fresh fruit imports were liberalized. Imported fresh fruit now is a routine part of Japanese people's daily lives. The liberalization of fresh fruit imports resulted in a rapid increase in imports and a significant decline in Japan's domestic self-sufficiency rate in fruit. Domestic production continues to slide, due to a declining number of farm households raising fruit trees, the aging of fruit farmers, and lags in mechanization and adoption of energy-saving measures (see Fig. 5). Domestic production has fallen of fruits characterized by a dramatic price differential between Japan and other countries, and by a high proportion of the cost of the fruit as a proportion of the retail price (such as with mandarin oranges and grapes). On the other hand, fruits with a relatively small price differential between Japan and other countries (such as apples and cherries) have fared relatively well since liberalization, partly also because of the quality differential they enjoy. Taken as a whole, the increase in imports of fruit and processed fruit products has stimulated the domestic market and altered the structure of the fruit industry.

In Japan, eating fruit is more than just a way of obtaining dietary nutrients. Traditionally fruit was served in a way that conveys a sense of the season, and that enhances its appearance and fragrance. The increase in fruit imports has made fruit eating more of a casual affair. Especially among young adults, more and more people are preferring to eat fruit with the skin still on, in contrast to the traditional serving practice. People increasingly want to eat fruit in a more ordinary and unassuming way. Instead of eating expensive Japanese apples with the skin peeled off, people are eating inexpensive bananas, and instead of eating fresh oranges, they are drinking orange juice. For their part, fruits such as apples, cherries, and mandarin oranges are combating imports through superior appearance and quality. They have held onto a certain level of demand despite their relatively high prices by finding new customers and carving out a spot in the market as niche products.

The chronic economic recession has led consumers increasingly to avoid fruits that have a strong discretionary character, or to choose items priced one level lower, or to choose the cheaper of two available items, given a choice. At the same time, though, consumers also are willing to spend more to get what they really want. Underlying this trend is the fact that the full-year average wholesale price for 2002 (combined total for domestic and imported fruit) at the Tokyo Central Wholesale Market was ¥281 per kilogram, the lowest level since 1988. Domestic fruit dropped in price by 5% from 2001 levels, whereas imported fruits -- especially bananas and lemons -- rose by 11%. There is a clear trend, therefore, toward low prices for domestic fruit and high prices for imports.

Recently many supermarkets and convenience stores have begun selling ready-to-eat cut fruit. Mixed fruit sets combining several varieties of fruit have become rather popular despite the high price because they allow consumers to eat small amounts at once of each type of fruit. Combination trays of papaya, mango, and kiwifruit are colorful and carry an air of luxury that appeals to people who have never tried these fruits before.

(2) Distribution Channels

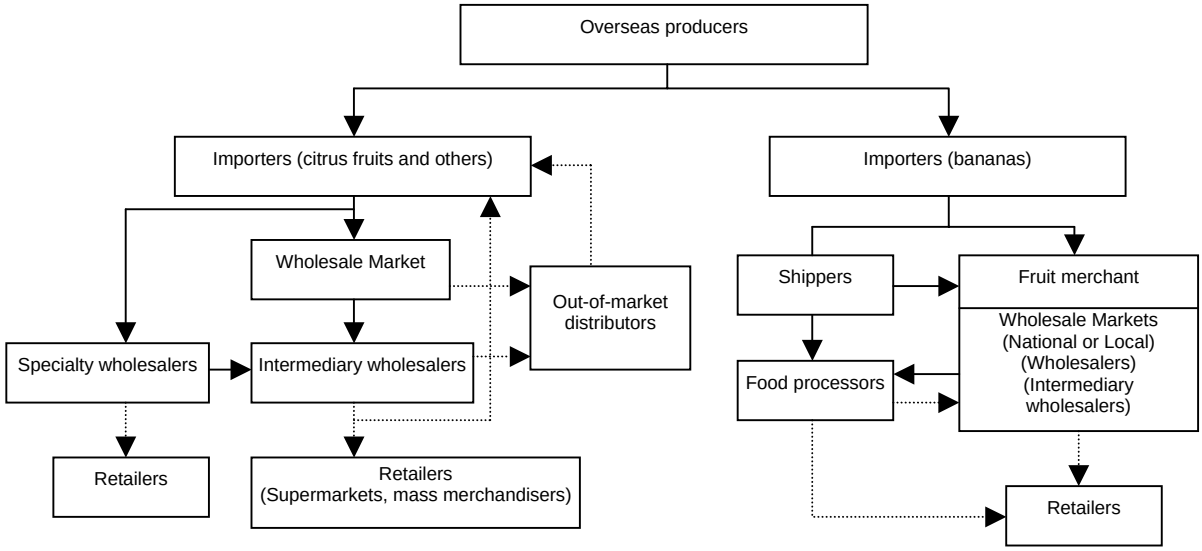
The principal distribution channel for imported fresh fruits is from importer to national or local fruit merchants, to primary and then secondary wholesalers, to retailers, and finally to the consumer. Specialty wholesalers directly to retailers also distribute some fresh fruits, while others are sold by import trading companies to food processors.

Fresh fruits are sold by a variety of retail outlets, including fruit stands, vegetable stands, supermarkets, department stores and so-called fruit parlors. The five leading types of fresh fruits, including bananas and pineapples, are available at virtually every one of these retail outlets. However, other varieties of fresh fruit are sold mainly only at specialty shops, upscale supermarkets and department stores.

The increase in fresh fruit imports has led to an increase in distribution outside the wholesale market channel. Multinational companies and trading companies that import fruit are absorbing wholesalers as affiliates, while doing a greater volume of business directly with large supermarkets.

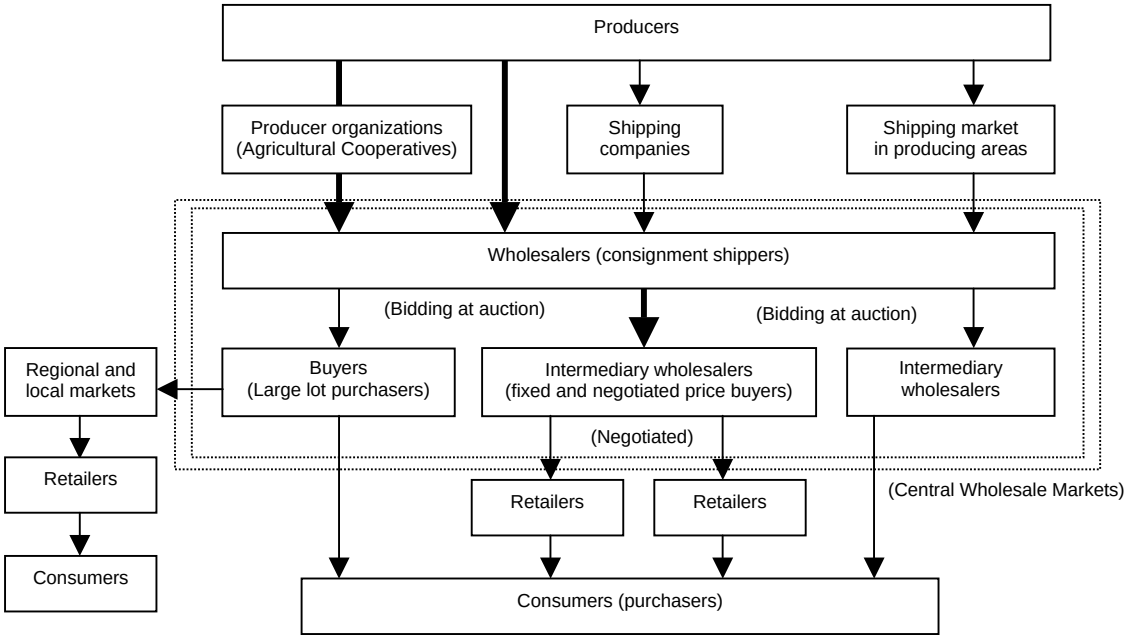
Statistics compiled by the Ministry of Agriculture, Forestry and Fisheries indicate that leading wholesale markets handled a total of 3.90 million tons of fresh fruit in 2002, the lowest level since 1967, a period of 35 years. Part of the reason was a poor crop of mandarin oranges and watermelons in Japan, but another reason is the increased incidence of direct dealings in fresh fruit between trading companies and large supermarkets, dealings that bypass the wholesale markets altogether.

Fig. 11 Distribution channels for imported fresh fruits



Most fresh fruit grown in Japan is shipped from agricultural cooperatives, of which most farmers are members, to wholesale markets. From that point on the distribution system is essentially the same as for imported fresh fruits.

Fig. 12 Distribution channels for domestically grown fresh fruits



(3) Key Considerations for entering the Japanese Market

To enter the market or increase sales in the Japanese market, importers must thoroughly understand Japanese people's food preferences and culinary culture. Importers must make sure they can maintain product quality and food grading standards. Because it takes some time to ship food to Japan and on to consumers, importers must take measures to preserve freshness and minimize damage to fruit. Furthermore, Japanese food grading reflects size and gloss as well as product type and overall fruit quality. Since pricing systems reflect good grading, importers need to understand the grading criteria thoroughly. Importers should also note that some fruits, which cannot be imported fresh, can be imported as juice, jam, dried fruit, or frozen fruit.

8. After-Sales Service

Importers and resellers bear legal responsibility for any defects in fresh fruits.

9. Related Product Categories

1) Juice concentrate and jams

Imports of juice concentrate and jams are subject to notification requirements under the Food Sanitation Law. Importers must submit a "Notification Form for Importation of Foods, etc." Provisions of the Enforcement Regulations regulate food additives for the Food Sanitation Law and by the Specifications and Standards for Food Additives, etc. Jams are subject to quality standards (JAS) and labeling requirements by the JAS Law.

2) Canned fruits

Imports of canned fruits are subject to notification required under the Food Sanitation Law. Because of the great variety of canned fruits, and because the contents are not visible, both domestic and imported canned fruits are subject to a greater number of administrative regulations and labeling requirements. Prospective importers should be careful.

3) Fresh and frozen vegetables

Imports of both fresh and frozen vegetables are subject to provisions of the Plant Protection Law and the Food Sanitation Law. Please refer to the "I-7 Fresh and Frozen Vegetables" section in this guidebook for more information.

4) Frozen fruits

Frozen fruits are subject to the same provisions of the Food Sanitation Law as frozen vegetables. Japan imports 40,000-50,000 tons annually of strawberries and other berries and cherries. Most of these imports are used to make jam and fruit juice drinks. Very little passes through the usual frozen food distribution channels.

10. Direct Imports by Individuals

Individuals may import fresh fruits deemed appropriate for personal consumption without being subject to the Food Sanitation Law. But imports of fresh fruits to provide to a multiple non-specific persons are subject to provisions of the Law. In addition, imports by individuals are not exempted from inspection requirements under the Plant Protection Law.

11. Related Organizations

- Japan Fresh Produce Import Facilitation Association (Nisseikyo) TEL: 03-5833-5141
- The Japan Banana Importers Association TEL: 03-3263-0461
  http://www.banana.co.jp

11. Nuts and Dried Fruits

1. Definition of Category

Nuts and dried fruits other than peanuts, which are classified as beans.

HS Numbers	Commodity
[Nuts]	
0801.31, 32	Cashew nuts
0802.21, 22	Hazelnuts
0802.31, 32	Walnuts
0802.11, 12	Almonds
0802.40	Chestnuts
0802.50	Pistachios
0802.90-200	Macadamia nuts
0801.11, 19, 21, 22/0802.90-100, -300, -400	Other nuts (coconuts, Brazil nuts, Betel nuts, pecans, etc.)
[Dried fruits]	
0803.00-200	Bananas
0804.20-090	Figs
0806.20	Raisins
0813.10	Apricots
0813.20	Prunes
0813.40-010	Berries
0813.40-022	Persimmons
0804.10-000, 30-090, 50-090 / 0813.30-000, 40-021, -023, -029	Other dried fruits (apples, papayas, passion fruits, etc.)

2. Import Trends

(1) Recent Trends in Nut and Dried Fruit Imports

<Nuts>

Nut imports in 2002 totaled 86,436 tons (up 4.5% from the year before), breaking the previous all-time record of 86,096 tons set in 1995. The leading imported nuts are chestnuts and almonds, which together account for around two-thirds of all nut imports.

Chestnut imports peaked at 37,384 tons in 2000 and then fell for two consecutive years. On the other hand, almond imports soared from 17,332 tons in 1999 to 27,978 tons in 2002. Almonds have represented the driving force in nut import growth in the past several years. Walnut imports topped the 10,000 ton mark for the first time, hitting 10,247 tons (up 12.8% from the year before). Also posting all-time import records were cashew nuts (6,717 tons, up 15.2%), macadamia nuts (3,963 tons, up 37.0%) and hazelnuts (760 tons, up 42.1%).

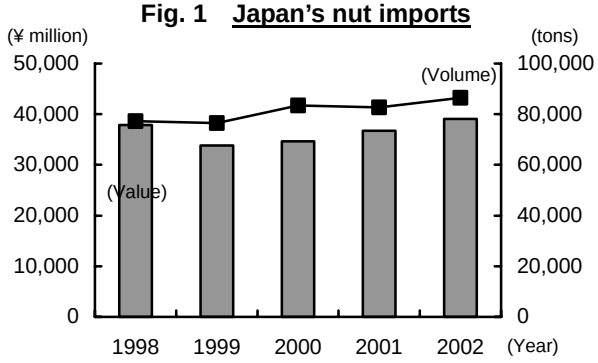
The one noteworthy poor performer in the otherwise strong imported nut market is pistachio nuts, which dropped below macadamia nuts for the first time in 2002 with imports of 2,695 tons (down 22.2% from the year before). (see Fig. 1).

Demand for nuts in recent years has been supported by more extensive use of nuts in confections and in Chinese-style cuisine. The leading exporter of nuts to Japan is the United States, and an American trade association has launched an active marketing program in Japan in an effort to boost demand. As a result, nuts are finding their way into a variety of cakes and breads, and this is contributing to market growth.

<Dried fruits>

The leading dried fruit products are raisins and prunes, imports of which have recovered in two years to 57,538 tons, representing about 87% of their peak level. Imports of raisins broke through the 30,000 ton mark again in 2002. Other dried fruits posted gains as well, indicative of a diversification trend. (see Fig. 2)

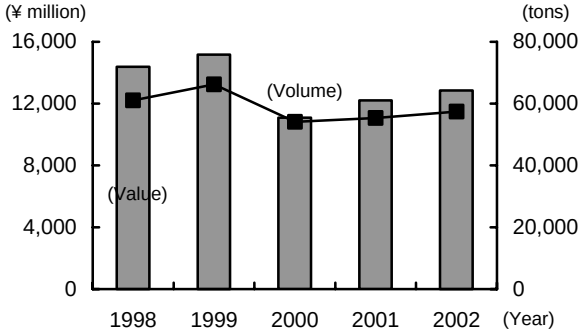
Fig. 1 Japan's nut imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cashew nuts	5,559	3,787	4,922	3,573	5,752	3,582	5,833	3,143	6,717	3,424
Hazelnuts	553	337	563	285	443	183	535	250	760	309
Walnuts	8,838	5,573	8,835	4,266	9,665	4,016	9,087	5,365	10,247	5,847
Almonds	18,903	11,406	17,332	8,113	21,349	7,095	24,322	9,309	27,978	11,237
Chestnuts	33,250	10,295	34,726	12,410	37,384	15,537	31,695	13,008	29,073	11,404
Pistachios	4,348	2,749	3,314	1,718	2,930	1,637	3,466	1,773	2,695	1,561
Macadamia nuts	1,057	1,201	1,433	1,260	1,735	1,280	2,893	2,417	3,963	3,560
Other nuts	4,727	2,501	5,349	2,207	4,183	1,312	4,873	1,456	5,002	1,697
TOTAL	77,235	37,849	76,475	33,832	83,441	34,641	82,704	36,719	86,436	39,037

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 2 Japan's dried fruit imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Bananas	456	147	300	78	405	100	249	76	304	93
Figs	656	296	1,424	473	1,894	595	1,755	636	1,265	552
Raisins	30,242	6,042	33,966	7,482	27,480	4,479	28,152	4,379	30,913	4,835
Apricots	1,165	662	1,259	561	1,324	518	1,397	571	1,037	470
Prunes	21,822	5,627	19,650	4,855	15,751	3,782	16,742	4,277	16,244	4,456
Berries	185	303	158	234	117	177	242	582	193	449
Persimmons	5,090	929	8,433	1,211	5,274	1,060	4,832	1,150	5,151	977
Other	1,380	374	1,056	281	1,878	383	1,995	536	2,251	1,010
TOTAL	60,998	14,379	66,246	15,174	54,124	11,094	55,364	12,207	57,358	12,841

Units: tons, ¥ million *Source: Japan Exports and Imports*

(2) Imports by Place of Origin

Leading exporters of nuts differ for each variety of nut and dried fruits. Typically, the leading exporter of a particular product accounts for most of Japan's imports of that product.

<Nuts>

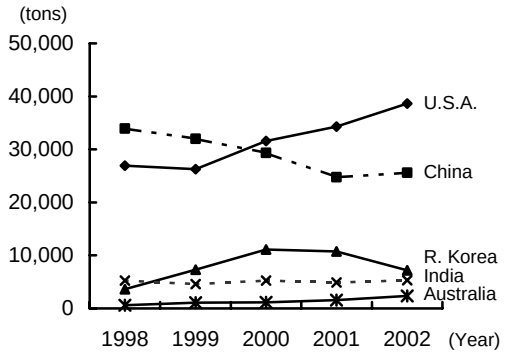
Main importers of chestnuts, a leading category of Japan's nut imports, were China (75.2%) and the Republic of Korea (24.6%), while almost all almonds came from the United States (98.4%) on a volume basis. The U.S. topped China in exports of nuts to Japan for the first time ever in 2000, bolstered by strong growth in exports of almonds. The gap between the two has only grown since that time.

In 2002 China exported 25,605 tons of nuts to Japan (29.6% share), an annual increase of 3.4% that marks a slight upturn. However, the United States boosted its exports by a whopping 12.4% to 38,618 tons, giving it 47.7% of all nut imports both on a volume and a value basis. Although Chinese exports recovered slightly in 2002 to 21,865 tons, The Republic of Korea saw its exports tumble by 33.5% to 7,165 tons in 2002. The result was a second straight year of overall decline in chestnut imports. On the other hand, active marketing efforts by the California exporter organizations have succeeded in producing market growth for almonds and walnuts. Hazelnut imports set an all-time record in 2002 by aggressive effort by the Turkish Hazelnut Promotion Group as well. Imports of macadamia nuts from Australia, and cashew nuts from India also recorded good results.

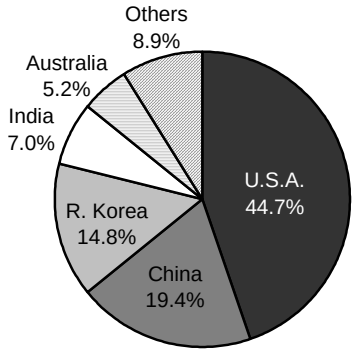
As of 1998 Iran dominated in exports of pistachio nuts to Japan with 3,472 tons (79.9% share). In October of that same year, an inspection revealed the presence of aflatoxin exceeding prescribed levels, which led to a market recall. Since that time, imports from Iran have fallen dramatically, sinking to just 528 tons in 2002. Although American exports partially took up the slack, total imports never recovered to 1998 levels. Moreover pistachio imports finished below macadamia nut imports in 2002 for the first time ever.

Fig. 3 Principal exporters of nuts to Japan

Trends in import volume by leading exporters



Shares of nut imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	26,945	26,278	31,578	34,328	15,421	38,618	44.7%	17,455	44.7%
China	33,958	32,031	29,343	24,766	7,279	25,605	29.6%	7,566	19.4%
R. Korea	3,652	7,325	11,136	10,773	7,313	7,167	8.3%	5,763	14.8%
India	5,258	4,619	5,246	4,883	2,644	5,297	6.1%	2,720	7.0%
Australia	575	1,085	1,122	1,568	1,216	2,372	2.7%	2,049	5.2%
Others	6,847	5,138	5,017	6,385	2,846	7,378	8.5%	3,485	8.9%
TOTAL	77,235	76,475	83,441	82,704	36,719	86,436	100.0%	39,037	100.0%
(E U)	177	229	389	278	219	402	0.5%	344	0.9%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 4 Principal exporters of nuts to Japan by variety (2002, volume basis)

		First			Second		
	Total volume	Country	Share	Yearly change	Country	Share	Yearly change
Chestnuts	29,073	China	75.2%	104.9	R. Korea	24.6%	66.5
Almonds	27,978	U.S.A.	98.4%	114.5	Spain	0.6%	142.6
Walnuts	10,247	U.S.A.	85.3%	116.6	China	14.5%	95.0
Cashew nuts	6,717	India	78.8%	108.5	Vietnam	18.5%	153.5
Pistachios	3,963	U.S.A.	53.7%	154.7	Kenya	18.8%	92.6
Macadamia nuts	2,695	Australia	77.4%	84.8	Iran	19.6%	56.5
Hazelnuts	760	Turkey	96.2%	140.9	Italy	1.8%	150.0

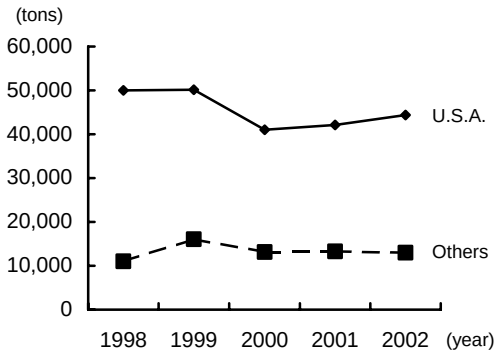
Unit: tons *Source: Japan Exports and Imports*

<Dried fruits>

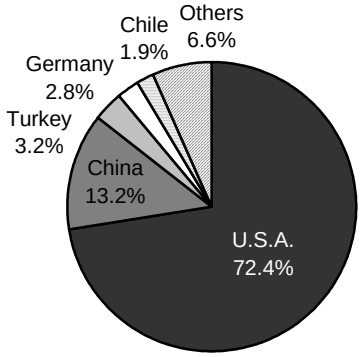
The United States (California) has a virtual monopoly on Japan's imports of raisins and prunes. Respective industry associations conduct aggressive sales promotional campaigns in Japan. The United States has a 77.3% share of all imports of dried fruits, and it owns a large lead over second-place China. However, imports of dried figs and apricots from the United States as well as other nations finished the year down, as the market for these products is shrinking. Dried persimmons all come from China, and dried bananas mainly come from Ecuador and Thailand.

Fig. 5 Principal exporters of dried fruits to Japan

Trends in import volume by leading exporters



Shares of dried fruit imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Volume	
U.S.A.	49,973	50,179	40,998	42,111	8,785	44,352	77.3%	9,299	72.4%
China	5,867	9,301	6,525	6,219	1,739	6,491	11.3%	1,693	13.2%
Turkey	1,184	2,384	2,176	2,466	463	1,850	3.2%	406	3.2%
South Africa	1,817	2,026	1,782	1,632	266	1,400	2.4%	213	1.7%
Iran	522	555	1,086	1,035	165	1,013	1.8%	207	1.6%
Others	1,635	1,801	1,558	1,902	789	2,253	3.9%	1,023	8.0%
TOTAL	60,998	66,246	54,124	55,364	12,207	57,358	100.0%	12,841	100.0%
(E U)	129	204	140	234	361	205	0.4%	428	3.3%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 6 Principal exporters of dried fruits to Japan (2002, volume basis)

		First			Second		
	Total volume	Country	Share	Yearly change	Country	Share	Yearly change
Raisins	30,913	U.S.A.	89.0%	112.1	S Africa	4.2%	87.1
Prunes	16,244	U.S.A.	98.6%	96.6	Chile	1.2%	173.1
Persimmons	5,151	China	100.0%	106.6	-	-	
Figs	1,265	U.S.A.	37.7%	80.2	Turkey.	31.5%	57.2
Apricots	1,037	Turkey	55.4%	73.8	U.S.A.	19.0%	71.3
Bananas	304	Ecuador	90.9%	139.7	Thailand	4.5%	52.8
Berries	193	U.S.A.	54.5%	124.1	Germany	23.0%	52.7

Unit: tons *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

Japan's entire supply of almonds, cashews and pistachios is imported. Japan does produce some walnuts, but domestically produced walnuts fall far short of imports in terms of quantity and price. Imports thus hold most of the walnut market as well.

Japan does not grow the types of grape that are best suited for processing into raisins. Thus, its entire supply of raisins is imported. The same is the case for prunes. There are no statistics on the domestic production of dried persimmons, so the changes in shares for each year cannot be determined, but in recent years it is estimated that amount 50% of the total supply in Japan was imported.

3. Key Considerations related to Importing.

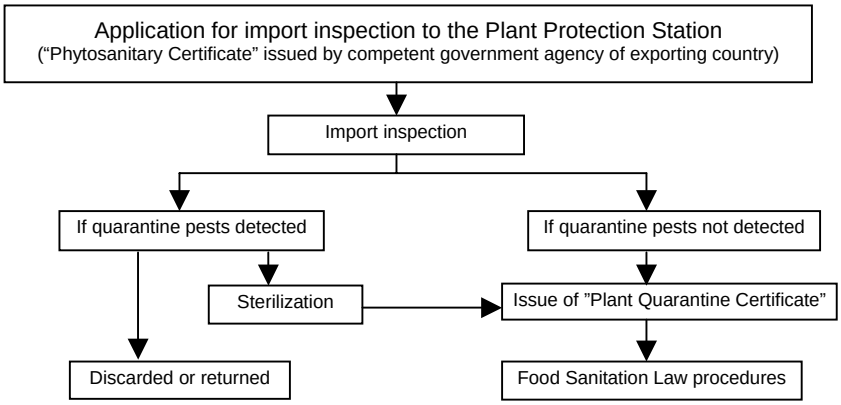
(1) Regulations and Procedural Requirements at the Time of Importation

The importation of nuts and dried fruits is subject to provisions of the Plant Protection Law and the Food Sanitation Law.

1) Plant Protection Law

Imports of non-heated nuts and dried fruits are subject to provisions of the Plant Protection Law. Upon arrival at the port of entry, the importer must promptly submit to the Plant Protection Station an "Application for Import Inspection of Plants and Import-Prohibited Articles" along with a "Phytosanitary Certificate" issued by the competent government agency of the exporting country. Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If an infestation is detected, and then the importer will be ordered to decontaminate, discard, or return to the shipper.

Fig. 7 Plant Protection Law Procedures



The following varieties of dried fruits are exempted from provisions of the Plant Protection Law. Imports of dried seed of almonds, cashew nuts, coconuts, pistachios, chestnuts, and macadamia nuts are subject to the Law, however, import is possible without attachment of a Phytosanitary Certificate of the exporting government agency.

Fig. 8 Dried fruits not covered by the Plant Protection Law

Apricots, figs, persimmons, kiwi fruits, plums, pears, dates, coconuts, pineapples, bananas, papayas, grapes, mangoes, peaches, litchis

The Plant Protection Law prohibits the importation of plants that are host to plant diseases and pests that pose a serious risk of harm to plant life in Japan, if the plants are shipped from or have passed through an area where those diseases or pests are present. Figure 9 lists 39 countries/areas from cashew nut imports are prohibited due to outbreaks of Mediterranean fruit fly. Figure 10 lists 27 countries/areas from which unshelled walnut imports are prohibited due to outbreaks of codling moth (the ban on U.S. imports has been conditionally lifted).

Fig. 9 Countries/areas subject to cashew nut import ban

Israel, Cyprus, Jordan, Syria, Turkey, Lebanon, Albania, Italy, Austria, Netherlands, Greece, Swiss, Spain, Germany, Hungary, France, Belgium, Portugal, Malta, U.K. (Great Britain and Northern Island), former Yugoslavia, Africa, El Salvador, Guatemala, Costa Rica, Nicaragua, Panama, Honduras, Argentina, Uruguay, Ecuador, Colombia, Brazil, Peru, Bolivia, Bermuda, West Indies (except Cuba), Australia (except Tasmania), Hawaiian Islands

Fig. 10 Countries/areas subject to unshelled walnut import ban

Afghanistan, Israel, Iraq, India, Cyprus, Jordan, Syria, China, Turkey, Pakistan, Myanmar, Lebanon, Europe, the former Soviet Union, Africa, United States (except for Hawaiian island), Canada, Argentina, Uruguay, Colombia, Chile, Brazil, Peru, Bolivia, Australia, New Zealand

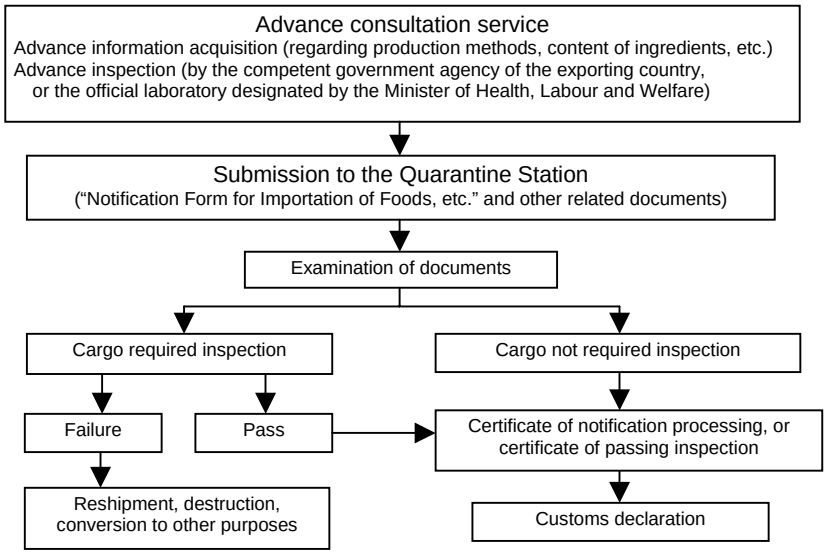
(This does not apply to unshelled walnuts of some varieties that are imported directly from the United States to Japan without passing through another country and are in compliance with standards set by the Minister of Agriculture, Forestry and Fisheries.)

2) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for nuts and dried fruits 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.

Nuts are inspected for the presence of aflatoxin, while dried fruit is inspected for additives. Prospective importers should note that other inspections may be required depending on the type of raw material or manufacturing process employed.

Fig. 11 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 Notification and Inspection Network System) for processing import-related documentation. Importers who have the required hardware and software may apply for a security code from the Minister of Health, Labour and Welfare to access the system.

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

The sale of nuts and dried fruits is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling packaged nuts and dried fruits, they must be labeled in accordance with provisions of the Food Sanitation Law. In addition, processed foods and food additives containing allergens are required or recommended to state in the labeling to the effect that they contain allergenic foods. (see 4. Labeling)

2) JAS Law

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

The JAS Law establishes proper labeling standards for all food and beverage products sold to consumers. Raw chestnuts, unshelled walnuts and other fresh produces are subject to the Fresh Food Product Quality Labeling Standards, while processed nuts and dried fruits are subject to the Processed Food Quality Labeling Standards. (see 4. Labeling)

3) Measurement Law

Nuts and dried fruits sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

(3) Competent Agencies

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

Raw chestnuts, unshelled walnuts and other fresh nuts are subject to the Fresh Food Product Quality Labeling Standards under the JAS Law. It is required to place labeling of the following items on the container or packaging in a readily visible location, or to display it in a readily visible location adjacent to the applicable fresh food item.

1) Product name
2) Country of origin

When selling processed nuts and dried fruits sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the Processed Food Product Quality Labeling Standards under the JAS Law, and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, name of food additives, if used
3) Net content
4) Best-before date
5) Preservation method (if specified)
6) Country of origin
7) Importer's name and address

<Labeling of Foods Containing Allergens>

The Food Sanitation Law mandates or recommends ingredient labeling for 24 items that contain allergens. Processed foods containing the food items listed in the following table, and processed foods containing additives derived from these food items are either required or advised to bear labeling to the effect that they contain allergenic foods.

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

<Labeling of Law for Promotion of Effective Utilization of Resources>

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging **Individual packaging**

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

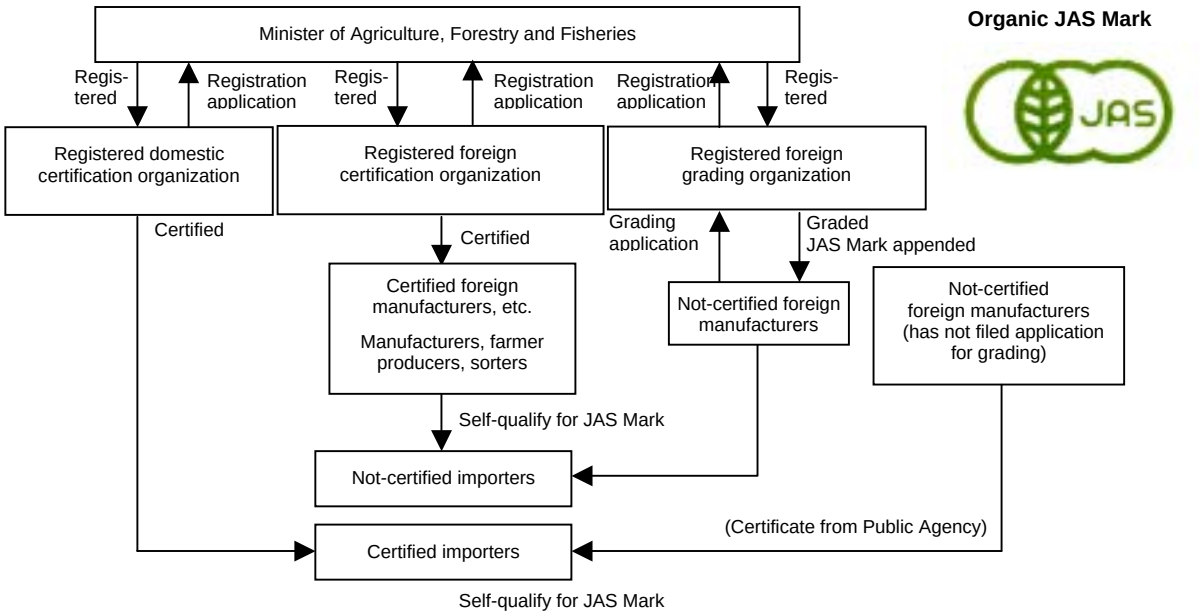
<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

The JAS Law establishes a "special JAS standard" for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase "organic" and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase "organic" and to display the Organic JAS Mark.

1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.

3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

Fig. 12 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



Contact:

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

2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

There is no voluntary industry labeling for nuts and dried fruits.

5. Taxes

(1) Customs Duties

A number of different tariff rates apply to these products under various classifications. The Uruguay Round agreement provides for reduced tariff rates on some varieties of nuts beginning April 1995. (see Fig. 13 on the following page)

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

Japan imports many different types of nuts and dried fruits, but the leading imported items may be generally characterized as follows.

<Nuts>

1) Chestnuts

Nearly all the chestnuts imported into Japan are what are known as Tianjin chestnuts, grown in Hobei Province in China. Most chestnuts imported from the Republic of Korea are processed into boiled chestnuts seasoned with honeydew. Japan imports only a very small quantity of chestnuts from Italy, but those imports are used as a raw material for making marron glacé.

Fig. 13 Customs duties on nuts and dried fruits

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0801.11, 19	Coconuts	6%	3%	Free	
.21,.22	Brazil nuts	4%	3%	Free	
.31, 32	Cashew nuts	Free	(Free)		
0802.11, .12	Almonds				
-100	(1) Bitter almonds	Free	(Free)		
-200	(2) Sweet almonds	4%	2.4%	*Free	
0802.21, .22	Hazelnuts	10%	6%	Free	
0802.31, .32	Walnuts	10%	(10%)		
0802.40	Chestnuts	16%	9.6%		
0802.50	Pistachios	Free	(Free)		
0802.90	Other nuts				
-100	(1) Betel nuts	Free	(Free)		
-200	(2) Macadamia nuts	5%	(5%)	3% *Free	
-300	(3) Pecans	5%	4.5%		
-400	(4) Other nuts except above	20%	12%		
0803.00 -200	Bananas, dried	6%	3%	Free	
0804.10 -000	Dates	Free	(Free)		
0804.20 -090	Figs, dried	10%	6%	5% *Free	
0804.30 -090	Pineapples, dried	12%	7.2%	*Free	
0804.50 -090	Guavas, mangoes and mangosteens, dried	6%	3%	Free	
0806.20 -000	Grapes, dried	2%	1.2%		
0813.10 -000	Apricots, dried	15%	9%		
20 -000	Prunes, dried	4%	2.4%		
30 -000	Apples, dried	15%	9%		
0813.40	Other dried fruits				
-010	(1) Berries, dried	12%	9%		
	(2) Other dried fruits	15%			
-021	(a) Dried papayas, pawpaws durians, bilimbis, champeder, jackfruits, bresd-fruits, rambutan, rose-apple, ambo, jambosa diamboo-kaget, chicomamey, cherimoya, sugar-apples, bul-lock's-heart, passion-fruit, dookoo kokosan, soursop and litch		7.5%	*Free	
-021	(b) Kehapi		9%	7.5% *Free	
-022,-029	(c) Persimmons, dried, and other		9%		

*Note 1: "*Free" in Preferential Rate is applicable only for Least Less Developed Countries.*
Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

2) Almonds

There are two types of almonds: sweet almonds and bitter almonds. Sweet almonds are grown in the United States, while bitter almonds are grown in Europe. Almost all Japanese imports come from the United States. Depending on their intended use, almonds can be either skinned, unskinned, sliced or powdered. In most cases almonds are imported raw and then processed after reaching Japan and used to make various types of confections.

3) Walnuts

Most walnuts are imported shelled. The United States and China are the leading exporter to Japan. There are some walnut growers in Nagano Prefecture in Japan, but their operations are very small, prices are high and supplies are unpredictable. Accordingly, imports dominate the market.

4) Cashews

Cashews are native to the tropical regions of Brazil. They are grown in Brazil, India and Africa. Most Japanese imports come from India. Cashews are mainly used in snack foods, Chinese-style cuisine and pickles. They are also being more widely used in pulverized, sliced and powdered form to make snack confections and noodles.

5) Pistachios

Pistachios grown in France, Spain and Sicily have a reputation for being the best, although they are also grown in Iran, Turkey and the United States. Most Japanese imports come from the United States and Iran.

<Dried fruit>

1) Raisins

Raisins are made from Thompson seedless grapes and Santana grapes, and are produced mainly in California in the United States. American raisins have the largest share of the world raisin market, and most raisins imported into Japan come from the United States. Furthermore, Japan is America's largest export partner in raisins. About 80% of all raisins are used to make raisin bread. Another 10% is used to make cookies, and the remaining 10% is sold directly to consumers.

2) Prunes

Prunes are dried plums made from a type of plum not grown in Japan. Almost all of Japan's imports come from the United States. Prunes are high in iron and other minerals, and they are growing in popularity as a type of health food. Prunes are sold both pitted and unpitted, and pitted prunes are usually imported in that form. 60% of all sales go direct to consumers, while 40% goes to making prune extract for use in health foods.

3) Persimmons

Almost all Japanese imports of dried persimmons come from Hobei and Shandong Provinces in China. More than 70% of all Chinese persimmon exports go to Japan.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

In the past nuts were primarily used in confections and bread-making rather than being consumed directly. Consumers were unaccustomed to nuts, and the relatively high price of many nuts other than peanuts produced stagnant growth and little market change. But recent years have seen consumer tastes diversify to types of nuts other than almonds. Usage is expanding beyond traditional modes, and consumers increasingly hold an image of nuts as a healthy and highly nutritious food. As a result, the popularity of nuts is growing.

Concerns over food safety have accelerated in Japan of late. Also, the nutritional content of food, and its ability to maintain and improve health, has become a major consumer selection criterion. Informational programs on television and magazine articles have carried specific reports about the nutritional value of nuts. These reports describe how nuts represent an excellent and balanced source of vegetable protein, potassium and vegetable fiber. They tell how the insoluble fatty acids in nuts help reduce blood cholesterol count, and how the abundant supply of Vitamin E in almonds aids capillary activity and thus helps prevent aging and heart disease. The result has been heightened interest in nuts as a form of healthy foodstuff.

One reason that cannot be overlooked for recent growth in the nut and dried fruit market is the fact that industry trade groups in the United States, the leading exporter of almonds and walnuts to Japan, launched since 1998 an aggressive PR campaign designed to boost demand for nuts and raisins. The campaign relied on much more than just mass-media advertising. Alliances with cooking schools and bakery organizations led to development of new menu items incorporating nuts and raisins. The campaign also featured health seminars aimed at consumers, as well as in-store sales promotional support programs. It resulted in greater awareness and understanding of nuts and dried fruits, and an increasing number of cakes, breads and other food items now use nuts as an ingredient.

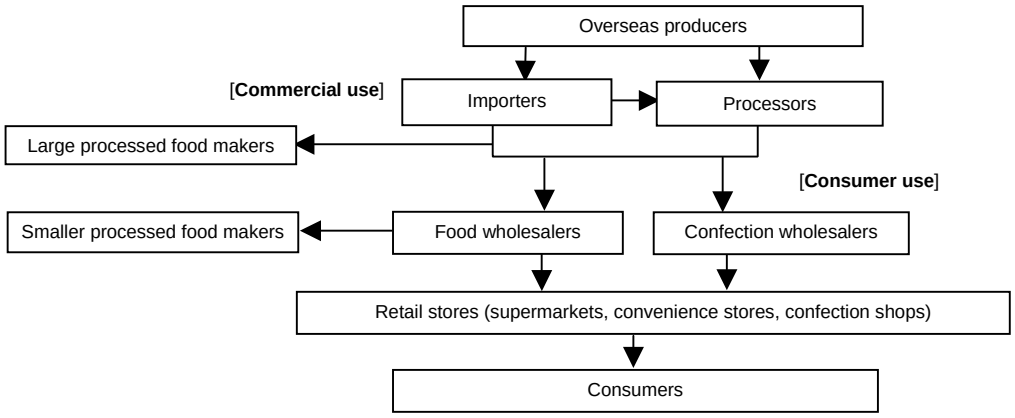
(2) Distribution Channels

Nuts and dried fruits are usually distributed not directly to consumers but rather to food processors through commercial food distribution channels for use in making confections, breads and pastries. Prepared products are packaged by the importer and distributed through food wholesaler or confection wholesaler channels. Raw nuts and dried fruits are sold to food processors, who reformulate the material into commercial products, put them in small-lot packages, and distribute them through food and confection wholesaler channels to the retail market.

Food processors such as confection makers use large quantities of nuts and dried fruits, and they often buy directly from the importer or processor. Smaller food processors buy from confectionery supply wholesalers. Products destined for bars or other drinking establishments for use as snack food are distributed through food and confection wholesalers to snack food wholesalers.

The following graphic illustrates the primary distribution channels for nuts and dried fruits.

Fig. 14 Distribution channels for nuts & dried fruits



(3) Key Considerations for entering the Japanese Market

The Food Sanitation Law strictly regulates the aflatoxin B1 content level for nuts, requiring less than 10 ppb. Any nuts in excess of this standard level must be discarded or returned to the shipper, and is not allowed to enter the Japanese market. Furthermore, local government health centers conduct spot checks at the distribution stage, and if any violation is found, a recall order will be immediately issued for the entire shipment lot. Advance inspection is necessary in the exporter nation to assure that safe nuts are being imported to Japan. The nut and dried fruits business is highly competitive in Japan, and prospective market entrants must carefully study consumer tastes and market trends.

8. After-Sales Service

Importers and resellers bear legal responsibility for any defects in nuts and dried fruits.

9. Related Product Categories

1) Raw peanuts are subject to import quotas. They are also subject to provisions of the Food Sanitation Law and the Plant Protection Law. Prospective importers need to be aware of these requirements.

2) Chocolates containing almonds, macadamia nuts or other nuts, or fruitcakes containing raisins or other dried fruits are exempted from plant quarantine requirements if it can be confirmed that they have been heat-treated. These items are still subject to requirements of the Food Sanitation Law.

10. Direct Imports by Individuals

Imports of nuts and dried fruits deemed appropriate to personal consumption are exempted from requirements of the Food Sanitation Law. Non-heat-treated, non-processed nuts and dried fruits are subject to requirements of the Plant Protection Law.

11. Related Organizations

• Japan Nut Association	TEL: 03-5649-8572	http://www.jna-nut.com
• Japan Dried Fruits Importers Association	TEL: 03-3253-1231	
• The Almond Board of California	TEL: 03-5414-3473	
• California Walnut Commission	TEL: 03-5561-0401	http://www.ca-kurumi.co.jp/
• Raisin Administrative Committee	TEL: 03-3221-6410	http://www.raisins-jp.org
• California Prune Advisory Board	TEL: 03-3584-0866	
• Turkish Hazelnut Promotion Group	TEL: 03-5414-3473	

12. Fresh and Frozen Meat

1. Definition of Category

Beef, pork, chicken, mutton and lamb. This does not include offal however. (Note 1)

HS Numbers	Commodity
0201.10, 20, 30	Beef (fresh or chilled)
0202.10, 20, 30	Beef (frozen)
0203.11-020~040, 12-021~023, 19-021~023	Pork (Note 2) (fresh or chilled)
0203.21-020~040, 22-021~023, 29-021~023	Pork (Note 2) (frozen)
0207.11, 13	Chicken (fresh or chilled)
0207.12, 14	Chicken (frozen)
0204.10, 21, 22, 23	Mutton & Lamb (fresh or chilled)
0204.30, 41, 42, 43	Mutton & Lamb (frozen)

[Note 1]

Offal: Meat not including sides and quarters and mainly including diaphragm, tongue, tail, liver, heart, etc.

Sides: Meat after skinning the carcass, extracting the internal organs, and removing the head, four legs, and tail.

Quarters: Meat obtained by dividing the sides into parts and removing the bones.

[Note 2] Not including boar meat among pork, and goat meat among mutton.

2. Import Trends

(1) Recent Trends in Fresh and Frozen Meat Imports

Imports of meat are influenced by complicated factors including domestic demand (for processing and industrial use/home use), domestic production, the relationship between import prices and domestic prices, and the appreciation of the yen. Nevertheless, imports of meat remain strong overall, and have risen every year from 1997 through 2000. Compared 2000 imports with 1996, imports have grown on a volume basis by 5.1%, but on a value basis imports have actually fallen by 15.6%, dropping from ¥858.5 billion to ¥724.4 billion. The availability of inexpensive imported meat has altered the ways that Japanese people eat meat.

2001 saw a succession of virulent infectious animal disease outbreaks in various places around the world. One of these was the outbreak of mad cow disease (BSE: Bovine Spongiform Encephalopathy) in January 2001, which prompted Japan to impose an import ban on beef from the EU. Other outbreaks included hoof-and-mouth disease in the EU (March), poultry pest in China (May) and hog cholera in Germany and Spain (June). These events dealt a significant blow to the imported meat market in Japan. Then in September a first case of BSE was confirmed in Japan, and this led to a major drop in beef consumption. Yet another problem arose thereafter in the form of the controversy over place of origin nomenclature. Thus, an earthquake of unprecedented magnitude has struck the meat market in Japan.

In 2002 beef consumption recovered to about 90% of its level before the outbreak of BSE. Although the situation has settled down considerably, demand for imported beef has not yet recovered, and total imports of meat were down 6.2% to 1,814,209 tons, worth ¥780.4 billion (down 2.4%). (see Fig. 1)

<Beef>

Since beef imports were liberalized in April of 1991, tariff rates have been progressively lowered, and the yen has risen in exchange value as well. As a result, the variety of meat that has registered the greatest growth of all is beef. The principal source of demand for imported beef is in the food service industry. Not only is imported beef less expensive than Japanese beef, it is possible to import particular cuts of meat in large quantity, which makes it easier to handle.

Beef imports topped the 700,000-ton level for the first time ever in 2000, and imports continued growing at a healthy pace in the first half of 2001 as well. However, then came the BSE outbreak in September, 2001, and since that time there is a conspicuous trend away from beef on the part of consumers. Total consumption for the whole year 2001 was down by 6.2% to 675,000 tons. This was followed by another major drop in 2002, when consumption tumbled by 27.9% to just 486,741 tons. A breakdown of this total shows fresh and chilled beef with 234,383 tons (down 29.2%), and frozen beef with 252,357 tons. Thus, the decline was greater for fresh and chilled beef.

<Pork>

For its part, though, pork imports have increased since the BSE outbreak, as consumers use it as a substitute for beef. 2002 pork imports were up 9.7% from the year before to 777,357 tons, a second consecutive record year that put pork even further ahead of beef.

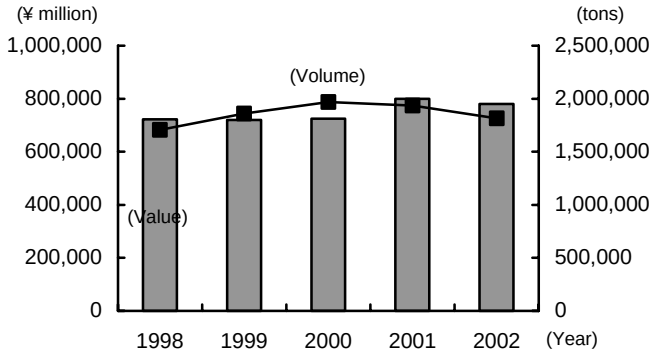
Emergency import safeguard measures were imposed on pork in both 2001 and 2002, resulting in higher tariffs. Nevertheless, full-year import volume was up for two straight years, while on a value basis imports climbed 14.2% to ¥469.5 billion.

[Note]

Emergency import safeguard measures are automatically invoked whenever import volume for a particular fiscal quarter exceed the average for the same quarter the past three years by more than 19%. Imports from the United States and Canada temporarily soared in the April-June quarter of 2001 because of the outbreak of foot-and-mouth disease in Europe. This automatically triggered safeguards that raised tariffs for three months beginning in August of 2001. Also, when pork imports burgeoned in 2002 due to replacement demand after the BSE outbreak depressed demand for beef, pork import volume for the April-June quarter exceeded the trigger point volume of 207,000 tons. Safeguards were invoked that raised tariffs from August until March of 2003.

Nearly all pork is imported on the form of specific cuts of meat, such as pork loin and fatty sides. About half of all imported pork is used in food processing. Not only is imported pork less expensive than domestic pork, it also is available in more product types and with greater uniformity than Japanese pork. Imports make up for inadequate domestic production of pork loin and tenderloin, which is a major reason why imports have grown. Because of health concerns, frozen pork imports have risen dramatically in recent years. 2002 saw 205,591 tons of fresh and chilled pork imports (up 2.5%), compared to 571,776 tons of frozen pork imports (up 12.6%). Thus, the total of frozen pork imports is about 180% higher than fresh and chilled pork imports.

Fig. 1 Japan's fresh and frozen meat Imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Beef	666,369	305,699	677,372	278,572	719,354	279,236	674,938	279,055	486,741	189,613
Fresh or chilled	316,934	196,680	334,057	183,625	356,019	180,039	331,246	179,801	234,383	123,971
Frozen	349,434	109,018	343,315	94,947	363,335	99,197	343,692	99,254	252,357	65,643
Pork	504,835	286,576	599,907	325,593	650,831	347,256	708,444	411,084	777,357	469,498
Fresh or chilled	144,548	87,120	171,954	94,409	191,383	104,178	200,517	121,728	205,591	127,212
Frozen	360,287	199,456	427,953	231,184	459,448	243,079	507,927	289,356	571,766	342,286
Chicken	498,505	118,746	553,167	107,434	569,969	90,577	524,058	100,961	525,255	110,964
Fresh or chilled	14,044	3,908	16,173	3,792	18,000	3,567	19,049	4,396	3,624	923
Frozen	484,461	114,838	536,994	103,642	551,969	87,011	505,009	96,565	521,630	110,041
Mutton & Lamb	35,050	11,352	29,878	8,682	26,981	7,313	26,700	8,650	24,857	10,353
Fresh or chilled	2,025	1,888	2,724	2,012	2,883	1,872	3,121	2,162	3,201	2,477
Frozen	33,025	9,463	27,153	6,670	24,098	5,441	23,579	6,488	21,656	7,876
TOTAL	1,704,759	722,372	1,860,324	720,281	1,967,135	724,383	1,934,140	799,751	1,814,209	780,428

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Chicken>

Chicken imports had set an all-time record of 569,969 tons in 2000. However, in 2001 China (the leading exporter of chicken to Japan) was afflicted by an outbreak of poultry pest that led Japan to halt imports for two months. Chicken imports had been expected to recover, but a partial import halt on chicken imports from China and the United States (due to chicken influenza) held imports down to just a 0.2% increase, to 525,255 tons. Nearly all imports are frozen, and the main type of chicken meat imported is thigh meat.

<Mutton & lamb>

Mutton imports totaled around 60,000 tons until 1992, but since then imports have been in a lengthy decline, dropping to just 24,857 tons (down 6.9% from the year before) in 2002. Most imported mutton is used to make combination sausage and pressed ham, but demand for these products has been falling in recent years. For its part, lamb has a certain following as a table meat, but on volume terms imports are still very small.

(2) Imports by Place of Origin

<Beef>

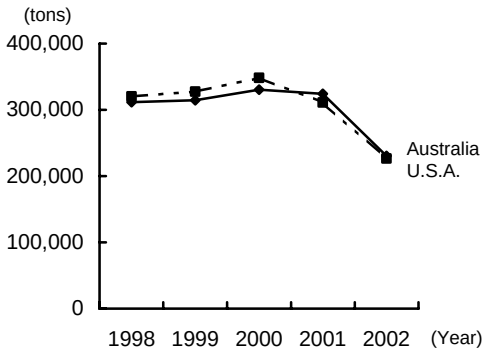
The imported beef market is virtually monopolized by the United States and Australia, which together account for close to 95% of all Japan's imports. Australia held a large lead until the early 1990s, but in recent years American freezing technology has caught up with Australia, and American producers have taken advantage of their ability to supply special cuts of grain-fed beef, an item in high demand in Japan. As a result, the United States and Australia remained locked in a tight contest in the imported beef market.

For a time after the BSE outbreak, exporter nations extolled the safety of their beef. However, overall beef consumption fell after the incidents of false place-of-origin labeling. For 2002 Australia saw its exports sink by 28.9% to 230,499 tons (47.4% share), while the United States saw its exports drop by 27.2% to 226,518 tons (46.5%), both of which represent sizable declines.

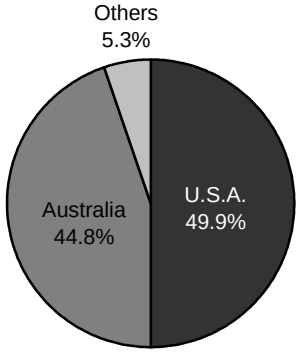
Because of the BSE outbreak, EU beef imports were halted for the entire year. Although the EU accounted for only a small portion of Japan's beef imports quantitatively, it still represented a negative psychological factor for the market.

Fig. 2 Principal exporters of beef to Japan

Trends in import volume by leading exporters



Shares of beef imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Australia	311,734	314,682	330,412	324,125	113,544	230,499	47.4%	84,965	44.8%
U.S.A.	320,171	327,583	348,309	311,060	151,104	226,518	46.5%	94,551	49.9%
Canada	13,654	17,391	18,797	22,642	8,501	19,052	3.9%	5,832	3.1%
New Zealand	19,046	15,322	13,803	16,497	5,728	10,307	2.1%	4,141	2.2%
Vanuatu	680	744	805	540	146	309	0.1%	90	0.0%
Others	1,085	1,650	7,230	75	32	57	0.0%	35	0.0%
TOTAL	666,369	677,372	719,354	674,938	279,055	486,741	100.0%	189,613	100.0%
(E U)	90	77	133	0	0	0	0.0%	0	0.0%

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Pork>

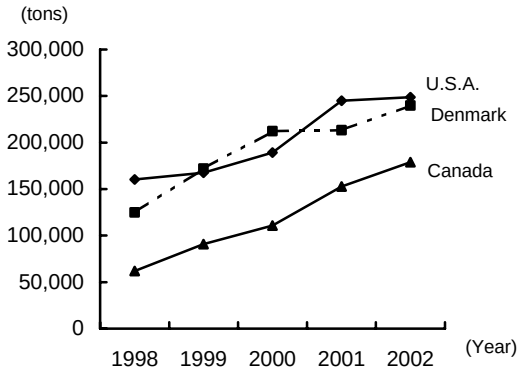
The main suppliers are U.S.A. (32.0%), Denmark (30.9%), and Canada (23.0%). These three countries provide Japan with 86% of pork imports in 2002 The demand for pork as a substitute for beef that began in the second half of 2001 enabled the United States, which had seen its exports rise dramatically the year before, to hold onto the top spot with roughly the same level of pork exports to Japan (248,867 tons, up 1.6%). For its part, Denmark's pork exports climbed a sizable 12.4% (239,884 tons) in 2002 after having been subject to a temporary import halt in 2001 because of foot-and-mouth disease. This result put Denmark close behind the United States.

Canada has also experienced two straight years of double-digit growth in pork exports to Japan. Danish pork is highly regarded in the processed food industry because it has consistently high quality and is easy to process. Leading trading companies have been expanding imports of Canadian imports as a way of diversifying risk from food processing material suppliers.

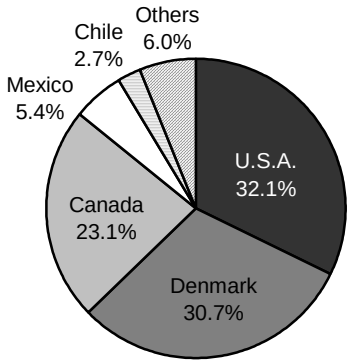
Japanese people tend to prefer pork loin, whereas in other countries there is stronger demand for fatty portion of pork used to make bacon. Consequently, all the leading exporters are working hard to promote exports to Japan.

Fig. 3 Principal exporters of pork to Japan

Trends in import volume by leading exporters



Shares of pork imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	160,214	167,714	189,083	244,846	144,707	248,867	32.0%	150,842	32.1%
Denmark	124,732	171,876	212,163	213,457	121,711	239,884	30.9%	143,994	30.7%
Canada	61,759	90,868	110,926	152,811	88,737	178,892	23.0%	108,422	23.1%
Mexico	30,604	36,789	39,794	42,201	24,837	40,633	5.2%	25,409	5.4%
Chile	5,019	4,709	8,359	10,116	5,639	21,586	2.8%	12,487	2.7%
Others	122,507	127,951	90,506	45,014	25,453	47,494	6.1%	28,343	6.0%
TOTAL	504,835	599,907	650,831	708,444	411,084	777,357	100.0%	469,498	100.0%
(E U)	150,919	214,048	274,123	236,419	134,296	257,331	33.1%	154,215	32.8%

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Chicken>

In the past, chicken thighs with the bone attached from the United States were most common, but in recent years there has been a shift to China and Thailand as a supplier. Imports from China were down markedly in 2002 for the second straight year, as a result of poultry pests. China saw its chicken exports slide in 2002 to only about half of its level of two years before, at 119,058 tons (22.7% share, 3rd place ranking). Import halts were also imposed on American chicken imports from Virginia beginning in March and from New York beginning in August, because of chicken influenza. For the year as a whole, the United States exported 49,646 tons of chicken to Japan (down 34.7%, 9.5% share, 4th place ranking).

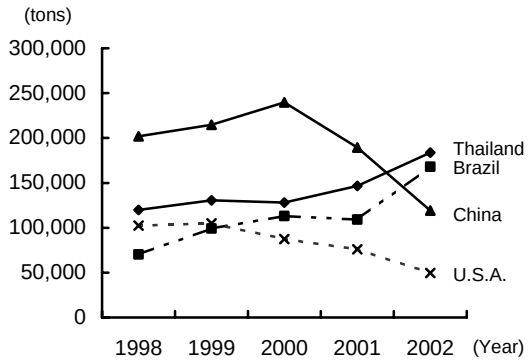
Taking up the slack for these declines in 2002 were Thailand and Brazil, both of which saw their chicken exports soar. Thailand exported 183,752 tons (up 25.3%), while Brazil exported 168,159 tons (up 54.0%). These results boosted Thailand and Brazil into first and second place in the rankings, respectively. (see Fig. 4)

<Mutton & lamb>

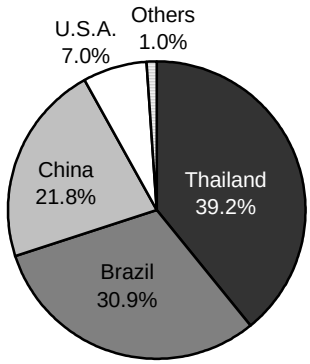
The first placed Australia (62.1%) and second placed New Zealand (37.4%) together provide substantially 100% of Japan's mutton imports.

Fig. 4 Principal exporters of chicken to Japan

Trends in import volume by leading exporters



Shares of chicken imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Thailand	119,862	130,643	127,987	146,669	30,957	183,752	35.0%	43,506	39.2%
Brazil	70,249	99,220	112,935	109,216	19,110	168,159	32.0%	34,312	30.9%
China	201,801	214,853	239,803	189,555	38,553	119,058	22.7%	24,192	21.8%
U.S.A.	102,272	104,744	87,324	75,990	11,671	49,646	9.5%	7,820	7.0%
Indonesia	1,699	2,223	521	1,444	370	2,443	0.5%	642	0.6%
Others	2,624	1,484	1,400	1,184	300	2,197	0.4%	492	0.4%
TOTAL	498,505	553,167	569,969	524,058	100,961	525,255	100.0%	110,964	100.0%
(E U)	1,988	795	479	492	137	589	0.1%	161	0.1%

Units: tons, ¥ million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

<Beef>

The growth in demand caused by the liberalization of imports and progressively lowered tariff rates, and the fall in relative prices resulting from the appreciation of the yen and the efforts made by related domestic industries (general trading companies, food processors, distributors, and restaurant industry) to improve quality by producing beef meeting Japanese tastes overseas.

By FY 2000 imported beef had achieved a 67.9% share of the market. Beef consumption plummeted after the BSE outbreak, which pushed down totals for both domestic and imported beef in FY 2001. But, imports' market share slipped only slightly, to 66.6%.

<Pork>

Pork production in Japan has been falling in recent years due to the drop in the number of swine being raised caused by the decline in the number of pig farms. Domestic demand is stable, therefore imports are increasing to make up for the decline in domestic production.

Pork is subject to differential tariff system (see 5. Taxes), under which a reference import price is set. However, demand is very strong for imported pork in certain standard cuts (mainly pork loin). Imports of pork made up a 46.2% share of total pork market in FY 2001.

<Chicken>

Poultry production in Japan has been falling as a general trend due to the decline in the number of poultry farms, etc.. The imports' share has therefore been rising, and reached to 37.5% in FY 2001.

Fig. 5 Imports' share in the Japanese market

	FY	1997	1998	1999	2000	2001
Beef	Domestic production	529	531	545	520	470
	Imports	941	974	975	1,055	868
	Exports	0	0	1	0	1
	Stock fluctuation	△2	3	12	22	33
	Domestic supply total	1,472	1,502	1,507	1,553	1,304
	Imports' share	63.9%	64.8%	64.7%	67.9%	66.6%
Pork	Domestic production	1,288	1,292	1,276	1,255	1232
	Imports	754	794	953	952	1034
	Stock fluctuation	△10	△45	49	20	28
	Domestic supply total	2,082	2,131	2,180	2,187	2237
	Imports' share	36.2%	37.3%	43.7%	43.5%	46.2%
Chicken	Domestic production	1,234	1,212	1,211	1,195	1,196
	Imports	568	591	650	686	702
	Exports	3	3	4	3	3
	Stock fluctuation	△25	0	6	13	21
	Domestic production	1,822	1,800	1,851	1,865	1,874
	Imports' share	31.2%	32.8%	35.1%	36.8%	37.5%
Other meat	Domestic production	8	8	7	7	6
	Imports	81	72	71	62	60
	Stock fluctuation	0	△3	△3	△4	1
	Domestic supply total	89	83	81	73	65
	Imports' share	91.0%	86.7%	87.7%	84.9%	92.3%

Unit : 1,000 tons *Source: Food Supply and Demand*
Note 1: FY=fiscal year (April – March). Other meats include meats of horse, sheep, goat and rabbit.
Note 2: converted to carcasses amount

3. Key Considerations related to Importing

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

Importation of meat is subject to provisions of the Domestic Animal Infectious Diseases Control Law and the Food Sanitation Law.

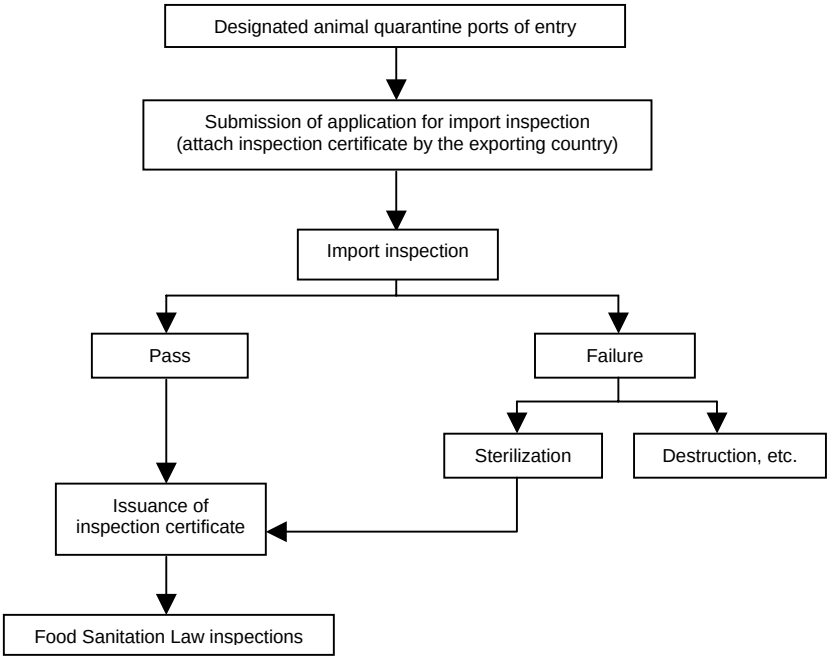
1) Domestic Animal Infectious Diseases Control Law

In order to prevent infectious diseases of livestock from being brought into the country, meat of hoofed animals (designated quarantine goods) is subject to inspections mandated by the Domestic Animal Infectious Diseases Control Law. An "Inspection Certificate" issued by the competent government agency of the exporting country to the Animal Quarantine Service of Japan must accompany imports of meat products.

The importer must submit an application for import quarantine inspection along with an Inspection Certificates issued by the competent government agency of the exporting country to Animal Quarantine Service at the port of entry. Note that animal inspections can only be performed at ports of entry with facilities to carry out required processes. If the meat passes inspection, an import quarantine certificate is issued. If the meat fails inspection, an order will be issued to destruct, bury, or return to the shipper, depending on the product and the nature of the violation.

Fig. 6 illustrates procedures required under the Domestic Animal Infectious Diseases Control Law. Applicants may utilize the Animal Quarantine Inspection Procedure Automated System (ANIPAS), and may request simultaneous handling with the food sanitation inspection.

Fig. 6 Procedures under the Domestic Animal Infectious Diseases Control Law



In order to prevent the spread of infectious disease such as BSE, hoof-and-mouth disease, and cattle plague, the Law designates the import-prohibited goods and areas based on information on animal epidemiological situation from around the world. For import-prohibited areas and import-prohibited items, refer to Fig. 7. Note that the import-prohibited areas are frequently changed, so check with the appropriate Animal Quarantine Station.

Fig. 7 Import-prohibited areas under the Domestic Animal Infectious Disease Control Law

<As of July 16 2002>

Areas	Meat and viscera of cloven-hoofed animals (cattle, pigs, sheep, etc.)	Meat and viscera of horse, chickens, ducks, turkeys, quail, geese, rabbit, dog, etc.
Finland, Sweden, Norway, Hungary, Germany, Denmark, Italy (except Sardinia island), Netherlands, Belgium, France, Austria, Spain, Ireland, Iceland, Canada, U.S.A (including Hawaii, Guam)., Mexico, Belize, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, The Dominican Republic, Chile, Northern Mariana (including Saipan), New Zealand, Vanuats, New Caledonia, and Australia (31 areas)	Import permissible with the inspection certificate issued by government agency of exporting country	Import permissible with the inspection certificate issued by government agency of exporting country
Singapore, Poland, Romania, Slovenia, Croatia, Bosnia Herzegovina, Switzerland (7 areas)	Import not permissible except: those products heat-processed under the standards set forth by the Minister of Agriculture, Forestry and Fisheries. (Heat-processing facilities designated by appropriate government agency of the exporting country are acceptable.)	
Areas other than those mentioned above	Import not permissible except: those products heat-processed under the standards set forth by the Minister of Agriculture, Forestry and Fisheries. (Heat-processing facilities directly designated by the Japanese Minister are only acceptable.)	

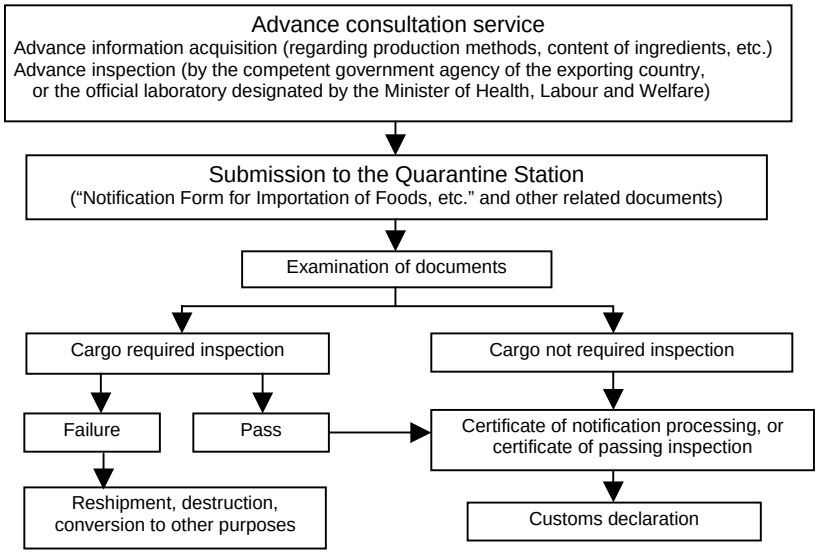
Even products listed above as importation allowed may be subject to temporary import suspensions, if a disease outbreak occurs locally. For more complete and current information, please check with the Animal Quarantine Service.

2) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for meat products 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.

The Food Sanitation Law specifies standards of composition for all meat products and preservation standards (storage temperature control and container-package material). The meat products that do not comply with the meat standards may not be imported.

Fig. 8 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.

The Food Automated Import Notification and Inspection Network System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour and Welfare, and verify their passwords. The contents of Inspection Certificate from the government agency of the exporting country can be transmitted to the FAINS.

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

The sale of meat is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling meat sealed in wrapping or containers, it must be labeled in accordance with provisions of the Food Sanitation Law (see 4. Labeling). Further, any party desiring to sell meat must apply for and obtain a business license. This is not necessary, however, when selling meat in its original imported form without cutting or processing it further. For more details on applications for licenses for selling meat, required facilities, etc., please contact the health center with jurisdiction over the intended sales area.

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. Meat is subject to labeling requirements under provisions of the Fresh Food Product Quality Labeling Standards. (see 4. Labeling)

3) Measurement Law

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

4) Act Against Unjustifiable Premiums and Misleading Representations

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

<Fair Competition Code Concerning Representations of Meat>

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)

(3) Competent Agencies

- Fresh and frozen meat in general

  Meat and Egg Division, Livestock Industry Department, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries

  TEL: 03-3502-8111 http://www.maff.go.jp

- Importing fresh and frozen meat in general

  Trade Control Policy Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry

  Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry

  TEL: 03-3501-1511 http://www.meti.go.jp

- Domestic Animal Infectious Diseases Control Law

  Animal Health Division, Livestock Industry Department, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries

  TEL: 03-3502-8111 http://www. maff.go.jp

  Planning and Coordination Division, Department of the Planning and Coordination, Animal Quarantine Service, Ministry of Agriculture, Forestry and Fisheries

  TEL: 045-751-5921 http://www.maff.qas.go.jp

  Animal-Products Inspection Division, Department of the Quarantine, Animal Quarantine Service, Ministry of Agriculture, Forestry and Fisheries

  TEL: 045-201-9478 http://www.maff.qas.go.jp

- 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

- 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

- Act Against Unjustifiable Premiums and Misleading Representations

  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan

  TEL: 03-3581-5471 http://www.jftc.go.jp

- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law

  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry

  TEL: 03-3501-1511 http://www.meti.go.jp

  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment

  TEL: 03-3581-3351 http://www.env.go.jp

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

  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling meat sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law.

(Note) Labeling for meat butchered in Japan from an animal imported live is defined as imported if the animal is butchered within 3 months of the date of importation for beef, 2 months for of pork and 1 month for other livestock. After those intervals elapse, the meat is defined as domestic.

<Labeling items to be listed all together>

1) Name of product and portion
2) Content volume
3) Use-by date, or best-before date
4) Preservation method
5) Indication of table meat (if applied)
6) Country of origin
7) Name and address of importer (name and address of processor when cut or otherwise processed)
8) Name of butchery and meat processing place (when sold it for table meat)

<Labeling of Law for Promotion of Effective Utilization of Resources>

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging **Individual packaging**

(2) Voluntary Labeling based on Provisions of Law

<Specific JAS Mark>

Native chicken is subject to Specific JAS standards. Those in compliance with the standards may voluntarily display Specific JAS Mark. General JAS standards are intended to assure a certain general level of product quality. On the other hand, Specific JAS standards apply to particular production methods and distinctive raw materials.

Specific JAS Mark

Contact:

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

(3) Voluntary Industry Labeling

<Fair Competition Code Concerning Representations of Meat>

The All Japan Fair Trade Council For sets recommendations for store displays and pre-packaging labeling for the sale of meat under the Fair Competition Code Concerning Representations of Meat established under the Act Against Unjustifiable Premiums and Misleading Representations. Specifically, they call for the inclusion of information on:

1) Type, part, use, etc. of meat
2) Country of origin
3) Fact of being frozen (when frozen)
4) Net weight (in grams)
5) Sales price
6) Price per 100 g
7) Best-before date and preservation method
8) Address of processor
9) Name of processor

Contacts:

• All Japan Fair Trade Council For Meat TEL: 03-5563-2911

5. Taxes

(1) Customs Duties

Tariff rates on meats are shown on Fig. 9 below. Differential Tariff System is applied for pork to protect domestic producers. Under provisions of the Law for Stabilization of Livestock Products, it is decided on standard import prices for the next fiscal year based on domestic market trends and decided on tariff rates.

(Note) The Uruguay Round trade agreement set a tariff rate of 4.3% with reference import prices of ¥409.90/kg (carcasses) and ¥546.53 (parts). However, the agreement provides for tariff increases when imports increase rapidly. Safeguards are automatically triggered when the import volume for any single quarter exceeds the average for the past three years by more than 19%. Safeguards were triggered when imports from the United States and Canada temporarily rose due to the foot-and-mouth disease outbreak in the EU. For the interval from August of 2001 through March of 2002, the minimum import price for sections was raised to ¥681.

Fig. 9 Customs duties on fresh and frozen meat

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0201, 0202	Meat of bovine animals	(50%)	(50%)		38.5%
0203	Meat of swine				
0203.11, 21	(1) Carcasses and half-carcasses				
-020	1) Each kilogram, in value for customs duty not more than the upper limit prices for the specific duty applied on pig carcass		(¥361/kg)		¥361/kg
-030	2) Each kilogram, in value for customs duty not more than the upper limit prices for the specific duty applied on pig carcass, but not more than the gate prices of pig carcass		(¥361/kg)		Per each kilogram the difference between the standard import price of pig carcass
-040	3) Each kilogram, in value for customs duty, more than the gate prices of pig carcass		(4.3%)		4.3%
0203.12, 19, 22, 29	(2) Hams, shoulders and cuts thereof, with bone in:				
-023	1) Each kilogram, in value for customs duty not more than the upper limit prices for the specific duty applied on partial pig		(¥482/kg)		(¥482/kg)
-021	2) Each kilogram, in value for customs duty not more than the upper limit prices for the specific duty applied on partial pig, but not more than the gate prices of partial pig		(¥482/kg)		Per each kilogram the difference between the standard import price of partial pig
-022	3) Each kilogram, in value for customs duty, more than the gate prices of partial pig		(4.3%)		4.3%
0204	Meat of sheep or goats	Free	(Free)		
0207	Of fowls of the species *Gallus domesticus*:				
0207.11, 12	(1) Not cut in pieces of fowls of the species *Gallus domesticus*	14%	11.9%		
0207.13	(2) Cuts and offal of fowls of the species *Gallus domesticus*, fresh				
-100	1) Legs with bone in fowls of the species *Gallus domesticus*	20%	8.5%		
-200	2) Others of fowls of the species *Gallus domesticus*	12%	11.9%		
0207.14	(4) Cuts and offal of fowls of the species *Gallus domesticus* frozen				
-100	1) Livers of fowls of the species *Gallus domesticus*	10%	3%		
	2) Others of fowls of the species *Gallus domesticus*				
-210	(a) Legs with bone in fowls of the species *Gallus domesticus*	20%	8.5%		
-220	(b) Others of fowls of the species *Gallus domesticus*	12%	11.9%		

*Note 1: * depends on value for customs duty.*
Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.
Note 3: Differential tariff system
They vary based on value for customs duty. Products equal to or less than a specified price are subject to a duty of the difference between the standard import price of a skinned carcass multiplied by 1.5 and the value for customs duty multiplied of 0.6. Products equal to or more than the specified price are subject to a duty of 8.5%.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

<Beef>

Almost all beef produced in Oceania is from grass-fed cattle. Since the cattle have a lot of exercise and feed on grass, the meat is dark in color, the fat is yellowish, and the consistency hard. In contrast, North American beef is almost all from grain-fed cattle (fed grain for about 150 to 180 days before slaughter). The meat is fresh red in color and soft in consistency. Much of it is extremely well suited for *sukiyak*i, *shabushabu*, and other Japanese dishes. Related Japanese industries (trading companies, food processors, restaurant industry, etc.) in many cases have established local production projects overseas so as to produce qualities of beef better suited to the Japanese market.

Since Australia grows grain-fed beef cattle especially for export to Japan, exporters have to export a full set of cuts of meat to Japan. In contrast, American producers are able to go through meat packers and supply only the cuts of meat needed in the quantity needed.

<Pork>

In the past, frozen imported pork was mainly used as a material for making processed meat products such as ham and sausages, but recent imports of fresh and chilled pork have been rising as well. Since pork is being imported maintaining its original flavor and other aspects of quality, use as table meat is rising. The Japanese tend to consume certain portions of meat such as lean and fatty portions and offal. Reflecting this, importers often select only those portions enjoying heavy demand.

Because of its consistently high quality and ease of processing, an especially large proportion of Danish pork is used for making ham and bacon. Industry sources say that about 80% of Japanese bacon is made from Danish pork. Not only is the price lower than domestic products, but the clearly delineated triple layers of meat and fat make it easy to fashion into bacon that accords with Japanese consumers' mental image. People in the industry also say that it is difficult to procure Japanese pork of equal quality.

<Chicken>

Domestically produced chicken is distributed chilled, while almost all imported chicken is distributed frozen. The majority of bone-in thighs are imported from the United States. This is due in part to the shift in consumption in the United States from beef to chicken as a result of the health boom and the American preference for breast meat with its little fat content and dislike for fatty meat. On the other hand, the chicken from Thailand and China is mainly processed for use for *yakitori-skewered* chicken due to the low production costs in those countries.

<Mutton & lamb>

Mutton includes lamb from young sheep of less than one year's age and mutton proper from sheep of over one year's age. It is graded by the standards of the exporting country according to the number of permanent incisors, the weight of the sides, the thickness of the fat, etc. Mutton is dark in color and is harder than pork and has a distinctive smell. It is mainly used for making mixed sausages, pressed ham, etc. and for use in Mongolian style barbecues. Lamb is excellent in flavor and soft, so is often consumed as table meat.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Since the liberalization of beef imports in 1991, the domestic meat market has grown in size and changed in various ways. The supply of inexpensive imports has strengthened market competition and resulted in a decline in overall meat prices, including prices of domestic produce. As a result, there have been structural changes in the production stage such as the shutdown of small sized farms with poor competitiveness and the growth of certain select livestock operations. There has been an increase in regional brands such as "so-and-so beef", "so-and-so pork", and "so-and-so chicken" due to competition among producing regions. At the distribution stage, processors and vendors have been merging, group sales companies have been consolidated, shut down, or merged, and facilities expanded so as to reorganize and streamline the processing and distribution industries.

The first case of BSE (mad cow disease) was identified in Japan on September 22, 2001. Transmission route has not yet been identified. In 2002 the controversy over false place-of-origin labeling for beef (which resulted in mixing of imported beef with domestic beef, purchased by the government under a domestic-only program aimed at combating BSE). These incidents have served to heighten consumer suspicion and unease, and beef consumption is plummeting as a result. The impact has also spread to food service establishments and food processors that use beef, such as braziered beef restaurants and hamburger shops, and it has tended to amplify suspicion about beef and all related industries generally.

For a time Pork and chicken imports were both affected by soaring substitute demand and temporary price increases. Then a number of false labeling incidents were uncovered, which heightened a sense of public alarm about meat as a whole.

Another BSE outbreak was confirmed in 2002, but the impact on consumption was limited. Domestic beef recovered comparatively quickly from its catastrophic decline, as a result of information disclosure and the establishment of traceability programs. In contrast, consumers remain vaguely anxious about imported beef, and consumption is still stalled.

Two straight years of safeguards on pork pushed up the price of imported pork and created supply problems for the processed food industry. The 2001 safeguards resulted from replacement demand for beef, and the industry got through the situation because consumers were willing to go on buying despite higher prices. But as beef consumption recover, there is more concern about the impact on pork consumption of higher prices caused by pork import safeguards.

(2) Distribution Channels

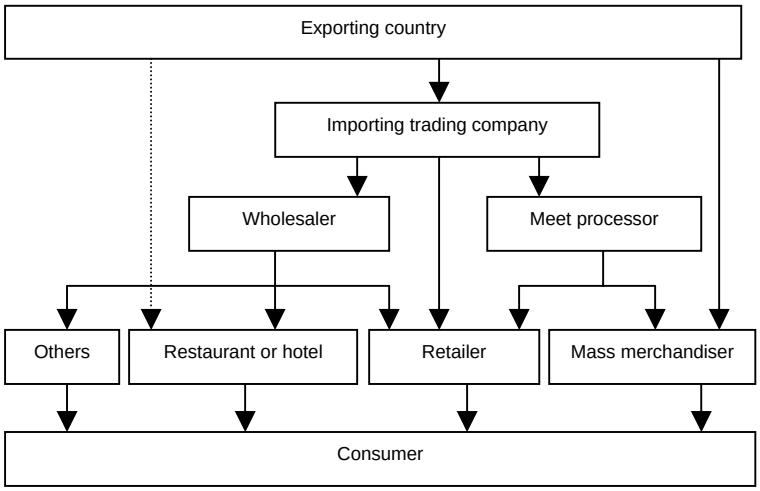
<Beef>

Some 85- 90% of imported beef travels from the importing trading companies to the meat processors and wholesalers. Some is sold from trading companies direct to specialized meat outlets. Supermarkets and other mass merchandisers and the restaurant industry directly import the remaining 10 to 15%.

<Pork>

Just less than 50% of imported pork is used as ingredients for making hams, sausages, etc., so mostly goes from importing trading companies to the processors. Frozen pork, like beef, is sold to mass merchandisers and the restaurant industry as well. About 70% of frozen pork, not including pork for processing use, goes to the restaurant industry and cutlet and other food processors. The remaining 30% or so goes for retail sales at mass merchandisers and specialized retailers.

Fig. 10 Distribution channels for imported beef and pork



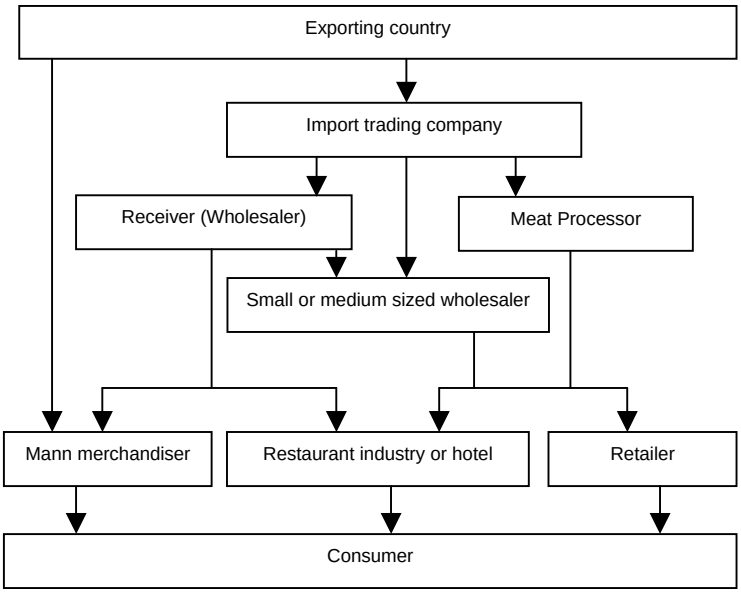
<Chicken>

About 35% of imported chicken is brought into the country by importers for use as raw materials by food processors. For retail sale in mass merchandisers and retail outlets, chicken passes through the hands of importers, wholesalers, and mass merchandisers. It is estimated that approximately 20% of the imported chicken are for this purpose. In recent years, there has been an increase in direct imports by mass merchandiser's etc. The cause of this is believed to be falling prices and increased imports of *yakitori* skewered chicken. The remaining 35% ends up being used by convenience stores, food prepares, the restaurant industry, and other industrial applications. (see Fig. 11)

<Mutton>

Imported mutton is mostly used as ingredients for hams and sausages. The majority travels from the importing trading companies to the processors. Only a small quantity goes for retail sales of mutton for use for Mongolian style barbecues. The distribution channels are substantially the same as those for beef.

Fig. 11 Distribution channels for imported chicken



(3) Key Considerations for entering the Japanese Market

Full care must be taken with regard to regulations on quality. For example, the Domestic Animal Infectious Diseases Control Law restricts regions from which meat may be imported and it is necessary to clear health regulations under the Food Sanitation Law. Further, it is necessary to study the regulations having an impact on price, etc. such as the differential tariff system. In distribution as well, it is important to secure or build a system of physical distribution able to handle fresh food, for example, a system enabling shipment of chilled or frozen food.

8. After-Sales Service

In general, there is no after-sales service required, but either the distributor or vendor is liable for defective products.

9. Related Product Categories

The same procedures and restrictions apply to the import and sale of types of meat and offal not taken up in this section. For processed meat products, see the section on " I-13 Processed Meat" in this guidebook.

10. Direct Imports by Individuals

The Food Sanitation Law is not applied to imports for personal use up to 10 kg. However, such imports are subject to the provisions of the Domestic Animal Infectious Diseases Control Law and require submission to the Animal Quarantine Service of an "Inspection Certificate" issued by a government agency of exporting country and passage of an animal quarantine inspection.

11. Related Organizations

- Agriculture & Livestock Industries Corporation TEL: 03-3582-3381 http://alic.lin.go.jp
- Japan Meat Conference TEL: 03-3293-9201
- Japan Sheep Breeders Association TEL: 03-3831-3195
- Japan Meat Traders Association TEL: 03-3588-1665

13. Processed Meat

1. Definition of Category

Ham, bacon, sausage and corned beef, which prepared pork or beef products.

HS Numbers	Commodity
0210.11-010, -020, 12-010, -020, 19-010, -020 / 1602.41-011, -019, 42-011, -019, 49-210, -220	Ham and bacon
0210.19-020	Fresh ham
1601.00-000	Sausage
1602.50-600	Corned beef

Note: Processed meats in this guidebook cover above items as the forms of processed meat of beef and pork with the strongest consumer demand.

The Food Sanitation Law classifies table meats and processed meats as follows:

Fig. 1 Classification of processed meat

Table meat		Processed Meat			Other processed meat including meat (*3)
Raw meat	Meat (half-processed)	Ham, bacon, and sausage	Corned beef	Other processed meat (*2)	
Meat and internal organs of birds and beasts	Half-processed meat contains raw meat over 50%	1. Ham Roasting meat Pressed chicken Fresh ham(*1) 2. Sausage Smoked Dried 3. Bacon Bacon	Corned beef	Dried meat Hamburg Meat dumpling	Raw shao-mai, etc. Hamburger, etc. Daily household dishes(*4)

**1: Fresh ham is a common name for ready-to-eat uncooked pork. Officially it is known as "Lachs Ham." For more detailed information, please refer to 6. Product Characteristics.*

**2: Hamburger or meatballs with 50% or more meat content.*

**3: Hamburger or meatballs with less than 50% meat content.*

**4: Food items commonly thought of and distributed as "daily household dishes," regardless of actual meat content, including pork cutlets, Japanese soup broth, shao-mai, croquettes and wontons.*

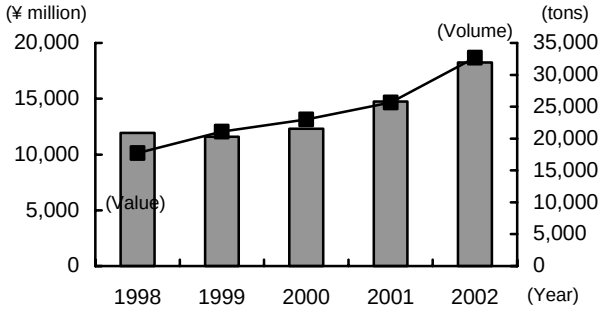
2. Import Trends

(1) Recent Trends in Processed Meat Imports

Total imports of processed meats (total of ham and bacon, sausage, and corned beef) soared by 27.5% in 2002 to 32,704 tons, the first time imports ever topped the 30,000 ton mark. On a value basis imports climbed 23.7% to ¥18.25 billion. Both of these totals represent a third straight all-time record year. Many processed meat products cannot be imported at all due to animal quarantine restrictions, and imports still have only a very small share of the domestic market. However, diversifying consumer demand has enabled imported processed meat products to find a definite niche in the marketplace. For now, BSE (mad cow disease) and hoof-and-mouth disease appear to have had virtually no impact.

The leading processed meat import is sausage. After moving above the 20,000 ton mark for the first time with substantial growth in 2001, sausage imports soared another 30.6% in 2002 to a total of 27,984 tons, representing 85.6% of all processed food import volume. Sausage imports have roughly doubled over the past five years. Ham and bacon also posted healthy growth over the year before, rising from 3,131 tons to 3,848 tons, with even stronger growth on a value basis propelled by higher prices. The only product to fall sharply was corned beef, which tumbled 20.1% to 873 tons, as it was strongly impacted by reduced beef consumption prompted by BSE.

Fig. 2 Japan's processed meat imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ham and bacon	2,177	3,107	2,428	2,852	3,105	3,430	3,131	3,841	3,848	4,809
(Fresh ham)	892	1,593	881	1,341	994	1,438	866	1,399	962	1,693
Sausage	14,830	8,431	17,765	8,327	18,683	8,453	21,421	10,438	27,984	13,075
Corned beef	703	387	910	416	1,190	435	1,092	471	873	365
TOTAL	17,711	11,925	21,103	11,595	22,979	12,318	25,644	14,750	32,704	18,248

Units: tons, ¥ million *Source: Japan Exports and Imports*

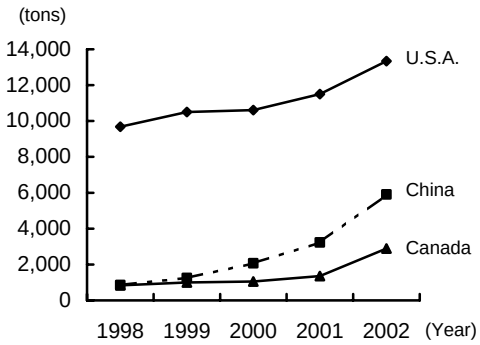
(2) Imports by Place of Origin

<Sausage>

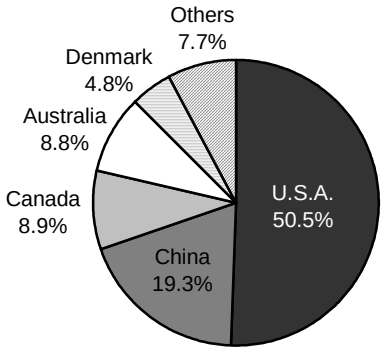
The United States holds the lead in exports of sausage, main variety of imported processed meat, with 13,333 tons (import share 47.6%). Some years ago the United States held almost a 70% share of the imported sausage market. In recent years, however, American sausage exports have grown more slowly than other nations, and the USA's import share has been declining. Imports from Denmark plummeted because of the outbreak of foot-and-mouth disease in 2001, and the slump continued in 2002 with imports of just 1,562 tons (import share 5.6%). Taking Denmark's place have been China (up 82.6% from the year before, with share 21.1%), Canada (up 112.4%, share 10.4%) and Australia (up 17.4%. share 9.6%), with Canada posting especially strong growth in 2002.

Fig. 3 Principal exporters of sausage to Japan

Trends in import volume by leading exporters



Shares of sausage imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	9,678	10,508	10,615	11,505	5,926	13,333	47.6%	6,597	50.5%
China	855	1,244	2,080	3,232	1,449	5,903	21.1%	2,529	19.3%
Canada	837	998	1,060	1,365	576	2,900	10.4%	1,165	8.9%
Australia	279	463	993	2,278	1,043	2,675	9.6%	1,152	8.8%
Denmark	2,402	3,578	2,976	1,479	612	1,562	5.6%	628	4.8%
Others	780	974	959	1,560	831	1,611	5.8%	1,003	7.7%
TOTAL	14,830	17,765	18,683	21,421	10,438	27,984	100.0%	13,075	100.0%
(E U)	2,822	3,984	3,502	1,845	927	1,919	6.9%	1,045	8.0%

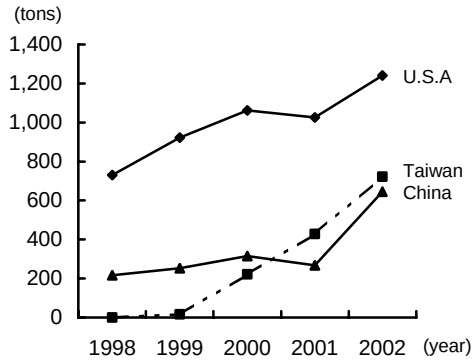
Units :tons, ¥ million *Source: Japan Exports and Imports*

<Ham and bacon>

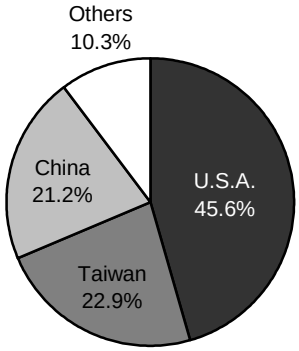
The leading exporter of ham and bacon (not including fresh ham) is the United States (43.0%), followed by Taiwan (25.0%) and China (22.4%). Together these top three exporters command 90% of the import market. As is clear from the following illustration, each of the top three recorded strong growth in 2002, especially China, which soared from 268 tons the year before to 645 tons. Italy's total exports of 858 tons of ham and bacon include only 90 tons of products other than fresh ham.

Fig. 4 Principal exporters of ham and bacon (excluding fresh ham) to Japan

Trends in import volume by leading exporters



Shares of ham and bacon imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	730	923	1,062	1,026	1,128	1,241	43.0%	1,422	45.6%
Taiwan	1	17	222	429	419	722	25.0%	713	22.9%
China	217	254	315	268	296	645	22.4%	660	21.2%
Italy	27	25	66	86	115	90	3.1%	133	4.3%
Thailand	1	0	0	4	5	89	3.1%	77	2.5%
Others	310	329	445	451	479	97	3.4%	110	3.5%
TOTAL	1,285	1,547	2,111	2,264	2,442	2,885	100.0%	3,116	100.0%
(E U)	102	102	235	268	303	110	3.8%	154	4.9%

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Fresh ham>

Italy is the leading exporter of fresh ham to Japan, with 768 tons of exports in 2002 and 79.8% of the import market. The 2002 total represents the highest level since the ban on Italian fresh ham (prosciutto) imports was lifted in 1996. In contrast, despite being the world's largest producer of ham, an outbreak of hog cholera resulted in a halt of all Spanish imports in June of 2001. This ban remained in place throughout 2002, and so there were no imports from Spain at all. Imports from other nations were flat or lower. (see Fig. 5).

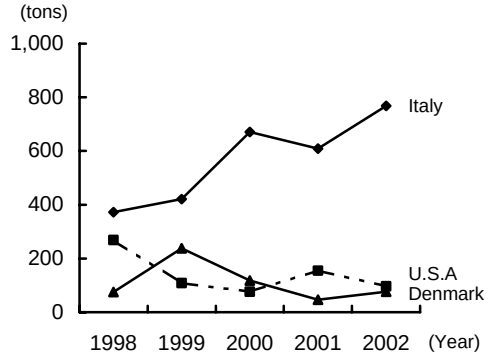
Note: As of February of 2003, the import ban was lifted Spanish fresh ham produced in designated factories and made from animals slaughtered since November 6, 2002. But, because of the lengthy curing period required for fresh ham, no products will be ready for importation in the short term.

<Corned beef>

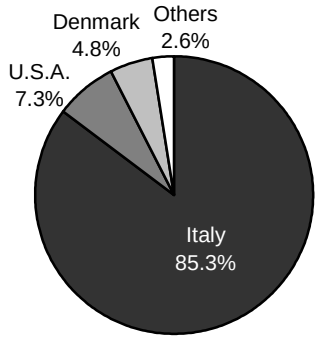
Brazil was the only exporter nation to maintain roughly the same level of corned beef exports to Japan (630 tons). Thailand (91 tons) and China (60 tons) were both down significantly. As a result, Brazil's import share rose to 71.6%.

Fig. 5 Principal exporters of fresh ham to Japan

Trends in import volume by leading exporters



Shares of fresh ham imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Italy	372	421	670	609	1,042	768	79.8%	1,444	85.3%
U.S.A.	269	108	76	154	199	96	10.0%	124	7.3%
Denmark	75	237	117	46	47	77	8.0%	82	4.8%
Belgium	0	0	0	4	7	7	0.8%	13	0.8%
Canada	17	23	22	5	9	7	0.8%	16	1.0%
Others	159	91	108	48	95	7	0.7%	15	0.9%
TOTAL	892	881	994	866	1,399	962	100.0%	1,693	100.0%
(E U)	583	731	877	698	1,171	852	88.6%	1,538	90.8%

Units: tons, ¥ million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

Domestic production of processed meat has continuously declined from 1996 onward. It pushed down to 519,078 tons (down 0.3%) in 2001. Because of the BSE outbreak, processed meats have essentially disappeared from the seasonal (mid-summer, New Year's) gift market in 2001. Thereafter, a succession of incidents of false place-of-origin labeling by leading manufacturers heightened consumer suspicions about unprocessed and processed meats alike, putting them into a desperate situation without precedent in the domestic market. Thus, it is believed that once statistics are available, they will show a further steep decline in domestic production for 2002.

Fig. 6 Domestic production of processed meat

	1997	1998	1999	2000	2001
Hams	121,539	123,607	124,371	124,222	120,174
Pressed hams	7,617	7,218	7,722	6,716	6,656
Chopped hams	23,006	21,697	20,604	19,068	19,454
Bacons	78,305	78,074	76,518	77,768	75,841
Sausages	299,694	297,328	292,841	292,605	296,929
Mixed products, etc.	834	-	88	24	25
TOTAL	530,995	527,924	522,144	520,403	519,078
Yearly change	97.6%	99.4%	91.1%	99.7%	99.7%

Unit :tons *Source: Japan Meat Processors Association*

Although imports account for only a very small portion of the domestic market, it is worthy of note that processed meat imports continue to set new all-time records in this market environment. Looking at the comparable markets for sausage and fresh ham, as of 2001 imports' share of the sausage market had risen to 6.7%. For its part, since fresh ham represented a growing food genre, domestic production had been growing in recent years, and imports' market share was declining. Still, that share stood at 12.6% in 2001, higher than other product categories.

Fig. 7 Imports' share of sausage and fresh ham in the Japanese market (reference)

		1997	1998	1999	2000	2001
Sausage	Domestic production	299,694	297,328	292,841	292,605	296,929
	Imports	12,887	14,830	17,765	18,683	21,421
	Total	309,581	312,158	310,606	311,288	318,350
	Imports' share	4.2%	4.8%	5.7%	6.1%	6.7%
Fresh ham	Domestic production	2,851	4,460	5,175	6,165	6,031
	Imports	643	892	881	994	866
	Total	3,494	5,352	6,056	7,159	6,897
	Imports' share	18.4%	16.7%	14.5%	13.9%	12.6%

Unit :tons *Source: Japan Meat Processors Association, Japan Exports and Imports*

3. Key Considerations related to Importing

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

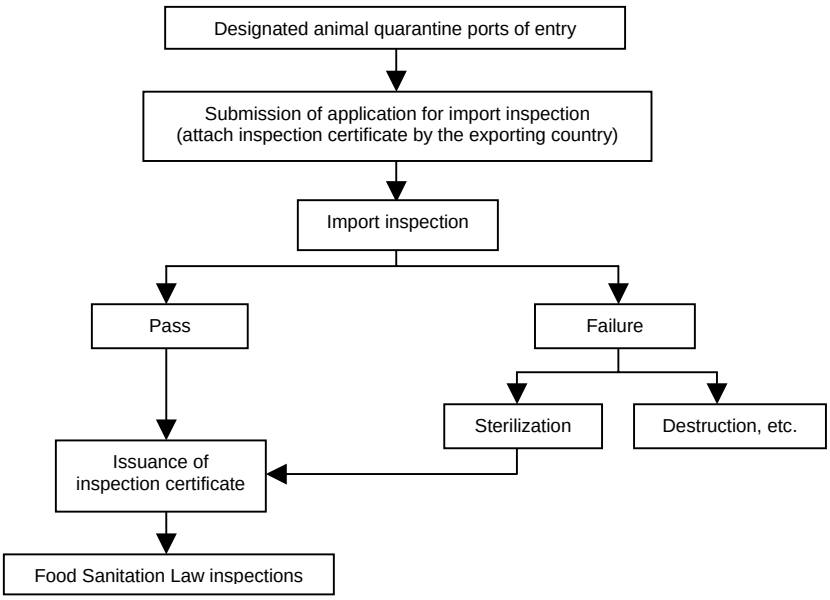
The Domestic Animal Infections Diseases Control Law and the Food Sanitation Law apply to the importation of processed meat products.

1) Domestic Animal Infectious Diseases Control Law

Processed meat products of hoofed animals (cattle, pig, etc.) are subject to inspections mandated by the Domestic Animal Infectious Diseases Control Law. An "Inspection Certificate" issued by the competent government agency of the exporting country to the Animal Quarantine Service of Japan must accompany imports of ham, bacon, sausage and corned beef.

The importer must submit an application for import quarantine inspection along with an "Inspection Certificate" issued by the competent government agency of the exporting country to Animal Quarantine Service at the port of entry. Note that animal inspections can only be performed at ports of entry with facilities to carry out required processes. If the meat product passes inspection, an import quarantine certificate is issued. If the meat product fails inspection, an order will be issued to destruct, bury, or return to the shipper, depending on the product and the nature of the violation. Applicants may utilize the Animal Quarantine Inspection Procedure Automated System (ANIPAS) and request simultaneous handling with the food sanitation inspection.

Fig. 8 Procedures under the Domestic Animal Infectious Diseases Control Law



In order to prevent the spread of infectious disease such as BSE, hoof-and-mouth disease, and cattle plague the Law designates the import-prohibited goods and areas based on information on animal epidemiological situation from around the world. For import-prohibited areas and import-prohibited items, refer to Fig. 9. Note that the import-prohibited areas are frequently changed, so check with the appropriate Animal Quarantine Service.

Fig. 8 Import-prohibited areas under the Domestic Animal Infectious Disease Control Law

As of July 16, 2002

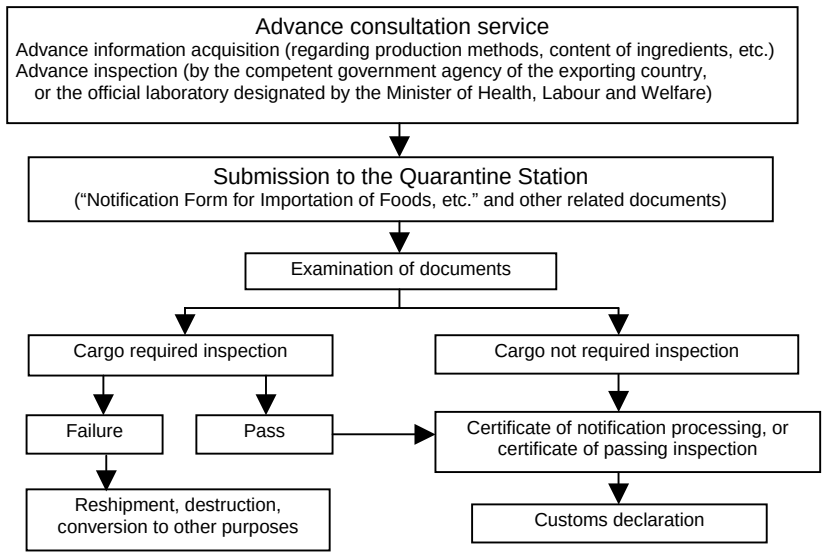
Areas	Processed meat products of cloven-hoofed animals such as cattle, pigs, sheep, etc. (ham, sausage, bacon)	Meat, viscera and processed meat products of horse, chickens, ducks, turkeys, quail, geese, rabbit, dog, etc.
Finland, Sweden, Norway, Hungary, Germany, Denmark, Italy (except Sardinia island), Netherlands, Belgium, France, Austria, Spain, Ireland, Iceland, Canada, U.S.A (including Hawaii, Guam)., Mexico, Belize, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, The Dominican Republic, Chile, Northern Mariana (including Saipan), New Zealand, Vanuats, New Caledonia, and Australia (31 areas)	Import permissible with the inspection certificate issued by government agency of exporting country	Import permissible with the inspection certificate issued by government agency of exporting country
Singapore, Poland, Romania, Slovenia, Croatia, Bosnia Herzegovina, Switzerland (7 areas)	Import not permissible except: those products heat-processed under the standards set forth by the Minister of Agriculture, Forestry and Fisheries. (Heat-processing facilities designated by appropriate government agency of the exporting country are acceptable.)	
Areas other than those mentioned above	Import not permissible except: those products heat-processed under the standards set forth by the Minister of Agriculture, Forestry and Fisheries. (Heat-processing facilities directly designated by the Japanese Minister are only acceptable.)	

Even products listed above as importation allowed may be subject to temporary import suspensions, if a disease outbreak occurs locally. For more complete and current information, please check with the Animal Quarantine Service.

2) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for processed meat products being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Fig. 9 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.

The Food Automated Import Notification and Inspection Network System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour and Welfare, and verify their passwords. The contents of Inspection Certificate from the government agency of the exporting country can be transmitted to the FAINS.

The Food Sanitation Law specifies a general standard of composition for all meat products of no more than 0.070 gram per kilogram of nitrous acid ions. In addition, the following specifications and standards apply to particular product categories. If the product is in compliance, it will be allowed into Japan.

Fig. 11 Classification and specifications and standards of processed meat

Classification	Definition	Specification and standards
Dried meat products (example: beef jerky, salami sausage)	Meat products that have been dried.	At smoking or drying time, the water activities must be reduced to less than 0.87 while maintaining the meat products at the standard temperature.
Non-heat-treated meat products (example: country ham, sausage)	Meat products of which meat is smoked or dried after having been salted, but not subject to heat sterilization by heating the center portion at 63 degrees Celsius for 30 minutes or by an equivalent or more effective method.	Separate specifications have been defined for composition (E. coil, *Staphylococcus aureus*, Salmonella *ssp*.), raw material meat storage methods, pH, salt pickling methods, water activation, and smoking or drying methods.
Specified heat-treated meat products (example: roast beef)	Meat products subjected to heat sterilization using a method other than heating the center portion to 63 degrees Celsius for 30 minutes or by an equivalent or more effective method.	Separate specifications have been defined for composition (E. coil, *Staphylococcus aureus*, *Clostridium ssp*., Salmonella *ssp*.), raw material meat preservation temperature, pH, salt pickling methods, heat sterilization methods and temperature water activation.
Heat-treated meat products (example: boneless ham, pressed ham, bacon)	Meat products subjected to heat sterilization by heating the center portion to 63 degrees Celsius for 30 minutes or by an equivalent or more effective method.	Specifications of composition differ for boneless ham, which is heat-sterilized after packed in container-packages, and for bacon, which is packed in container-packages after being heat sterilized. In addition, manufacturing standards have been defined for raw material meat, water used, heat sterilization methods and temperature, and usage methods for flavorings.

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

The sale of processed meat products is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling processed meat sealed in wrapping or containers, it must be labeled in accordance with provisions of the Food Sanitation Law. In addition, processed foods and food additives containing allergens are required or recommended to state in the labeling to the effect that they contain allergenic foods. (see 4. Labeling)

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. Processed meat products are subject to labeling requirements under provisions of the Processed Food Product Quality Labeling Standards. Further, the quality labeling standards on pressed ham, mixed sausages, and bacon define individual labeling items according to the product characteristics. (see 4. Labeling)

3) Measurement Law

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

4) Act Against Unjustifiable Premiums and Misleading Representations

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

<Fair Competition Code Concerning Representations of Hams and Sausages>

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)

5) Health Promotion Law (former Nutrition Improvement Law)

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

(3) Competent Agencies

- Processed meat in general

  Meat and Egg Division, Livestock Industry Department, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries

  TEL: 03-3502-8111 http://www.maff.go.jp

- Importing processed meat in general

  Trade Control Policy Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry

  Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry

  TEL: 03-3501-1511 http://www.meti.go.jp

- Domestic Animal Infectious Diseases Control Law

  Animal Health Division, Livestock Industry Department, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries

  TEL: 03-3502-8111 http://www. maff.go.jp

  Planning and Coordination Division, Department of the Planning and Coordination, Animal Quarantine Service, Ministry of Agriculture, Forestry and Fisheries

  TEL: 045-751-5921 http://www.maff.qas.go.jp

  Animal-Products Inspection Division, Department of the Quarantine, Animal Quarantine Service, Ministry of Agriculture, Forestry and Fisheries

  TEL: 045-201-9478 http://www.maff.qas.go.jp

- 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

- Measurement Law

  Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry

  TEL: 03-3501-1511 http://www.meti.go.jp

- Health Promotion Law (former Nutrition Improvement Law)

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

  TEL: 03-5253-1111 http://www.mhlw.go.jp

- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling processed meat sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law. Required label items need to be confirmed separately for products subject to the Ham Quality Labeling Standards, the Pressed Ham Quality Labeling Standards, the Mixed Pressed Ham Quality Labeling Standards, the Sausage Quality Labeling Standards, the Mixed Sausage Quality Labeling Standards, or the Canned and Bottled Livestock Product Quality Labeling Standards.

<Labeling items to be listed all together>

1) Product name (must indicate dried, no-heat-treated, specified heat-treated, or heat-treated meat product)
2) List of ingredients (in order by percentage for each ingredient of total contents. All additives must also be listed)
3) Food additives
4) Net content
5) Use-by date, or best-before date
6) Preservation method
7) Country of origin
8) Importer's name and address

<Labeling of Foods Containing Allergens>

The Food Sanitation Law mandates or recommends ingredient labeling for 24 items that contain allergens. Processed foods containing the food items listed in the following table, and processed foods containing additives derived from these food items are either required or advised to bear labeling to the effect that they contain allergenic foods.

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

<Labeling of Law for Promotion of Effective Utilization of Resources>

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging **Individual packaging**

(2) Voluntary Labeling based on Provisions of Law

1) JAS Law

<JAS Mark>

JAS Mark

Under the JAS Law, ham, sausage and bacon are subject to JAS standards. 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 display the JAS mark in order to be sold.

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

<Specific JAS Mark>

Specific JAS Mark

Aged ham, sausage and bacon are subject to Specific JAS standards. Those in compliance with the standards may voluntarily display Specific JAS Mark. General JAS standards are intended to assure a certain general level of product quality. On the other hand, Specific JAS standards apply to particular production methods and distinctive raw materials.

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

2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

<Fair Competition Code Concerning Representations of Hams and Sausages>

The Hams and Sausages Fair Trade Council sets recommendations for labeling under its “Fair Competition Code Concerning Representations of Hams and Sausages” established under the Act against Unjustifiable Premiums and Misleading Representations. Only members, however, are obliged to label their products based on these rules.

Contacts:

- Hams and Sausages Fair Trade Council TEL: 03-3444-1211

5. Taxes

(1) Customs Duties

Tariff rates on processed meats are shown on Fig. 12 on the following page. Differential Tariff System is applied for ham, sausage, bacon and prepared 100% pork products as those on pork to protect domestic producers. Within this system, at the end of March each year, under the Law for Stabilization of Livestock Products it is decided on standard import prices for the next fiscal year based on domestic market trends and decided on tariff rates. Tariff rates on processed meat products began to be lowered from April 1, 1995 under the Uruguay Round agreements (except for beef jerky and some other products).

(2) Consumption Tax

(CIF + Customs duty) x 5%

Fig. 12 Customs duties on processed meat

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0210.11~19	Hams, shoulders and cuts thereof, with bone in:	(10%)	(¥1,035 /kg)		Differential (Note 3)
-20	* Each kilogram, in value for customs duty, not more than the gate prices for the specific duty applied on processed meat of swine		(8.5%)		8.5%
1601.00.000	Sausage and related products, and prepared food items based on these products	10%	(10%)		
1602.41~49	Bacon, ham and pressed and formed ham	(10%)	(¥1,035 /kg)		Differential (Note 3)
.41,.42-019	* Each kilogram, in value for customs duty, not more than the gate prices for the specific duty applied on processed meat of swine		(8.5%)		8.5%
.49-220					
.41,.42-090	Other products of meat	25%	20%		
.49-290					
1602.50-600	Corned beef	25%	21.3%		

*Note 1: * depends on value for customs duty.*

Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

Note 3: Differential tariff system

Customs duties on ham, bacon and prepared 100% pork products are the same as those on pork: they vary based on value for customs duty. Products equal to or less than a specified price are subject to a duty of the difference between the standard import price of a skinned carcass multiplied by 1.5 and the value for customs duty multiplied of 0.6. Products equal to or more than the specified price are subject to a duty of 8.5%.

6. Product Characteristics

(1) Comparison with Japanese Products

Japan has a lengthy tradition of making processed fish products, so Japan has adapted pre-existing food processing techniques to ham, sausage and other products from European culinary cultures. At first glance Japanese processed meats appear no different from their imported counterparts, but there are fundamental differences between European long-term preservation techniques and traditional Japanese techniques. Specifically, Japanese products tend to have higher water content but less salt than imports, which means that they do not keep as well in storage. Recently some Japanese manufacturers have been adopting more European-style processing methods, but products based on these methods are not yet widely popular. Imported processed meats have a reputation for being spicy and smoky-flavored.

Fresh ham is non-heat-treated pork roast. It is officially referred to within the industry as "lachs ham." "Lachs" means salmon in German, and the term implies that this variety of ham has the freshness and reddish color of salmon. Fresh ham is so popular in Europe that non-heated pork flank meat (what is called fresh ham in Japan) is virtually synonymous with the term "ham." Heat-treated ham is referred to instead as cooked ham.

There are two traditional methods for making fresh ham: 1) salting, followed by drying and curing, and 2) salting, followed by smoking (cold smoking), drying and curing. There are two methods of salting: dry salting, in which the salt is sprinkled onto the meat directly, and wet salting, in which the meat is marinated in a saline solution. The salting period generally lasts 2-3 months. Smoked fresh ham is smoked for about a week at 20˚ or less, though in some producing areas the meat is smoked for up to 8 weeks. Different locations in Europe produce unique local varieties of fresh ham that reflect the climate and geography as well as the unique materials and production techniques of particular producers. Producing areas often lend their name to the fresh ham itself. The terms Parma and San Daniele imply a careful attention to every aspect of the production process, from the way in which the pork was produced through each stage of the manufacturing process.

In Japan, a non-heat-treated meat product may be placed in the category of fresh ham even if it uses cuts of meat from other than the flank. In general, Japanese makers shorten the curing time to cut the cost of production. There are few examples of these techniques being used in Italy and Spain, the home of fresh ham, but the humid climate of Japan makes it difficult to extend the curing time, as does the cost of wages. Accordingly, Japan has no choice but to rely on imports for upscale varieties of fresh ham.

(2) Characteristics of Products from Different Countries / Regions

1) United States

The Unites States produces an abundant variety of processed meat products, including ham, sausage, and roast traditions of the mother country. Roast beef, pastrami and other processed beef products are comparatively inexpensive and are well attuned to Japanese culinary preferences. The United States also is the home of beef jerky, and it makes a wide range of other meat products produced according to traditional methods.

American fresh ham is made from flank meat that has been cured for around four months. It is comparatively inexpensive and usually well adapted to Japanese tastes. American producers are not highly selective about the types of hogs, the feeding methods or the type of feed employed. The United States held the lead in import market share in fresh ham until the import ban was lifted on Italian prosciutto. American fresh ham imports had been on the decline since 1999.

2) Denmark

Denmark, along with Germany, is one of the original processed meat culinary cultures, and it produces excellent quality ham and sausage products. Denmark exports large amounts of canned ham, sausage, bacon and luncheon meats to the United States and elsewhere.

Danish fresh ham is made from roast pork cuts and from fatty portion, and employs a shorter curing time, resulting in a flavor similar to that of Japanese fresh ham, prices are comparatively low.

3) Germany

Germany is the home of processed meat products, and produces many varieties of ham and sausage. Japan's meat processing procedures have been strongly influenced by German techniques. However, German ham is often smoked, and Germany is not a major producer of non-heat treated fresh ham. In June 2001, due to outbreak of hog cholera in Germany, imports of processed pork products were halted.

4) Italy

Italy is known for its unique Italian-style sausages and fresh ham products, especially the fresh ham (*prosciutto*), which is well known for its lengthy curing time. Now that the import ban on fresh ham has been lifted, fresh ham is becoming more common not only at restaurants but on the dining tables of Japanese homes as well. Italy is the leading exporter of fresh ham to Japan, with about two-thirds of the import market. The popularity of Italian foods such as wine, pasta and olive oil have aided the cause of Italian fresh ham, as a clear association is being forged in consumers' minds.

Italian fresh ham is known as prosciutto, and the two great producing regions are the Parma and San Daniele areas. Parma is known for its high-quality pork, and is renowned also for its Parmesan cheese. Parma prosciutto is made only from fresh flank meat of large hogs weighing 140 kg and over, hogs raised on certified farms. It is salted with natural salt (sea salt from the Mediterranean Sea) and then subjected to a lengthy curing process. Parma pork comes from hogs fed with feed mixed with whey from the production process for Parmesan cheese. The pork is high in quality and has a distinctive flavor that makes the "Prosciutto di Parma" crown mark a symbol of quality the world over. The Parma Ham Association opened an information center in Tokyo in August of 2000 in order to enhance consumer recognition of Parma ham through sales promotion programs.

San Daniele prosciutto is also made 70% from Parma pork, with only slight differences in the cuts of meat used and the production process employed (San Daniele prosciutto uses pig's feet also, and is compressed into a guitar shape during the salting and curing process). While the basic production method resembles that of Parma prosciutto, the climate of the foothills of the Alps gives San Daniele prosciutto a slightly different flavor, milder and sweeter than Parma prosciutto.

5) Spain

Spain is the world's largest fresh ham producer, with total production of about 30 million units per year. Spanish fresh ham is generally known as jamon serrano (meaning "mountain ham," as the highland climate aids to the curing and drying process). Jamon serrano is made from only carefully selected flank meat, and is salted with coarse-grained sea salt and then cured for nine months or longer. Of course, it uses no artificial coloring or preservatives. Jamon serrano made from iberico pork is called "jamon iberico," and this is considered the highest grade of Spanish fresh ham. Iberico pork comes from black hogs raised on feed mixed with acorns that grow only on the Iberico peninsula. Jamon iberico must be cured for a minimum of two years.

Iberico pork is known for being juicy and tender. Jamon iberico has less salt content than other types of jamon serrano, but it has higher levels of oleic acid, a type of fat that is beneficial to health. Because it is made entirely by hand, it is impossible to mass-produce jamon iberico. It accounts for just 2% of total Spanish fresh ham production, which makes it a highly prized product.

Japan lifted its import ban on jamon serrano in 1999 and on jamon iberico in 2000. But, in June 2001, due to outbreak of hog cholera in Spain, imports of processed pork products were halted (conditionally lifted in February 2003).

6) Brazil

Brazil is a major beef producers, and their canned corned beef products are quite well known. Brazilian canned corned beef is exported to the Unites States and many other countries around the world, and the corned beef is inexpensively priced compared to Japanese products.

7) China

China is producing more and more processed foods for the Japanese market, aided by technical assistance and OEM production deals from Japanese processed food makers. China has risen dramatically in the rankings of processed food exporter nations to Japan. Unlike other varieties of fresh ham, Chinese fresh ham is frequently used as an ingredient of soups at upscale Chinese restaurants. Consequently, nearly all the demand is from commercial users. Chinese fresh ham is not sold at retail.

8) Taiwan

Taiwan mainly exports sausages and other processed pork products to Japan. Exports to Japan account for a large percentage of total production, making the Taiwanese industry heavily dependent on the Japanese market.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

The domestic market for processed meat products has been affected also by external factors holding back its growth, including import restrictions due to hoof-and-mouth disease and to the O-157 contamination incident in Japan. The impact was only slight from restrictions on imports from EU during the spring of 2001. However, the confirmation of BSE in Japan and the controversy over false labeling created new and vexatious problems for the processed meat industry as a whole in Japan, and there is concern over possible ongoing impact from these factors. In 2002 one leading manufacturer (Snow Brand Foods) was forced into liquidation because of false labeling incidents. The products of another leading maker (Nippon Meat Packers) were temporarily withdrawn from the market. These were part of a succession of scandals that aroused consumer suspicion of processed foods generally and put them into an unprecedented desperate market situation.

Furthermore, the invocation of emergency import safeguard measures on raw material pork in both 2001 and 2002, and the resulting tariff increases put processed food makers into a squeeze between higher raw material costs and lower finished product prices. The market was returning to normal by the second half of 2002, but in the future it is urgently necessary establish traceability programs to recover consumer confidence and re-stimulate demand.

Demand itself for processed meat products has posted comparatively consistent growth, reflecting the increased Westernization and diversification of the Japanese diet. The mainstay of the market is sausage, especially wiener-type sausages, domestic production of which totaled about 200,000 tons in 2001 (38.6% of total processed meat production). The next most common products are roast ham (86,857 tons, 16.7%) and bacon (60,741 tons, 11.7%). Despite the overall slump in consumer spending, higher priced aged wieners and aged ham are selling comparatively well. However, unit price cuts and repeated volume promotion sales have not led to comparable growth on a value basis.

The favorite type of ham among Japanese consumers is roast ham, which accounts for about 70% of total demand. At one time, demand for fresh ham was limited to commercial users, such as hotels and upscale restaurants. But in 1997 Japanese makers began selling thin-sliced fresh ham in vacuum packs (70-gram and 100-gram sizes) aimed at ordinary home users. More recent times have seen the introduction of low-salt fresh ham, which appeals to health-conscious consumers, as well as fresh ham with olive and white wine dressing and beefsteak plant flavored fresh ham. These products have all helped raise consumer awareness of fresh ham products. Driven partly by the wine boom in 1998, fresh ham has become increasingly popular in Japanese households. The lifting of the ban on imports from Italy and Spain helped increase demand as well.

The domestic market for fresh ham underwent a sudden turnabout in the fall of 2001 as a result of BSE. The word "fresh (uncooked)" itself became a reason to avoid the product, and domestic production turned downward as a result. Another key reason was the liquidation of Snow Brand Foods, which was a driving force in the domestic market for fresh ham.

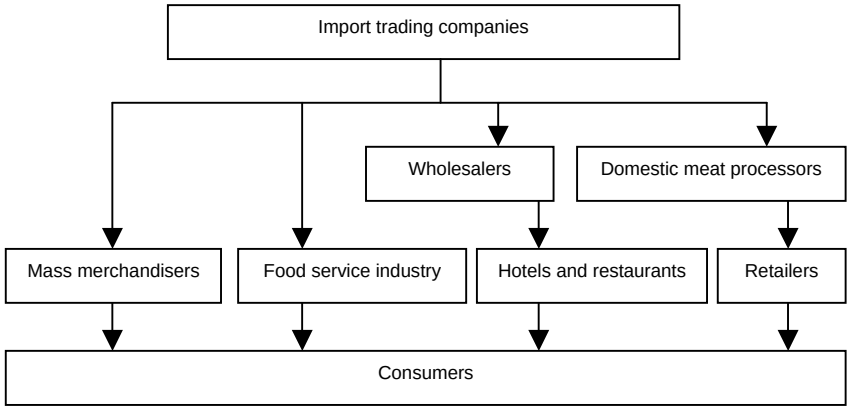
Nevertheless, Italian proscuitto and "real" imported fresh ham has proven quick to recover, and imports reached record levels in 2002. Commercial demand is strong for fresh ham, and it has gained a fair level of acceptance in the ordinary household diet. Even so, because it is not a product that will sell in high volume, there is little inclination on the part of Japanese makers to devote resources to producing it in-house. Accordingly, imports' market share is likely to grow in the future.

(2) Distribution Channels

Ham, sausage and other processed meat products are typically distributed direct from the manufacturer rather than through wholesalers. This is partly out of a desire to shorten the time refrigerated meat products spend in transit. Products that do not require refrigeration are also distributed through food wholesaler channels.

Imported fresh ham typically passes from an import trading company through an agent or wholesaler on its way to retail stores, hotels, restaurants and other food service establishments. However, brand name products like Parma prosciutto from Italy and jamon serrano from Spain have import agent contracts with leading Japanese ham makers, so these products are distributed as part of the product line of those manufacturers.

Fig. 13 Imported processed meat product distribution channels



(3) Key Considerations for entering the Japanese Market

Processed meat must undergo quarantine inspection as mandated by the Domestic Animal Infectious Diseases Control Law in order to prevent the spread of hoof-and-mouth disease and other livestock infections into Japan. Imports are required to have an "Inspection Certificate" issued by the competent government agency of the exporting country. Japan also limits the areas from which processed meat product may be imported, and prospective importers must be aware of these restrictions.

Processed meat product is subject to a number of complex regulations depending on whether the product is heat-processed or not, under the Food Sanitation Law. Prospective importers must also learn about the Differential Tariff System and other pricing regulations. And since it is a fresh food, importers must make sure they have an adequate refrigerated and frozen food distribution system in place.

8. After-Sales Service

Responsibility for dealing with product defects falls to either the distributor or the retailer, depending on which is deemed to be at fault for the defect.

9. Related Product Categories

1) Import procedures are similar for all processed meat products, including those not specifically addressed in this guidebook. But, prospective importers should check with proper authorities to determine whether the food item or the place of origin is subject to import prohibitions under the Domestic Animal Infectious Diseases Control Law.

2) At the present time there are virtually no imports of artificial meats made from soybeans or other materials.
3) Products such as fish sausages and shrimp shao-mai are classified as fishery products, and are subject to separate regulatory and procedural treatment.

10. Direct Imports by Individuals

Imports for personal consumption, up to 10 kilograms, are exempt from provisions of the Food Sanitation Law. However, such imports remain subject to provisions of the Domestic Animal Infectious Diseases Control Law. The individual importer must present the Animal Quarantine Service with an "Inspection Certificate" issued by the government agency of exporting country. Veterinary quarantine officials must inspect the meat products, and permission must be granted in order to bring them into Japan.

11. Related Organizations

• Japan Ham and Sausage Industry Association	TEL: 03-3444-1211	http://group.lin.go.jp/hamukumi/
• Japan Meat Processors Association	TEL: 03-3444-1772	
• Japan Canners Association	TEL: 03-3213-4751	http://www.jca-can.or.jp
• Nihon Hamburg and Hamburger Association	TEL: 03-3245-0228	
• Japan Meat Traders Association	TEL: 03-3588-1665	

14. Shrimp and Crabs

1. Definition of Category

Shrimp and crabs with shell attached, including those, which have been steamed or boiled and then chilled or frozen. It does not include shellfish preserved in brine or heat-treated.

HS Numbers	Commodity
<Shrimp>	
0306.11-000	Rock lobster and other sea crawfish (frozen)
0306.21-100	Rock lobster and other sea crawfish (live, fresh, chilled)
0306.12-000	Lobster (frozen)
0306.22-100	Lobster (live, fresh, chilled)
0306.13-000	Shrimp and prawn (frozen)
0306.23-111, -190	Shrimp and prawn (live, fresh, chilled)
0306.19-010	Other shrimp (frozen)
0306.29-110	Other shrimp (live, fresh, chilled)
<Crabs>	
0306.14-010	King crabs (frozen)
0306.24-110	King crabs (live, fresh, chilled)
0306.14-020	Snow crabs (frozen)
0306.24-120	Snow crabs (live, fresh, chilled)
0306.14-030	Swimming crabs (frozen)
0306.24-130	Swimming crabs (live, fresh, chilled)
0306.14-030	Horsehair crabs (frozen)
0306.24-130	Horsehair crabs (live, fresh, chilled)
0306.14-090	Other (frozen)
0306.24-190	Other (live, fresh, chilled)

Note 1: "Live" refers to shellfish kept at low temperatures in a state of quasi-suspended animation. Nearly all live imports are transported with body surface packed in and covered with moistened sawdust.

"Fresh or chilled" refers to shellfish kept at a temperature near 0°C without being frozen.

"Frozen" refers to shellfish maintained at a temperature below the freezing point and frozen all the way through.

Note 2: Horsehair crabs are newly classified in 2002.

2. Import Trends

(1) Recent Trends in Shrimp and Crab Imports

<Shrimp and lobsters>

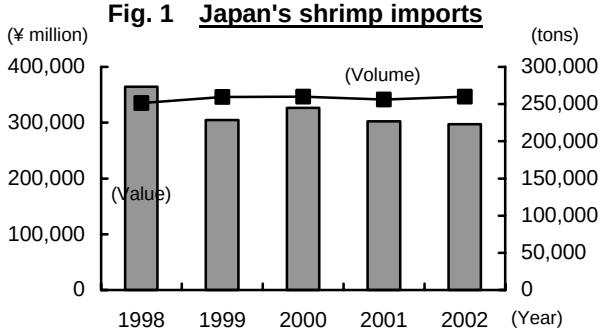
Shrimp and lobsters represent Japan's leading imported seafood product on a value basis, and it ranks second overall behind only pork as an imported food product category. Shrimp and lobsters enjoy stable demand particularly in the food service industry. They are being imported in various forms such as live, chilled, frozen, salted, and prepared.

On a volume basis, imports of shrimp and lobsters showed consecutive annual decline from 1995 through 1998. The main reason for the sharp decline is increased frozen-shrimp prices in producing countries. The higher prices raised the price to consumers, hurting demand. Shrimp farmers in India and Indonesia has been moving to increase production in view of the higher prices. As a result, shrimp imports showed a slight increase in 1999 due to lower import prices.

Since then, imports of shrimp and lobsters showed stable trend at around 260,000 tons. In 2002, total imports of shrimp and lobsters recorded 259,962 tons (up 1.5% from the year before), with a decrease by 1.3% to ¥297.4 billion.

Farmed black tiger (frozen, classified under shrimp and prawn) accounts for an overwhelming share (95.7% in total volume, 90.7% in total value) of shrimp and lobster imports in 2002. Falling black tiger import prices in 2002 pushed imports up to their highest level in five years, with an increase of 1.6% to 248,868 tons. Lobster imports recovered as well, rising to 2,811 tons.

Fig. 1 Japan's shrimp imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Rock lobster, other sea crawfish	9,426	20,782	8,605	16,920	9,774	21,062	7,854	18,478	7,535	19,858
Frozen	7,057	13,648	6,157	9,912	7,394	14,083	5,579	11,491	5,577	12,786
Live, fresh, chilled	2,370	7,134	2,448	7,008	2,380	6,979	2,275	6,987	1,958	7,071
Lobster	2,451	4,986	2,782	5,252	2,971	5,604	2,485	5,155	2,811	5,999
Frozen	906	1,926	1,360	2,667	1,446	2,918	1,082	2,350	1,407	3,211
Live, fresh, chilled	1,545	3,060	1,422	2,585	1,525	2,686	1,403	2,805	1,405	2,788
Shrimp & prawn	239,356	338,443	247,894	282,418	247,256	299,913	245,724	278,405	249,310	271,066
Frozen	238,906	336,911	247,314	280,644	246,627	297,938	245,048	276,461	248,868	269,692
Live, fresh, chilled	450	1,531	580	1,774	628	1,976	675	1,944	442	1,373
Other shrimp	159	218	273	277	165	203	128	180	305	480
Frozen	136	208	175	248	127	188	122	176	302	474
Live, fresh, chilled	23	11	98	30	38	15	6	4	3	6
TOTAL	251,392	364,430	259,554	304,868	260,165	326,783	256,190	302,217	259,962	297,402

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Crabs>

Crab imports had remained consistent at around the 120,000 ton level until 2000. However, imports sank in 2001 to 108,175 tons, and they failed to recover in 2002, ending the year down another 2.7% to 105,226 tons. Globally there has been a leveling off in the overall crab catches, import results for 2002 varied widely in different product categories. Snow crabs gained 16.3% to 65,693 tons posting its best result in five years, whereas king crabs tumbled 22.6% to 25,949 tons due to catch restrictions by Russia and tightened regulation. The import price of king crabs leapt from ¥972 per kilogram to ¥1,355, then total crab imports on a value basis rose 10.0% to ¥89.77 billion.

As a result, snow crabs not only owns first place on a volume basis (65,693 tons, 62.4% of total crab imports), but it has also nudged past king crabs on a value basis as well, and now accounts for roughly half of all imports in terms of value (¥45.3 billion, 50.5% of total crab imports).

Improved transport technology in recent years has increased the proportion of live, fresh and chilled crab, which now make up about the same percentage as frozen crab for both snow crabs and king crabs. But, 8,216 tons of the 8,712 tons (94.3%) of swimming crabs are frozen, whereas 2,914 tons of the 3,025 tons (96.3%) of horsehair crabs are live, fresh or chilled. (see Fig. 2)

(2) Imports by Place of Origin

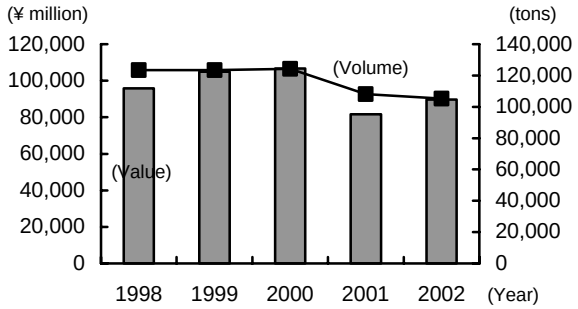
<Shrimp and lobsters>

Shrimp and prawn account for most of the Japan imports. Until the early 1990s, Thailand was Japan's main source of frozen shrimp and prawn. Due to the pollution of farming ponds and widespread disease in Thailand, however, imports shifted to Indonesia. In recent years, disease has spread in Indonesia as well, so that the main source of shrimp and prawn is now shifting to India and Vietnam.

As of 2002, more than 60 countries were exporting shrimp and prawns (frozen) to Japan. The leading exporter was Indonesia (53,607 tons, import share 21.5%), although imports from Vietnam have soared over the past five years from 26,697 tons to 41,516 tons (share 16.7%). Vietnam eased past India (34,820 tons, share14.0%) into second place in the rankings for the first time in 2002. The next leading exporter is China (7.9%), which is near the 20,000 ton mark. For its part, the leading exporters of frozen rock lobster to Japan are Australia (23.9%) and Cuba (20.9%), while the leading exporters of live, fresh and chilled rock lobster are Australia (63.4%) and New Zealand (22.1%). But, all these exporter nations have seen their export volume decline, with a trend toward dispersion of purchasing to South Africa, France and other nations.

Canada is the leading exporter of both frozen lobsters and fresh and chilled lobsters to Japan, with import shares of 76.0% and 62.8%, respectively.

Fig. 2 Japan's crab imports

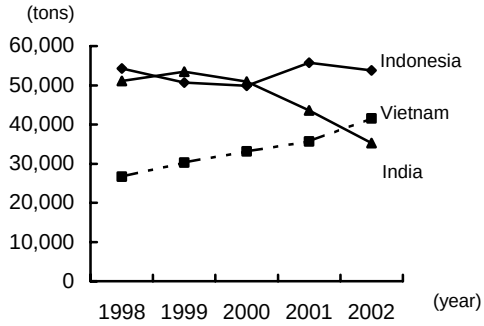


	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
King crabs	42,826	41,020	45,459	47,420	43,139	50,088	38,508	37,424	25,949	35,165
Frozen	23,588	30,359	24,760	35,747	22,190	37,727	16,107	25,315	12,584	25,555
Live, fresh, chilled	19,238	10,661	20,698	11,672	20,948	12,361	22,401	12,109	13,366	9,610
Snow crabs	61,335	41,900	62,932	46,564	60,920	44,623	56,467	35,763	65,693	45,318
Frozen	42,115	35,343	42,634	39,496	33,807	35,996	26,917	27,086	33,122	34,530
Live, fresh, chilled	19,219	6,558	20,298	7,069	27,113	8,627	29,550	8,677	32,571	10,788
Swimming crabs	11,591	6,798	8,378	5,022	14,392	7,502	7,597	4,134	8,712	4,557
Frozen	9,946	4,567	6,966	3,099	12,886	5,621	6,665	3,066	8,216	3,910
Live, fresh, chilled	1,646	2,231	1,412	1,923	1,506	1,880	932	1,068	496	647
Horsehair crabs	-	-	-	-	-	-	-	-	3,025	3,124
Frozen	-	-	-	-	-	-	-	-	111	78
Live, fresh, chilled	-	-	-	-	-	-	-	-	2,914	3,045
Other crabs	7,606	6,026	6,646	5,852	5,843	4,498	5,603	4,289	1,846	1,608
Frozen	1,445	1,208	1,123	797	839	599	912	524	656	467
Live, fresh, chilled	6,161	4,818	5,523	5,056	5,004	3,899	4,692	3,765	1,190	1,141
TOTAL	123,358	95,744	123,415	104,858	124,293	106,711	108,175	81,610	105,226	89,772

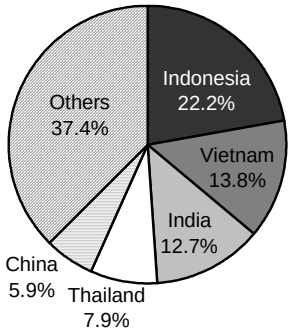
Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 3 Principal exporters of shrimp and lobsters to Japan

Trends in import volume by leading exporters



Shares of shrimp & lobster imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Indonesia	54,247	50,688	49,916	55,778	70,664	53,818	20.7%	66,125	22.2%
Vietnam	26,711	30,271	33,105	35,676	34,856	41,535	16.0%	41,137	13.8%
India	51,128	53,430	50,970	43,593	47,477	35,275	13.6%	37,802	12.7%
China	12,343	13,948	17,015	15,406	14,577	19,933	7.7%	17,693	5.9%
Thailand	17,783	19,328	18,657	20,580	27,249	19,065	7.3%	23,434	7.9%
Others	89,180	91,889	90,503	85,157	107,395	90,335	34.7%	111,211	37.4%
TOTAL	251,392	259,554	260,165	256,190	302,217	259,962	100.0%	297,402	100.0%
(E U)	1,076	1,362	1,375	1,775	2,052	1,218	0.5%	1,456	0.5%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 4 Leading exporters of shrimp and lobsters to Japan by category (2002, volume basis)

			First			Second		
		TOTAL	Country	Share	Yearly change	Country	Share	Yearly change
Shrimps and prawns	(Frozen)	248,868	Indonesia	21.5%	96.4	Vietnam	16.7%	116.4
Rock lobsters	(Frozen)	5,577	Australia	23.9%	87.6	Cuba	20.9%	88.7
	(Live, fresh, chilled)	1,958	Australia	63.4%	81.4	New Zealand	22.1%	90.4
Lobsters	(Frozen)	1,405	Canada	76.0%	132.5	U.S.A.	8.7%	240.9
	(Live, fresh, chilled)	1,407	Canada	62.8%	105.9	U.S.A.	35.9%	92.8
Other shrimps	(Frozen)	302	Thailand	23.6%	1,186.4	China	20.5%	165.2
	(Live, fresh, chilled)	3	China	65.5%	43.8	N. Korea	15.5%	26.3

Unit: tons *Source: Japan Exports and Imports*

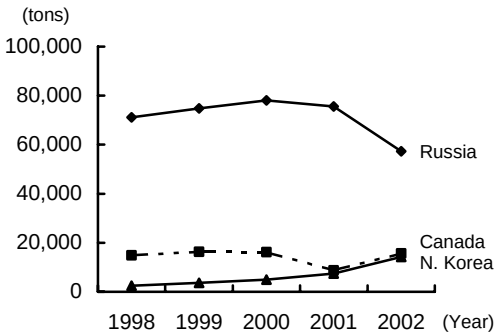
<Crabs>

The leading exporter of crabs to Japan is Russia, both on a volume and a value basis. However, Russian exports fell significantly during 2002, dropping to 57,339 tons from 75,572 tons the year before (down 24.1%, share 54.5%). Compensating for this drop were dramatic gains in imports from Canada (15,701 tons, up78.8%, import share14.9%), and North Korea (14,188 tons, up 90.6%, share13.5%).

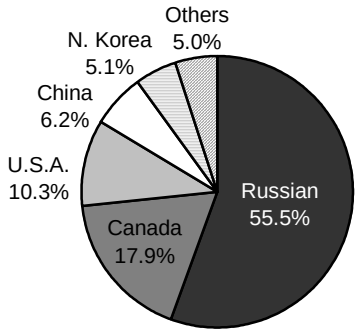
Canada's main export consisted of snow crabs (frozen, 15,594 tons), an area where Canada recovered from its slump the year before to gain the top spot. For its part, most of North Korea's exports are live, fresh and chilled snow crabs and king crabs. Tightened regulation of Russian fishing boats under provisions of the Law for Regulation of Fishing Operations by Foreign Nationals has led to an increase in exports to Japan via North Korean ports, say industry sources. Horsehair crabs has just been newly assigned an HS Number under the official classification system. Nearly all imports come from Russia (82.0%) and North Korea (17.8%). In contrast, swimming crab imports come mainly from China (64.4%), but also from Vietnam (16.8%) and India (10.3%).

Fig. 5 Principal exporters of crab to Japan

Trends in import volume by leading exporters



Shares of crab imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Russia	71,176	74,786	78,122	75,572	53,327	57,339	54.5%	49,781	55.5%
Canada	14,940	16,308	16,139	8,781	9,262	15,701	14.9%	16,097	17.9%
N. Korea	2,500	3,657	4,952	7,444	1,850	14,188	13.5%	4,557	5.1%
China	7,283	5,275	9,134	5,765	3,790	7,527	7.2%	5,605	6.2%
U.S.A.	19,306	16,290	6,216	4,354	8,316	4,484	4.3%	9,218	10.3%
Others	8,153	7,099	9,731	6,259	5,065	5,987	5.7%	4,514	5.0%
TOTAL	123,358	123,415	124,293	108,175	81,610	105,226	100.0%	89,772	100.0%
(E U)	115	173	112	-	-	17	0.0%	18	0.0%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 6 Leading exporters of crabs to Japan by category (2002, volume basis)

			First			Second		
		TOTAL	Country	Share	Yearly change	Country	Share	Yearly change
King crabs	(Frozen)	12,584	Russia	77.8%	71.7	U.S.A	15.5%	88.3
	(Live, fresh, chilled)	13,366	Russia	86.5%	51.6	N. Korea	13.0%	91.7
Snow crabs	(Frozen)	33,122	Canada	47.1%	178.1	Russia	36.6%	All
	(Live, fresh, chilled)	32,571	Russia	63.2%	92.5	N. Korea	35.9%	161.9
Swimming crabs	(Frozen)	8,216	China	63.4%	136.7	.Vietnam	17.8%	93.4
	(Live, fresh, chilled)	496	China	79.5%	53.8	R. Korea	20.1%	51.4
Horsehair crabs	(Frozen)	111	Russia	52.1%	*	N. Korea	47.9%	*
	(Live, fresh, chilled)	2,914	Russia	83.2%	*	N. Korea	16.7%	*
Other crabs	(Frozen)	111	China	24.3%	80.5	Malaysia	18.9%	638.9
	(Live, fresh, chilled)	1,190	Russia	52.4%	16.0	Australia	22.4%	55.7

Unit: tons ** new classification in 2002* *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

<Shrimp and lobsters>

The domestic shrimp catch has been declining year by year. In 2001 the total catch recovered slightly to 27,168 tons, still just two-thirds the level of a decade earlier. At the same time, imports have established a consistent 90% share of the domestic market. The domestic shrimp catch in 2001 included just 1,486 tons of rock lobsters and 1,271 tons of small and medium size shrimps (*kuruma-ebi*). Also, the domestic catch tonnage reflects shrimp still in the shell, whereas most imported shrimp has been peeled and the head taken off for sale as a ready-to-eat product. Thus, in medium and large-size shrimp, imports are believed to have a market share of more than 98% on a tonnage basis.

<Crabs>

The domestic crab catch has also been shrinking, and has fallen to just two-thirds the level of a decade earlier. Out of the total domestic catch of 42,151 tons in 2000 and decrease to 38,135 tons in 2001, 21,197 tons consisted of red snow crab. The domestic catch of king crab was just 181 tons, and the catch of snow crab was only 5,355 tons. In these two areas, Japan relies heavily on imports to fill domestic demand.

Imports held a 73.9% share of the overall crab market in 2001. King and snow crab are mainly imported sectioned (with the claws removed from the shell), so on an adjusted tonnage basis, crab imports total roughly 150,000 tons annually, and have a market share of over 90%.

Fig. 7 Imports' share in the Japanese market

		1997	1998	1999	2000	2001
Shrimp	Domestic catch	28,436	28,307	28,589	27,168	28,436
	Imports	251,392	259,554	260,165	256,190	251,392
	Domestic market total	279,828	287,861	288,754	283,358	279,828
	Imports' share	89.8%	90.2%	90.1%	90.4%	89.8%
Crabs	Domestic catch total	43,576	40,350	42,151	38,135	43,576
	Imports	123,358	123,415	124,293	108,175	123,358
	Domestic market total	166,934	163,765	166,444	146,310	166,934
	Imports' share	73.9%	75.4%	74.7%	73.9%	73.9%

Unit: tons
Source: Annual Statistics on Fishery and Aqua Culture Production, Japan Exports and Imports

3. Key Considerations related to Importing

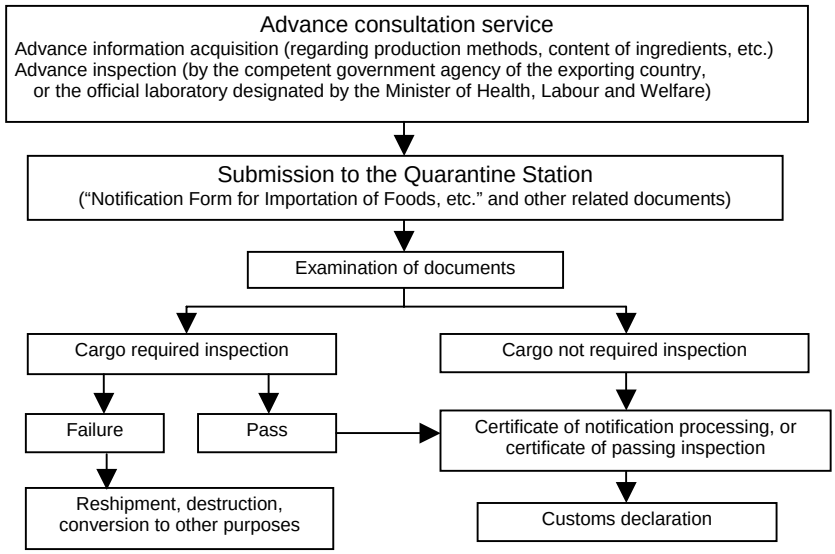
(1) Regulations and Procedural Requirements at the Time of Importation

Importation of shrimp and crabs is subject to provisions of the Food Sanitation Law. It is also subject to provisions of the Law for Regulation of Fishing Operations by Foreign Nationals. Cholera inspections once were required for imported shrimp and crabs from areas with cholera outbreaks, under provisions of the Quarantine Law. This requirement was abolished as of April 1, 2001. All shrimp and crab safety inspections now have been consolidated with inspections performed under the Food Sanitation Law.

1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for all shrimp and crabs being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Fig. 8 Procedures required under the Food Sanitation Law



Frozen sliced fresh fish and shucked shellfish, including shrimp and crabs, are to be inspected based on notification in accordance with the Standards of Frozen Fresh Fisheries for Raw Consumption. According to the Standards, the number of bacteria per 1 gram of the inspected item must be less than 100,000, and a group of colon bacilli must be dormant. Shrimp is inspected for the presence of bleaching agents. Cultivated shrimp and lobsters are also inspected for the presence of residual antibiotics and antibacterial.

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.

The Food Automated Import Notification and Inspection Network System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour and Welfare, and verify their passwords.

2) Law for Regulation of Fishing Operation by Foreign Nationals

When foreign fishing vessels land directly in Japan with fishing products caught on the sea, permission is required by the Minister of Agriculture, Forestry and Fisheries in accordance with the Law for Regulation of Fishing Operation by Foreign Nationals.

When fishing products are shipped from a foreign country and land in Japan, permission is not required. However, a certificate of port clearance (PC) issued by the government agency of the shipping country must be attached.

Note: Fearing the exhaustion of fishery resources, the Japanese and Russian governments began requiring Russian fishing vessels to present a cargo customs declaration issued by the Russian government as of April of 2002. In June a program was also initiated for Russia to notify Japan's Fishery Agency of vessel names and customs clearance volumes. For a time thereafter there was a rapid increase in port calls by Russian fishing vessels with North Korean port clearance certificates. As a result, beginning in September Japan banned port calls by vessels with these North Korean port clearance certificates.

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

The sale of shrimp and crabs is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

In order to establish a store and sell fresh fisheries to consumers and retailers, they must apply for and obtain a business license. For more details on applications for licenses for selling fisheries, required facilities, etc. please contact the health center with jurisdiction over the intended sales area. The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling shrimp and crabs without the shell inside container packaging, they must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

2) JAS Law

The JAS Law establishes quality labeling standard for all food and beverage products sold to ordinary consumers. (see 4. Labeling)

3) Measurement Law

Shrimp and crabs sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Act Against Unjustifiable Premiums and Misleading Representations

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

(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
- Law for Regulation of Fishing Operations by Foreign Nationals
  Resources Management Division, Resources Management Department, Fisheries Agency, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- JAS Law
  Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- Measurement Law
  Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp

Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 http://www.env.go.jp
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

1) Food Sanitation Law

Shrimp and crabs that are sold without shell inside container packaging are subject to labeling requirements of the Food Sanitation Law, requiring the following labeling items.

- Name of product
- Whether it is for table-eating or not
- Food additives (if it is added)
- Use-by date
- Preservation method
- Whether to be heated before eating (for boiled crabs)
- Name and address of importer or reseller

2) JAS Law

The JAS Law establishes the Fresh Food Product Quality Labeling Standards, requiring quality labeling for fresh fishery products (including chilled or frozen) sold to ordinary consumers. The Law requires to include the following labeling items, and to place labeling on the container or packaging in a readily visible location, or to display it in a readily visible location adjacent to the applicable fresh fishery products. Furthermore, the Law requires labeling of shrimp and crabs that were previously frozen and subsequently thawed to bear the term “thawed,” and cultivated items to bear the term “cultivated.”

- Name of product
- Country of origin
- Description of “thawed” if it corresponds
- Description of “cultivated” if it corresponds

When selling processed shrimp and crab products sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Processed Food Quality Labeling Standards, stipulated by the JAS Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, food additives (when used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer’s name and address

3) Measurement Law

When selling fresh, chilled or frozen shrimp and crabs in containers, showing content volume is required in accordance with the Measurement Law. Any error between shown content volume and actual content volume must be within the specified tolerances.

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging

Individual packaging

(2) Voluntary Labeling based on Provisions of Law

There is no voluntary labeling based on provisions of laws for shrimp and crabs.

(3) Voluntary Industry Labeling

In practice, when selling imported shrimp and crabs, they almost always have the product category, size, and content volume and packer name listed on the cardboard container label.

5. Taxes

(1) Customs Duties

Customs duties on shrimp and crabs are shown below. Japan started lowering its tariff rates on crabs in stages starting January 1, 1995 as pledged at the Uruguay Round.

Fig. 9 Customs duties on shrimp and crabs

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0306.11, 12, 13	Rock lobster and other sea crawfish (*Palinurus spp., Palinurus spp., Jasus spp.), lobsters* (*Homarus spp.),* shrimps and prawns (Live, fresh, chilled or frozen)	4%	1%		
0306.21, 22, 23	Rock lobster and other sea crawfish, lobsters, shrimps and prawns (Other than live, fresh, chilled or frozen)	6%	5%	4% *Free	
0306.14-010, -020, -030, -090 0306.24-110, -120, -130 ,-190	Crabs (king crabs (*Paralithodes spp.),* snow crabs (*Chionocetes spp*.), swimming crabs (*Portunus spp*.) and other)	6%	4%		
0306.19-010, 29-110	Other crustaceans (*Ebi*)	4%	2%		

*Note 1: "*Free" in Preferential Rate is applicable only for the Least Developed Countries.*
Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

The volume of domestic products that compete with imports in the area of shrimp and crabs is very small, and their prices are high. Consequently, domestic products and imports tend to have different consumption patterns.

<Shrimp and lobsters>

Both domestic and imported live rock lobsters are very expensive, and so are usually available only at exclusive restaurants. Less expensive frozen rock lobsters are often served at wedding receptions, banquets and formal parties.

Japan produces no lobsters of its own. lobster meat is served mainly at French restaurants and other food service establishments. Live, fresh and chilled lobsters generally are higher in price than frozen lobsters. North American lobsters typically have very large claws, while Oceania lobsters have smaller claws. In addition, lobsters from different areas have distinct patterns of color change when boiled.

Live shrimp and prawns are more expensive than frozen, and are mostly served by restaurants and other commercial users. Nevertheless, shrimp and prawns is the most readily available product type in this category. Japanese prawns are considered something of a luxury item, and possess a consumption pattern similar to that of rock lobsters.

<Crabs>

Unlike shrimp and lobsters, live crabs are sold both to consumer users and commercial users. A considerable portion of imported crabs is sold to ordinary consumers. Fresh and chilled swimming crabs and hairy crabs are usually imported whole, whereas snow crabs and king crabs are usually imported in sections (such as the legs) only. Crabs of the same variety but caught in different places have few significant differences in characteristics. Demand for frozen crabs is increasing for use in making frozen processed foods. In addition, snow crabs and king crabs are usually imported in sections only.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

<Shrimp and lobsters>

The Japanese consumed around 300,000 tons of shrimp and lobsters per year. While most was eaten either at restaurants or at home, some was also used to make instant cup noodle and certain types of confections. In the past 70% of all shrimp and lobsters was consumed at food service establishments, but recently the ratio of commercial to home use has narrowed to around 50:50. Food service industry most commonly uses large lobsters and medium-sized prawns domestically caught as well as live imported shrimp and prawns. Families most often buy frozen and smaller size prawns for meals at home. Food processors mostly buy smaller size shrimp and prawns. Consumption rises during major national holiday periods such as Golden Week (May), summertime festivals and New Year's. Kansai (Osaka-Kyoto-Kobe) region consumes more shrimp and lobsters all year round than other parts of Japan.

<Crabs>

In Japan, some 170,000 tons of crab meat is consumed, primarily at food service establishments, although some is processed and sold canned and some is sold to consumers for use in home meals. Food processors primarily rely on frozen crabs. Home use of crabmeat has risen in recent years due to lower prices resulting from increased imports. The northern Japan Sea coast region consumes more crabmeat than other parts of Japan. Live crabs are more popular in the Osaka area than in the Tokyo area.

Consumers have become more acutely aware recently of issues surrounding food safety. Providers have been rushing to implement traceability programs that disclose food production and processing histories. In the past it has been regarded as difficult to provide production histories for shrimp, crabs and other fishery products. Compared with the livestock and food processing industries, the fishery industry has been slow to undertake information disclosure and safety certification programs. Recently, though, providers and importers together have taken the lead in promoting disclosure of catch waters, vessel names and importer names, etc.

(2) Distribution Channels

Shrimp and crabs pass through the very same distribution channels. Merchandise either goes through wholesale markets located in the consumption areas to wholesalers who distribute its to mass merchandisers, retail stores and food service providers (inside-market distribution), or it goes direct to food processors, after which it is distributed through wholesalers to mass merchandisers, retail stores and food service providers (outside-market distribution). (see Fig. 10)

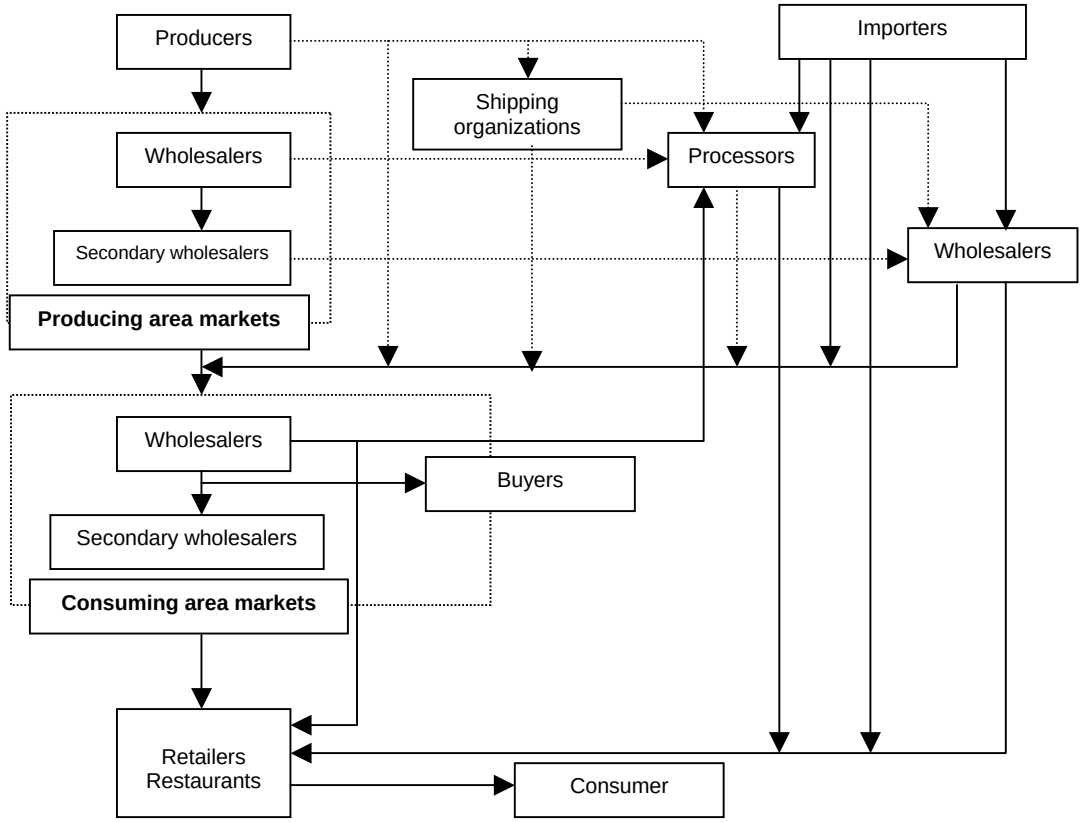
Imports are usually distributed through outside-market wholesalers to secondary and tertiary wholesalers, who in turn distribute to mass merchandisers, retail stores and food service providers. This method is more common for imports than the inside-market method. Sometimes importers sell direct to mass merchandisers, food processors or food service providers, but this is somewhat uncommon.

(3) Key Considerations for entering the Japanese Market

If importers of live, fresh or chilled shrimp or crabs choose to distribute via the wholesale markets, doing consignment sales eliminates the need to find buyers and makes it possible to get into the market fairly quickly. However, the cost of handling fees paid to the wholesale markets combined with the cost of air freight can sometimes drive the cost of the merchandise above what the market will bear, particularly if prices happen to take a tumble. On the other hand, prospective importers can choose to bypass the wholesale markets and instead negotiate definite arrangements with suppliers, distributors and retailers. This reduces or eliminates some of the risk factors mentioned above. Virtually all frozen shrimp are imported in this manner. Almost all frozen shrimp and crabs are imported by ship. Aside from the time it takes to get the merchandise to market, if there is not already a buyer for the merchandise the importer can run into considerable interest and warehouse storage costs while waiting to collect on the merchandise.

Prospective importers should be aware that the Japanese market is very stringent with regard to product quality and standards compliance issues. They must make sure merchandise meets market expectations in terms of freshness and size. Importers can also run into problems with food health and with contract compliance on the part of some suppliers and exporters in some countries. Sometimes importers are ordered to return merchandise to the shipper or destroy it as a result of inspections performed in quarantine. They must be sure to purchase adequate insurance coverage against losses resulting from such a determination.

Fig. 10 Principal distribution channels for shrimp and crabs



Notes:
1) *Buyers; includes large-scale buyers, food processors, operators form outside the local area, trading company representatives.*
2) *Dotted lines indicate channels used only by domestic products; solid lines indicate channels used by imports.*
3) *Processors also include companies that import in bulk and simply repackage the merchandise for consumer sale or perform other comparable minor processing.*

8. After-Sales Service

There is virtually no need for after-sales service. Japanese consumers are well informed about how to use shrimp and crabs in cooking, and the merchandise is generally consumed (by eating) within a fairly short time. Occasionally there are complaints from consumers about health and sanitation issues. In that event, the retail store, the distributor or the importer is responsible for addressing the problem.

9. Related Product Categories

• Other fishery products

Fishery products that are subject to import quota or prior confirmation requirements must obtain a quota allocation or prior confirmation in advance.

• Processed shrimp and crab products

Processed shrimp and crab products are subject to differing classification based on shrimp or crab content levels. Prospective importers should check with customs officials for more information. Imports for resale of both these categories of products are subject to provisions of the Food Sanitation Law.

10. Direct Imports by Individuals

Imports of 10 kg or less of shrimp or crabs are exempt from inspection requirements of the Food Sanitation Law. Larger size imports are subject to requirements of the Law even if they are intended for personal consumption.

11. Related Organizations

• Japan Fish Traders Association	TEL: 03-5280-2891	http://www.jfta-or.jp
• Japan Frozen Foods Inspection Corporation	TEL: 03-3438-1411	http://www.jffic.or.jp

15. Tuna

1. Definition of Category

The tuna discussed here is fresh, chilled or frozen. (whole tuna, meat fillets and fish meat are included, but preparations and processed tuna are excluded.)

HS Numbers	Commodity
Tuna (fresh or chilled)	
0302.31	Albacore or long-finned tuna (*Thunnus alalunga*)
0302.32	Yellow-finned tuna (*Thunnus albacares*)
0302.34	Big-eyed tuna (*Thunnus obesus)*
0302.35	Blue-finned tunas (*Thunnus thynnus)*
0302.36	Southern Blue-finned tunas (*Thunnus maccoyii)*
0302.39	Other
Tuna (frozen)	
0303.41	Albacore or long-finned tuna (*Thunnus alalunga*)
0303.42	Yellow-finned tuna (*Thunnus albacares*)
0302.34	Big-eyed tuna (*Thunnus obesus)*
0302.35	Blue-finned tunas (*Thunnus thynnus)*
0302.36	Southern Blue-finned tunas (*Thunnus maccoyii)*
0303.49	Other
Tuna (meat fillets and fish meat)	
0304.10-191, -192, -199	Tuna meat fillets (fresh and chilled)
0304.10-291, -292, -299	Tuna fish meat (fresh and chilled)
0304.20-091, -092, -094	Tuna meat fillets (frozen)
0304.90-091, -096, -099	Tuna fish meat (frozen)

Note 1: The above 0304.10-199, 0304.10-299 and 0304.90-099 include fishes other than tuna.

Note 2: "Meat fillet" is defined as fish meat that is cut parallel to the fish backbone with the head, entrails and fins removed.

Note 3: "Fish meat" has no bones, but it is meat other than meat fillets.

2. Import Trends

<Definition of "import">

With regard to marine products like tuna, "goods which are carried into Japan as foreign goods" are regarded as imported goods. That is, tuna which is caught by vessels of foreign nationality in the seas outside of territorial waters (including Japan's and other counties' exclusive economic zones) and carried into Japan, or tuna which is caught by vessels of Japanese nationality and first landed in other countries, and then brought into Japan. Those other than the above (i.e., tuna caught by vessels of Japanese nationality on the public seas, etc.) are regarded as Japanese products.

(1) Recent Trends in Tuna Import

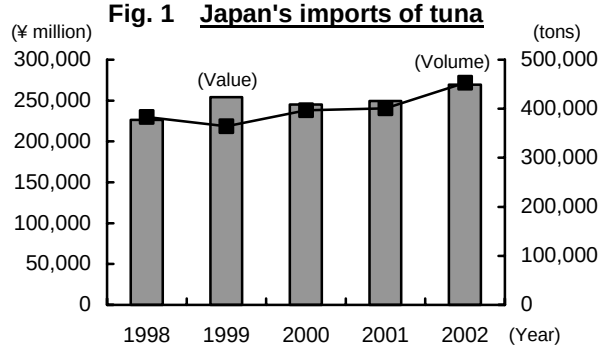
Japan is the world's largest market of raw tuna for "*sashimi*" (sliced raw fish). The seas of the world are the suppliers of raw tuna for "*sashimi*" to meet Japanese demand. As the consumption of raw tuna has been increasing in Japan, the import volume of tuna has been increasing as well. This is in order to supplement Japanese production volume. .

Tune import volume in 2002 reached to 452,695 tons (up 13.0% from the year before), indicating the largest volume in recent five years. On a value basis, tuna imports totaled at ¥270 billion (up 8.0%). Whole tuna (mainly without gills and entrails, called semi-dressed) covers mainstay of the total import volume. Semi-dressed tuna is said to be the best for *sashimi* as it keeps its freshness and comes mainly in the frozen form.

Looking at the import trends of whole tuna by species, growth was especially strong in imports of big-eyed tuna (162,627 tons, up 15.4%) and yellow-finned tuna (140, 085 tons, up 16.7%), which together account for 93.0% of whole tuna import volume. Most of these species were imported frozen and used for *sashimi*, while some small sized yellow-finned tunas are used for canned tuna.

Although only a small volume is involved, imports of high-grade Blue-finned tuna and Southern blue-finned tuna have remained at high levels. Chilled imports were down in 2002, while frozen imports were up. On the other hand, import volume of albacore or long-finned tuna is quite small in Japan, and most imports are used for processed food. In 2002, it imported 2,415tons.

Fig. 1 Japan's imports of tuna



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Tuna (fresh or chilled)	68,962	72,587	67,347	71,846	68,051	72,578	68,798	73,965	63,016	65,955
Albacore or long-finned tuna	331	189	397	235	495	247	527	329	746	463
Yellow-finned tuna	33,787	27,591	33,405	27,223	35,795	28,510	36,500	28,414	32,025	25,703
Big-eyed tuna	24,500	21,848	24,085	20,999	21,969	19,118	21,876	19,053	21,990	18,779
Blue-finned tuna	5,372	13,588	6,488	16,998	6,505	17,700	7,122	19,282	6,102	15,549
Southern blue-finned tuna	4,960	9,366	2,964	6,384	3,275	6,996	2,773	6,886	2,154	5,461
Other tuna	11	5	7	7	12	7	1	0	-	-
Tuna (frozen)	215,980	111,849	191,711	133,908	224,020	121,937	218,308	119,441	263,118	137,946
Albacore or long-finned tuna	1,622	308	1,790	358	1,474	371	4,512	1,363	1,669	346
Yellow-finned tuna	81,640	26,980	71,739	26,304	100,641	26,511	83,945	23,063	108,561	28,565
Big-eyed tuna	124,170	72,421	108,831	89,547	112,765	77,045	119,001	73,127	140,638	80,839
Blue-finned tuna	3,394	3,828	1,769	3,063	2,065	4,208	2,707	5,443	3,568	8,593
Southern blue-finned tuna	5,149	8,311	7,582	14,635	7,065	13,797	8,130	16,440	8,659	19,599
Other tuna	4	2	-	-	11	6	12	5	24	3
Tuna (meat fillets and meat)	97,956	41,779	105,000	48,249	105,020	50,612	113,434	56,235	126,560	65,727
Meat fillets (fresh/ chilled)	1,203	1,413	1,259	1,502	1,409	1,673	1,345	1,393	1,223	1,464
Fish meat (fresh /chilled)	5,666	4,666	6,018	5,058	5,164	4,962	4,591	4,780	4,033	4,159
Meat fillets (frozen)	6,797	8,659	9,256	13,949	10,930	18,942	12,872	22,790	16,181	29,367
Fish meat (frozen)	84,290	27,040	88,467	27,741	87,518	25,035	94,626	27,272	105,123	30,738
TOTAL	382,897	226,214	364,058	254,003	397,091	245,127	400,540	249,640	452,695	269,628

Units :tons, ¥ million *Source: Japan Exports and Imports*

Note: "Meat fillets & fish meat" includes other fish not tunas

Fig. 2 Japan's imports of tuna by category in 2002

	Volume basis				Value basis			Unit price/kg	
	Volume	Share	Yearly change	% of chilled	Value	Share	Yearly change	2001	2002
Big-eyed tuna	162,627	49.9%	115.4	13.5%	99,618	48.9%	108.1	654	613
Yellow-finned tuna	140,585	43.1%	116.7	22.8%	54,268	26.6%	105.4	427	386
Southern blue-finned tuna	10,812	3.3%	99.2	19.9%	25,060	12.3%	107.4	2,139	2,318
Blue-finned tunas	9,670	3.0%	98.4	63.1%	24,142	11.8%	97.6	2,515	2,497
Albacore or long-finned tuna	2,415	0.7%	47.9	30.9%	809	0.4%	47.8	336	335
Other tuna	24	0.0%	183.3	-	3	0.0%	49.4	432	116
TOTAL	326,134	100.0%	113.6	19.3%	203,901	100.0%	105.4	674	625

Units :tons, ¥ million (whole tuna only) *Source: Japan Exports and Imports*

(2) Imports by Place of Origin

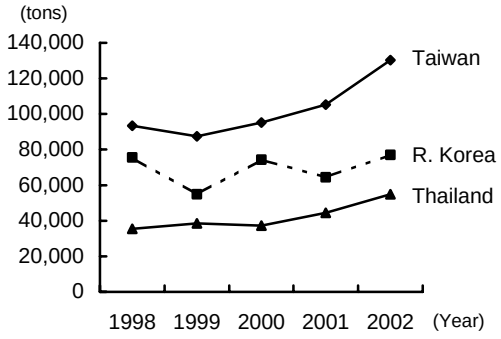
Tuna is brought into Japan, world's largest market for tuna used to make *sashimi* from all over the world. The overall top-ranked exporter of tuna to Japan is Taiwan. Imports from Taiwan leapt another 23.8% in 2002 to over 130,000 tons. The next leading exporters are the Republic of Korea (17.0%), Thailand (12.1%), China (7.3%) and Indonesia (6.4%). All these nations posted export gains, though China's growth was particularly strong.

Taiwan and the Republic of Korea possess a large fleet of super low temperature fishing vessels used for frozen tuna, equaling to a fleet of Japanese vessels. They operate full-scale fishing in the seas of the world. Therefore, the imports from these two countries are not only large in volume, but also rich in species. Third-ranked Thailand exports mostly frozen filleted tuna to Japan, and almost no whole tuna. Fourth-ranked China exports mainly filleted tuna, but it also exports some big-eyed tuna or yellow-finned tuna to Japan. Fifth-ranked Indonesia focuses on air-freight shipments of chilled tuna, and in 2002 Indonesia recorded especially strong growth of exports of big-eyed tuna, which soared 45.1% over the year before.

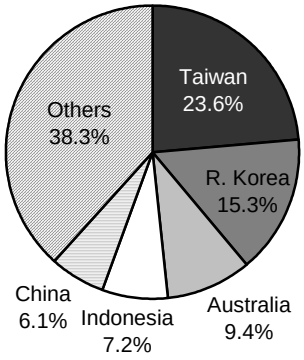
The leading exporter of expensive southern blue-finned tuna is Australia both in chilled and frozen. Chilled blue-finned tuna mainly comes from Spain and the Republic of Korea, while frozen blue-finned tuna mainly come from Croatia and Spain. Imports from Australia, Croatia, Spain, and other countries along the Mediterranean Sea include aqua cultured tuna, which is a method to catch tuna with little fat after spawning or raising tuna to medium size, and feeding them in a fish preserve. Regarding fresh or chilled tuna, there are quite a number of exporters in Europe, America and South Pacific countries other than those listed above. Tuna is caught in the various seas and taken to the nearest port. It is then air-transported and channeled to the Japanese market. (see Fig.4).

Fig. 3 Principal exporters of tuna to Japan

Trends in import volume by leading exporters



Shares of tuna imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Taiwan	93,322	87,487	95,250	105,312	52,264	130,364	28.8%	63,517	23.6%
R. Korea	75,551	54,878	74,404	64,369	38,888	77,025	17.0%	41,387	15.3%
Thailand	35,532	38,445	37,318	44,462	11,567	54,892	12.1%	14,063	5.2%
China	9,888	11,966	19,225	22,574	13,109	32,897	7.3%	16,561	6.1%
Indonesia	28,291	22,861	22,530	26,844	17,509	29,174	6.4%	19,505	7.2%
Others	140,315	148,421	148,364	136,980	116,302	128,342	28.4%	114,595	42.5%
TOTAL	382,897	364,058	397,091	400,540	249,640	452,695	100.0%	269,628	100.0%
(E U)	5,931	8,083	8,834	9,425	20,154	9,064	2.0%	19,131	7.1%

Units :tons, ¥ million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

Since the domestic catch of tuna is sluggish, the import volume has been stable through the recent decade. Subsequently, shares of imported tuna in the domestic supply increased gradually, the import volume was higher than the domestic production volume, and its share increase to58.2% in 2002 (see Fig. 5). In the domestic production volume of tuna by species in 2001, the leading species is yellow-finned tuna, which is relatively low priced tuna for *sashimi*, with 102,096 tons, followed by big-eyed tuna (90,079 tons), long-finned tuna (69,803 tons), blue-finned tuna (10,812 tons), and southern blue-finned tuna (6,210 tons). It is unique that most of long-finned tuna is domestically caught(93.3%), and some of them is exported abroad.

Fig. 4 Leading exporters of tunas to Japan by species (2002)

			First			Second		
		TOTAL	Country	Share	Yearly change	Country	Share	Yearly change
Fresh or chilled tuna	Yellow-finned tuna	32,025	Indonesia	34.1%	103.5	Taiwan	13.3%	120.1
	Big-eyed tuna	21,990	Indonesia	30.5%	145.1	Sri Lanka	7.7%	103.5
	Blue-finned tuna	6,102	Spain	38.0%	81.2	R Korea	13.7%	84.8
	Southern blue-finned tuna	2,154	Australia	86.8%	73.7	New Zealand	8.9%	113.2
	Albacore or long-finned tuna	746	Fiji	50.5%	150.9	New Caledonia	36.1%	125.4
Frozen tuna	Yellow-finned tuna	108,561	Taiwan	42.9%	118.6	R Korea	28.3%	130.7
	Big-eyed tuna	140,638	Taiwan	54.2%	131.8	R Korea	22.5%	119.1
	Blue-finned tunas	3,568	Croatia	46.5%	176.2	Spain	15.4%	357.5
	Southern Blue-finned tuna	8,659	Australia	73.4%	112.7	Taiwan	11.6%	68.0
	Albacore or long-finned tuna	1,669	R Korea	61.6%	71.7	Canada	12.3%	17.8
Tuna meat fillets	(Chilled)	1,223	Norway	37.8%	111.7	Taiwan	31.6%	79.4
	(Frozen)	16,181	R Korea	38.2%	145.9	Panama	14.1%	143.0
Tuna fish meat	(Chilled)	4,033	R Korea	98.4%	87.1	China	1.0%	158.5
	(Frozen)	105,123	Thailand	48.4%	124.8	China	12.7%	137.8

Unit: tons *Source: Japan Exports and Imports*

Fig. 5 Imports' share in the Japanese market

	1997	1998	1999	2000	2001
Domestic catch	338,901	298,006	329,499	286,321	287,956
Imports	367,728	382,897	364,058	397,091	400,540
Domestic market total	706,629	680,903	693,557	683,412	688,496
Imports' share	52.0%	56.2%	52.5%	58.1%	58.2%

Unit: tons

Source: Annual Statistics on Fishery and Aqua Culture Production, Japan Exports and Imports

3. Key Considerations related to Importing

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

Importation of tuna may be subject to control under the Foreign Exchange and Foreign Trade Law. Also, there are control of catch quantity of sea fisheries and import controls based on domestic laws. An example would be the Law for Regulation of Fishing Operation by Foreign Nationals, and the Law Concerning Special Measures to Strengthen the Conservation and Management of Tuna Resources, as well as international agreements. Any species of tuna is subject to the Food Sanitation Law. Cholera inspections once were required for imported tuna from areas with cholera outbreaks, under provisions of the Quarantine Law. This requirement was abolished as of April 1, 2001. All tuna safety inspections now have been consolidated with inspections performed under the Food Sanitation Law.

1) Foreign Exchange and Foreign Trade Law

Under provisions of the Foreign Exchange and Foreign Trade Law, the following control is executed depending on the species and the means of transportation:

a) Blue-finned tuna originated in Belize or Equatorial Guinea and its preparations, big-eyed tuna originated in Belize, Cambodia, Equatorial Guinea, or St. Vincent and its preparations

These are the Import Approval Items designated by the Minister of Economy, Trade and Industry ('Import Notice No. 2'). In fact, import of tuna from these countries is prohibited, based on counsel of the International Convention for the Conservation of Atlantic Tuna (ICCAT).

b) Imports of tuna by vessels (fresh, chilled and frozen; excluding long-finned tuna, blue-finned tuna, southern blue-finned tuna, big-eyed tuna) and frozen blue-finned tuna, southern blue-finned tuna, big-eyed tuna

These are the Prior Confirmation Items designated by the Minister of Economy, Trade and Industry ('Import Notice No. 3') and require procedures prior to import. Procedures are to be executed by submitting an application form for confirmation to the Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry. The application form is to be prepared according to the form shown in the METI Official Bulletin.

c) Fresh or chilled blue-finned tuna and southern blue-finned tuna

These are the Customs Confirmation Items at the time of customs clearance. A certificate of statistics on Blue-finned tuna or southern Blue-finned tuna is to be submitted to Customs, and they are supposed to confirm the documents. The certificate is to be issued by the confirmation agency of each flag country

Long-finned tuna and air-transported tuna (excluding blue-finned tuna) are not subject to control under the Foreign Exchange and Foreign Trade Law.

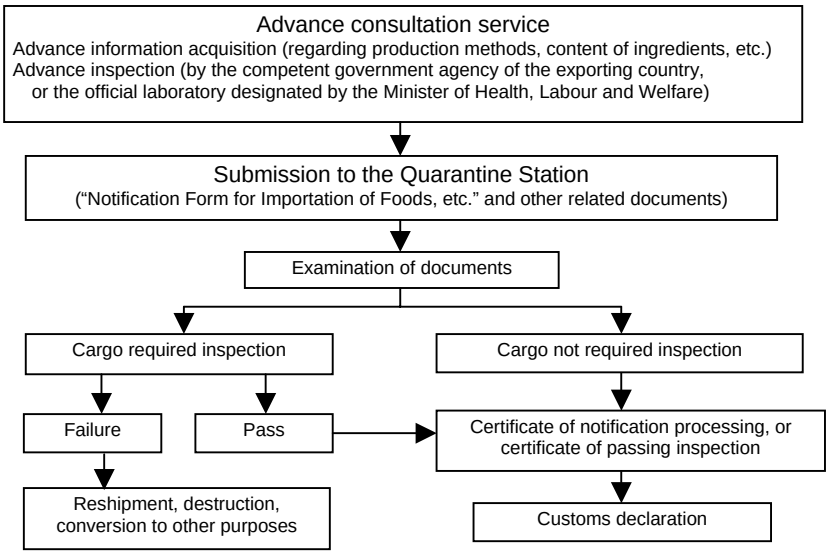
2) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for fresh, chilled or frozen tuna 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.

Frozen sliced fresh fish and shucked shellfish, including tuna, are to be inspected based on notification in accordance with the Standards of Frozen Fresh Fisheries for Raw Consumption. According to the Standards, the number of bacteria per 1 gram of the inspected item must be less than 100,000, and a group of colon bacilli must be dormant. Carbon monoxide (CO), which artificially tinges tuna with a red color in order to give it an appearance of freshness, is not designated as a usable additive in the Food Sanitation Law. Therefore, if CO is detected, import is not permitted.

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.

Fig. 6 Procedures required under the Food Sanitation Law



The Food Automated Import Notification and Inspection Network System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour and Welfare, and verify their passwords.

3) Other Laws

• Law for Regulation of Fishing Operation by Foreign Nationals

When foreign fishing vessels land directly in Japan with fishing products caught on the sea, permission is required by the Minister of Agriculture, Forestry and Fisheries in accordance with the Law for Regulation of Fishing Operation by Foreign Nationals. When fishing products are shipped from a foreign country and land in Japan, permission is not required. However, a certificate of port clearance (PC) issued by the government agency of the shipping country must be attached.

- **Law Concerning Special Measures to Strengthen the Conservation and Management of Tuna Resources**

  If the Government determines that tuna fishing activities by foreign fishery interests decrease the effectiveness of tuna resources conservation management, they shall be able to request that the international agency take proper measures. Also, if necessary, they shall be able to limit the import of tuna from foreign countries in accordance with the provisions of the Foreign Exchange and Foreign Trade Law.

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

Sale of fresh, chilled or frozen tuna is subject to provisions of the Food Sanitation Law, the JAS Law, the Measurement Law, and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling tuna sealed in wrapping or containers, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

In order to establish a store and sell fresh fisheries to consumers and retailers, they must apply for and obtain a business license. For more details on applications for licenses for selling fish, required facilities, etc. please contact the health center with jurisdiction over the intended sales area.

2) JAS Law

The JAS Law establishes quality labeling standard for all food and beverage products sold to ordinary consumers. (see 4. Labeling)

3) Measurement Law

Tuna sealed in wrapping or containers is required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Act Against Unjustifiable Premiums and Misleading Representations

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

(3) Regulatory Agency Contacts

- Foreign Exchange and Foreign Trade Law
  Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Law for Regulation of Fishing Operations by Foreign Nationals
  Resources Management Division, Resources Management Department, Fisheries Agency, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- Law Concerning Special Measures to Strengthen the Conservation and Management of Tuna Resources
  Far Seas Fisheries Division, Resources Management Department, Fisheries Agency, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- 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
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling fresh, chilled or frozen tuna, required labeling items are stipulated in accordance with the Food Sanitation Law, the JAS Law, and the Measurement Law.

1) Food Sanitation Law

Tuna sealed in wrapping or containers is subject to labeling requirements of the Food Sanitation Law, requiring the following labeling items.

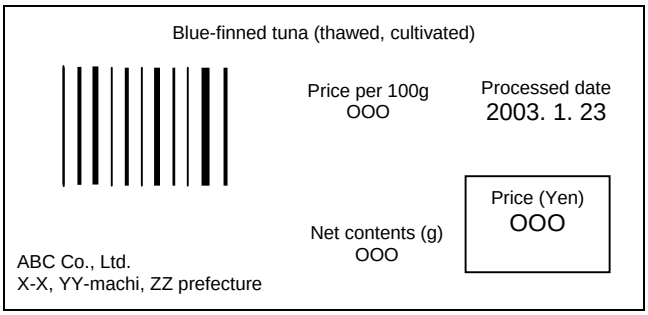
- Name of product
- Whether it is for table-eating or not
- Food additives (if it is added)
- Use-by date
- Preservation method
- Name and address of importer or reseller

2) JAS Law

The JAS Law establishes the Fresh Food Product Quality Labeling Standards, requiring quality labeling for fresh fishery products (including chilled or frozen) sold to ordinary consumers. The Law requires to include the following labeling items, and to place labeling on the container or packaging in a readily visible location, or to display it in a readily visible location adjacent to the applicable fresh fishery products.

- Name of product
- Country of origin (names of capturing areas or processing regions for domestic products)
- Description of “thawed” if it corresponds
- Description of “cultivated” if it corresponds

Example label of blue-finned tuna



3) Measurement Law

When selling fresh, chilled or frozen tuna in containers, showing content volume is required in accordance with the Measurement Law. Any error between shown content volume and actual content volume must be within the specified tolerances.

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging

Individual packaging

(2) Voluntary Labeling based on Provisions of Law

There is no voluntary labeling based on provisions of laws for tuna.

(3) Voluntary Industry Labeling

There is no voluntary industry labeling for tuna.

5. Taxes

(1) Customs Duties

Customs duties on tuna are shown below. No matter what kind of tunas, tax rates are applied 3.5% for WTO member nations and 5.0% for other countries.

Fig. 7 Customs duties on tuna

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0302.31	Albacore or long finned tunas (*Thunnus alalunga*)	5%	3.5%		
0302.32	Yellow fin tunas (*Thunnus albacares*)	5%	3.5%		
0302.34	Big-eyed tuna (*Thunnus obesus)*	5%	3.5%		
0302.35	Blue-finned tunas (*Thunnus thynnus)*	5%	3.5%		
0302.36	Southern Blue-finned tunas (*Thunnus maccoyii)*	5%	3.5%		
0302.39	Other tunas	5%	3.5%		
0303.41	Albacore or long finned tunas (*Thunnus alalunga*), frozen	5%	3.5%		
0303.42	Yellow fin tunas (*Thunnus albacares*), frozen	5%	3.5%		
0303.44	Big-eyed tuna (*Thunnus obesus)*	5%	3.5%		
0303.45	Blue-finned tunas (*Thunnus thynnus)*	5%	3.5%		
0303.46	Southern Blue-finned tunas (*Thunnus maccoyii)*	5%	3.5%		
0303.49	Other tunas, frozen	5%	3.5%		
0304.10	Fresh or chilled	5%	3.5%		
0304.20	Frozen fillets	5%	3.5%		
0304.90	Other, frozen	5%	3.5%		

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

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

The varieties of tuna are highly migratory species, and the fishing zones are quite large regardless of location. The main fishing grounds are the North Atlantic Ocean, the North Pacific Ocean, the Middle-Western Pacific Ocean, the Indian Ocean, and so on. Particularly in the Middle West Pacific Ocean, catch quantity of tuna is the largest in the world. Many coastal countries, such as Japan, the United States, the Republic of Korea, China, Taiwan, Micronesia, the Marshall Islands and Papua New Guinea operate fisheries. Tuna caught in these areas is first landed into a port of a coastal country, then some are air-transported to Japan and some are shipped to Japanese ports. This is done on a -60°C super low temperature vessel for frozen tuna.

Concerning quality, there is no detectable difference by place of origin, but it depends on the fishing zones, seasons, methods of import, condition of preservation, etc. Tuna caught in the higher latitudes is regarded as fat and high quality. For example, Blue-finned tuna caught offshore of Hokkaido is said to be of the highest quality. Tunas have different characteristics, degrees of fat, and tastes by species. Therefore, the prices depend on species, fishing zones, being fresh or frozen and so on. Fresh tuna has become more popular among consumers.

The taste is not ruined by freezing and thawing, and easy maintenance of freshness for a longer period than frozen tuna is possible. So, fresh tuna is not only to the consumers' taste, but also is easy to handle for the distributors, as supply is stable currently.

1) Blue-finned tuna

It is distributed in the Northern Hemisphere and lives in the areas from the Western Pacific Ocean to the Eastern Pacific Ocean, including Japan and the Mediterranean Sea. It is the largest of the tuna species. These strong swimmers are first in long distance swimmers. For human consumption, fatty fish meat of medium quality (a part of the middle of the belly) and fatty fish meat of high quality (a part of the marbled fish meat in the belly near the head) are rich and delicious, so they are used for *sushi* and/or s*ashimi*. It is the most expensive tuna species.

2) Southern Blue-finned tuna

It is distributed in sea zones lower than 30º S Lat., except during the spawning season. They live in the Pacific Ocean and the south latitude of the temperate zones of the Indian Ocean. Appearance, quality of fish meat, and taste are similar to Blue-finned tuna, but it is smaller than Blue-finned tuna. It is mainly used for *sushi* and/or *sashimi* like Blue-finned tuna. It is the next most expensive tuna.

3) Big-eyed tuna

It is widely distributed in areas from the tropics to the temperate zones, excluding the Mediterranean Sea. It seasonally migrates between the north and south, seeking places for food and spawning. It is called "big-eyed" because of its large eyes. It is smaller than Blue-finned tuna. It lives in rather deep parts of the central areas of the ocean. Catch quantity is the largest of tuna species. Its fish meat is deep red and the taste is rich, but a little peculiar. However, because it is more abundant and cheaper than Blue-finned tuna and fatty fish meat can be obtained, it is mainly used for semi-high quality *sushi* and/or *sashimi*.

4) Yellow-finned tuna

It is widely distributed in areas from the tropics to the temperate zones, excluding the Mediterranean Sea. Around Japan, it lives in the south of Hokkaido and lower latitude areas. It is called "yellow-finned" because its fins and the sides of its body are a yellowish color. Catch quantity is second to big-eyed tuna. Its fish meat is pink and the taste is rather plain. Because the price is reasonable, this is widely consumed as foodstuff for general household use. This is used for canned food and fish meat sausage, as well as *sashimi*.

5) Albacore or long-finned tuna

It is distributed in the outer sea zones from 40º N Lat. to 40º S Lat. It is the smallest species. It is a highly migratory species, moving between the east and west. Its fish meat is not red, but rather a milky white, and the taste is plain. Because it easily crumbles, it is mainly used for canned and frozen food, and is not suitable for *sushi* and/or *sashimi*.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

<World's largest tuna market>

The seas of the world are the suppliers of tuna for *sashimi* to meet Japanese demand. Japan is the world's largest tuna market. The largest market of tuna for canned food is the USA. However, because the dealing price of tuna for *sashimi* is said to be 20 to 30 times as much as that of tuna for canned food, tuna that seems to be used for s*ashimi* is primarily brought into Japan. Under current conditions, the supply of tuna on the Japanese market has been exceeding demand.

After the distribution of imported tuna expanded, its retail price became reasonable, except certain species, and tuna is consumed daily in familiar foods like *sashimi* without the strong image of high quality food. According to the Annual Report on the Family Income and Expenditure Survey (2001), the household consumption of fresh fisheries over a year decreased from 50.7 kg to 37.5 kg compared with 1977. On the other hand, consumption of tuna increased from 3.3 kg to 3.4 kg. Apart from household consumption, demand is great in the restaurant industry. The consumption ratio of fresh tuna is especially high in this area because of successful *sushi* restaurants with revolving systems serving high quality fisheries.

<Necessity for international fishing resources management>

Concerning tuna, popular high quality species from which fatty fish meat can be obtained need the fisheries control from a resources conservation point of view. This is because resource quantities of those species are declining. However, because tuna have no borders, it is difficult to manage it by one nation. So, international agencies execute conservation management measures, such as a permission system for the operation of fisheries, catch quantity controls, fishing quotas by a country, etc. (for more detailed information regarding the international management for tuna resources, see the Appendix in this section)

<Government measures>

The Japanese government takes the following action for tuna fisheries in order to meet the catch quantity control, etc. designated by international treaties: First, tuna fisheries are designated fisheries in accordance with the Fisheries Act, Article 52, Clause 1 from the fisheries control and resources conservation point of view. Therefore, it is impossible to operate tuna fisheries without approval. Also, a fishing vessel must submit a fishing report on catch quantity, etc., to the Fisheries Agency after the operation. In the specified fishing zone, a fishing vessel is required to submit the report even during the operation.

To outline the discipline of vessels with a flag of convenience that operate fisheries ignoring the resources conservation management or fishing vessels that are a nonmember of international fisheries control agencies, the 'Ministerial Ordinance for the Permission and Regulation of Designated Fisheries' was enacted in Japan in 1998. If Japanese personnel are on board a vessel operating fishing without permission in the sea zones designated to obtain permission by the Minister of Agriculture, Forestry and fisheries, disciplinary action is to be taken. In addition, Japan, as the world's largest tuna consumption country, takes action towards the countries involved, such as establishing management agencies in the sea zones where no international control is executed, and shows an attitude of providing resource management willingly. It is plainly expressed in the Law Concerning Special Measures to Strengthen the Conservation and Management of Tuna Resources.

<Attempt of aquaculture and propagation>

In order to decrease the risk of catch quantity fluctuation and to establish a stable supply, the leading trading companies, fisheries, and the leading distributors pared up with trading companies to increase the handling quantity of aqua cultured tuna. Aquaculture is a method to catch tuna with little fat after spawning or raising tuna to medium size, and feeding them in a fish preserve in order to put on fat and increase the value, and then to distribute them. They are comparatively stable in quality, reasonable in price, and provide a year-round supply. Southern Blue-finned tuna of Australia, and Blue-finned tuna of Croatia and Spain are typical aqua cultured tuna. There is an attempt of propagation by seedlings other than aquaculture, but there are many problems and, it has not realized a practical stage.

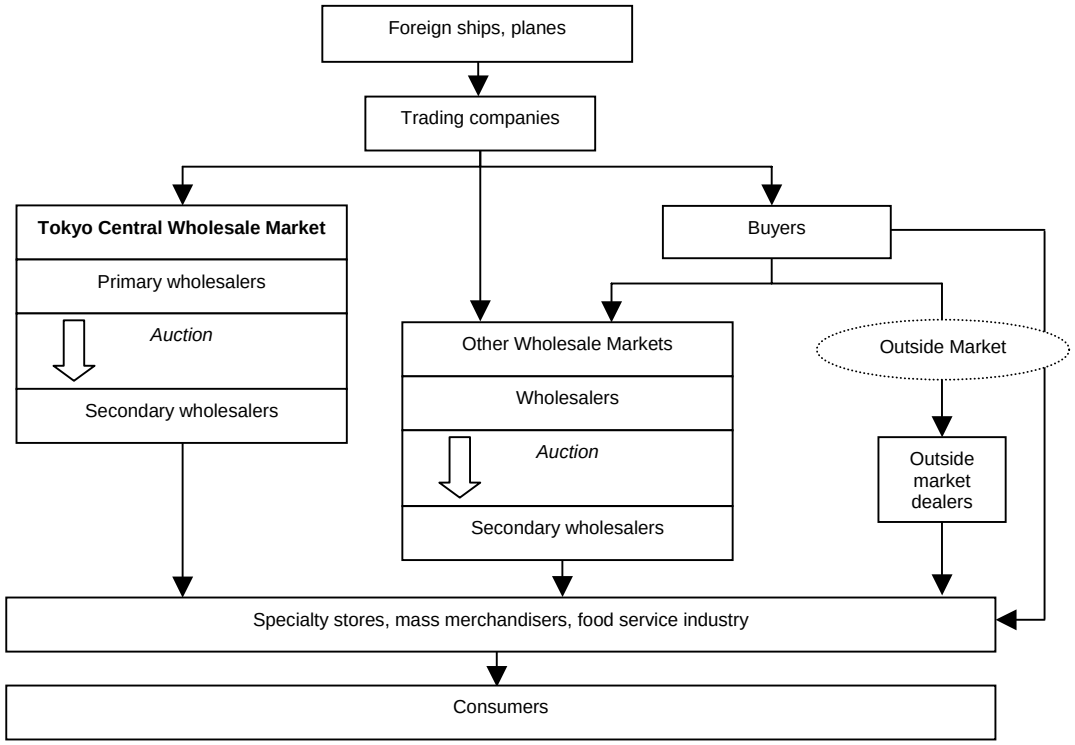
<Fish catch history disclosure>

Consumers have become more acutely aware recently of issues surrounding food safety. Providers have been rushing to implement traceability programs that disclose food production and processing histories. In the past it has been regarded as difficult to provide production histories for tuna and other fishery products. Compared with the livestock and food processing industries, the fishery industry has been slow to undertake information disclosure and safety certification programs. Recently, though, the Japan Bonito and Tuna Fishery Cooperative Federation has taken the lead in promoting disclosure of tuna catch waters, vessel names and importer names.

(2) Distribution Channels

Main import and distribution channels of fresh, chilled or frozen tuna are as shown in the following Fig. 8. Distribution systems bypassing the wholesale market can be seen in recent years, however, if so, the selling prices depend on the auction prices of the wholesale market in many cases. It may also be the case that importers/trading companies are involved in purchasing and wholesaling tuna. Concerning the fishing vessels for frozen tuna, the leading trading companies' purchase of all tuna on a vessel, which is called "one whole vessel purchase," is popular. Air-transport dealers are various. There are small-scale business operators as well as big businesses with great capital.

Fig. 8 Imported tuna distribution channels



(3) Key Considerations for entering the Japanese Market

A considerably wide range of product knowledge is required. Some tuna species are prohibited for import, and some are subject to a quarantine inspection. Therefore, dealers must be aware of laws and regulations. Also, there are the following problems regarding import and distribution of tuna:

- A considerably wide range of product knowledge is required to select the species and assure quality.
- Long-term experience with market prices and procedures is required for purchase.
- To obtain reliable suppliers is essential, because with fresh fish, it is difficult to maintain a stable supply.
- Regarding the purchase of frozen tuna imported by vessels, leading trading companies' "one whole vessel purchase" is currently preferable, and to purchase only needed species and quantities is seldom practiced.
- When entering the wholesale market, frozen tuna requires a considerable investment for preservation facilities. As for fresh tuna, to secure sales outlets as well as to deal with transportation expertise proves to be the big issues. Fresh tuna must be purchased and distributed before it loses its freshness.
- It takes many years to establish relations between suppliers and buyers. Therefore, there are many problems for a newcomer breaking into the market.
- If involved in selling tuna, necessary know-how and facilities are required to process tuna for sale.

8. After-Sales Service

There is no particular after-sales service for tuna. In the event, retail store and distributor are addressing the problem.

9. Related Product Categories

Processed tuna (like canned food), and fresh fisheries other than tuna are listed as related product categories. Processed tuna is subject to provisions of the Food Sanitation Law and the Measurement Law. With regard to fisheries other than tuna, certain items, such as fish caught in coastal waters, scallops, eye of scallops, and squid are Import Quota Items subject to the Foreign Exchange and Foreign Trade Law.

Whales are items under the control of international trade in accordance with the Washington Convention (Convention on International Trade in Endangered Species of Fauna and Flora, so called CITES). But, Japan takes exception to whale with regard to the Washington Convention. Japan defines whale and its preparation as Prior Confirmation Items (items whose place of origin and/or shipping area is of a non-member nation of the International Convention for Regulation of Whaling are defined as the Import Approval Items) in accordance with the Foreign Exchange and Foreign Trade Law.

10. Direct Imports by Individuals

Imports of tuna must be done very carefully because it is difficult to prove quality. It costs a lot for transportation, which can maintain freshness, even if tunas are purchased from reliable suppliers. With import for personal consumption, there is no regulation by the Food Sanitation Law.

11. Related Organizations

- Japan Marine Products Importers Association TEL: 03-5280-2891
- Federation of Japan Tuna Fisheries Co-operative Associations
  TEL: 03-3264-6161 http://www2.convention.co.jp/maguro

12. Appendix : International Management for Tuna Resources

Tuna Resources Management is executed on a global scale as follows:

1) The United Nations Convention on the Law of the Sea (UNCLOS) (1994)

   Stipulating that each member nation is to cooperate for the tuna resources management through regional agencies.

2) Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas, the Food and Agriculture Organization of the United Nations (FAO)

   Stipulating that tuna fisheries are under the permit system, and permitted fishing vessels are to be registered with FAO. (Adopted the action plan to reduce the fishing capability of long line fishery by 20 to 30%, until at least the end of 1999, by talks between the governments in October, 1998)

3) Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 Relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks' (1995)

   Stipulating that unless becoming an official member of management agencies or executing the obligation to cooperate even if not becoming an official member, tuna fisheries in the high seas are prohibited. A flag country is to be able to issue an operation permit only when they can effectively control tuna fisheries.

4) Regional Agreements on Tuna

   International Convention for the Conservation of Atlantic Tunas (ICCAT)

   The whole Atlantic Ocean, including the Mediterranean Sea, is subject to the above. The number of member nations is 23, including Japan, the USA, Canada, Korea and Spain. These countries are NOT to import tuna from nonmember nations who practice indiscriminate fishing according to the counsel of ICCAT. Control of the lightest weight limitation for yellow fin tuna, big-eyed tuna, Blue-finned tuna, etc. is executed as well.

   Inter-American Tropical Tuna Commission (IATTC)

   The Eastern Pacific Ocean is subject to the above. The number of member nations is 8, including Japan, the USA and Venezuela. There is control of total catch quantity within specified areas as the main conservation management measures.

   Convention for the Conservation of Southern Blue-finned Tuna (CCSBT)

   All migratory sea zones (the high latitude zones of the Southern Hemisphere) are subject to the above. The number of member nations is 3: Japan, Australia and New Zealand. The total catch quantity and quota by county of southern Blue-finned tuna are determined in every year's conference.

   Indian Ocean Commission (IOTC)

   The Indian Ocean is subject to the above. The number of member nations is 11, including Japan, Sri Lanka and Korea. It was established in 1996, and has been upgrading the foundation, such as setting up the organization.

16. Fish Roe

1. Definition of Category

Edible fish roe. This does not include fish roe not intended or use as food (HS 0511.91).

HS Numbers	Commodity
0302. 70-010	Hard roes of Nishin (*Clupea spp*.) (fresh, chilled)
70-020	Hard roes of Tara (*Gadus spp*., *Theragra spp*. and *Merluccius spp*) (fresh, chilled)
70-090	Livers and roes of other s (fresh, chilled)
0303. 80-010	Hard roes of Nishin (*Clupea spp*.) (frozen)
80-020	Hard roes of Tara (*Gadus spp*., *Theragra spp*. and *Merluccius spp*) (frozen)
80-090	Livers and roes of other s (frozen)
0305. 20-010	Hard roes of Nishin (*Clupea spp*.) (but not Nishin roes on the tangles) (dried, smoked, salted or in brine)
20-020	Hard roes of Tara (*Gadus spp*., *Theragra spp*. and *Merluccius spp*) (dried, smoked, salted or in brine)
20-030	Hard roes of Salonidae (dried, smoked, salted or in brine)
20-040	Nishin roes on the tangles (dried, smoked, salted or in brine)
20-090	Livers and roes of others (dried, smoked, salted or in brine)
1604. 20-011	Hard roes of Nishin (*Clupea spp*.) (preparations of fish roes, in airtight containers)
20-012	Hard roes of Nishin (*Clupea spp*.) (preparations of fish roes, but not in airtight containers)
20-013	Hard roes of Tara (*Gadus spp*., *Theragra spp*. and *Merluccius spp*) (preparations of fish roes, in airtight containers)
20-014	Hard roes of Tara (*Gadus spp*., *Theragra spp*. and *Merluccius spp*) (preparations of fish roes, but not in airtight containers)
20-019	Hard roes of other s ((preparations of fish roes)
30-010	Ikura ((preparations of fish roes)
30-090	Caviar and caviar substitutes

(Note) This section does not include fish roe not intended for use as food (for incubation or for use as bait, HS 0511.91)

2. Import Trends

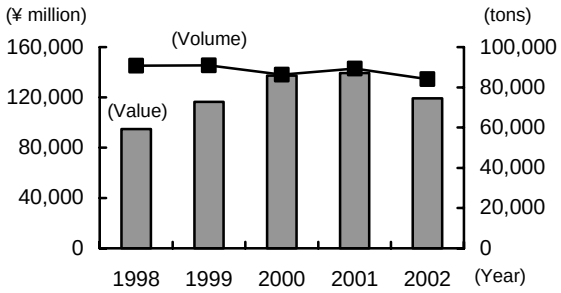
(1) Recent Trends in Fish Roe Imports

Japan imports many different varieties of fish roe from countries all across the world. Cod roe (hard roe of Tara, so called "*tarako*") accounts for a sizable portion of fish roe imports both on a volume and a value basis. Fish roe imports vary substantially depending on trends in the catch cod roe, especially Russia's catch of walleye pollack (*Theragra chalcogramma*) roe in the Aleutian Sea.

In 2002 imports of frozen cod roe, first ranked product on a volume basis, were down from 40,728 tons to 33,762, and imports of other frozen fish roe, second ranked product, were also down from 13,799 tons to 11,318 tons. Accordingly, overall fish roe import volume totaled 84,023 tons (down 6.0% from the year before), the lowest level in five years. However, there was no upward spike in prices as occurred during the poor catch of 2000. Thus, on a value basis imports were also down significantly, slipping 14.3% to ¥119.3 billion. Still, products other than the two leaders all posted import volume gains, as a diversification trend is evident overall in fish roe imports.

In 2002, 59.7% of all fish roe (volume basis) was imported frozen. Nearly all of this fish roe is pickled or prepared after reaching Japan, and is distributed packed in salt. But, since salmon roe does not hold up well after freezing, it is imported salt-packed. Prepared fish roe products come in either sealed containers (cans or bottles) or in other containers (bags, etc.), usually the latter. Boiled cod roe and separated herring roe are used in salads and snacks served with alcoholic beverages.

Fig. 1 Japan's fish roe imports



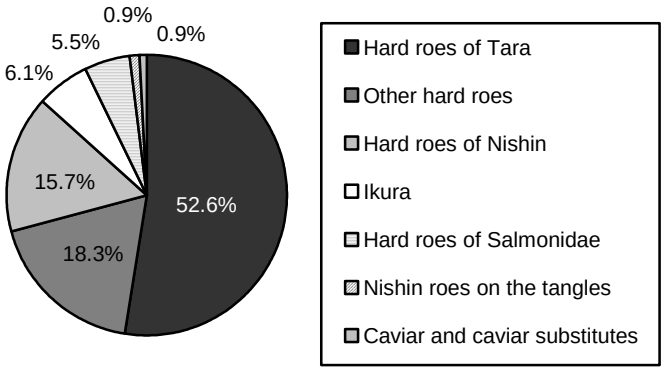
	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cod roe	55,533	51,174	54,090	71,799	41,942	79,901	49,716	86,324	44,205	67,376
Frozen	41,091	34,295	41,677	54,289	30,507	59,196	40,728	68,375	33,762	47,616
Salted, etc.	2,543	3,258	2,472	3,723	1,970	3,572	1,931	3,668	2,017	3,515
Preparations	11,899	13,622	9,941	13,787	9,465	17,133	7,057	14,281	8,426	16,246
Herring roe	14,708	17,161	12,404	15,065	14,275	15,744	13,046	15,491	13,161	16,442
Frozen	4,972	2,478	4,600	1,961	5,660	2,732	5,037	3,180	5,048	3,928
Salted, etc.*	9,563	14,406	7,747	13,037	8,510	12,897	7,920	12,195	8,013	12,346
Preparations	173	277	57	66	105	115	90	116	100	169
Roe of other fishes**	11,096	8,833	14,062	10,687	19,103	17,489	16,973	16,787	15,352	13,825
Fresh, chilled	1,365	2,163	1,501	2,250	2,144	2,809	2,104	2,663	2,337	2,582
Frozen	8,725	5,717	11,818	7,683	16,225	13,802	13,799	12,354	11,318	8,618
Salted, etc.	1,002	946	742	747	698	840	771	1,629	1,304	2,471
Preparations	3	8	1	6	35	39	299	141	394	154
Herring roe on the tangles (salted, etc.)	631	1,420	869	1,442	586	1,183	645	1,410	777	1,709
Salmon and trout roe (salted, etc.)	4,990	6,852	4,888	7,452	4,662	6,872	4,410	6,869	4,628	7,268
Ikura (preparations of salmon and trout roe)	3,315	7,100	3,985	8,632	5,015	14,339	3,994	10,203	5,132	11,330
Caviar and caviar substitutes	443	2,208	545	1,414	796	1,741	603	2,187	768	1,389
TOTAL	90,716	94,747	90,845	116,490	86,380	137,269	89,386	139,272	84,023	119,341

Units: tons, ¥ million *Source: Japan Exports and Imports*

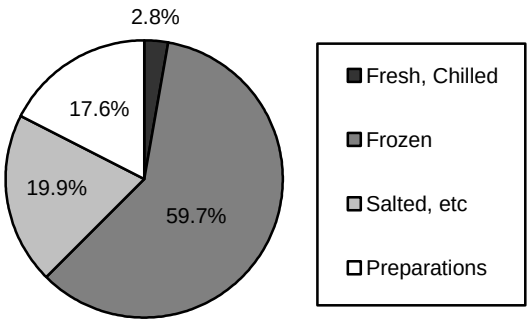
** but not herring roe on the tangles **includes livers and milt.*

Fig. 2 Percentage by species and processing method (2002 on a volume basis)

By species



By processing method



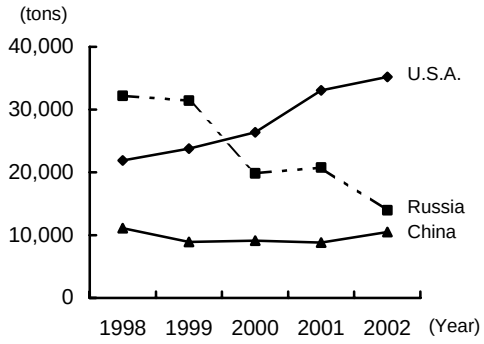
(2) Imports by Place of Origin

Japan imports fish roe from some 40 different countries, but the leading exporter is the United States (2002 volume basis share: 41.9%), followed by Russia (16.6%), China (12.5%) and Canada (12.2%). Together these four exporters accounted for 83.2% of all imports on a volume basis and 85.4% on a value basis.

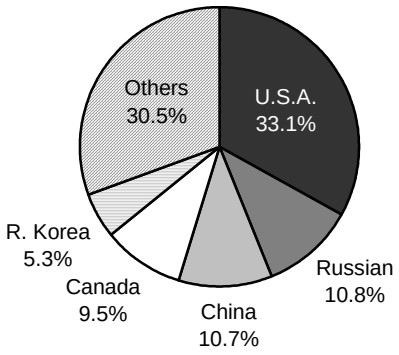
As is clear from the illustration below, a turning point arrived in 2000, when the United States and Russia switched places in the rankings. Since that time the gap between the two has grown larger. The United States holds a commanding lead in import share not only of cod roe but also salmon roe (salted and preparations). 2002 saw American exports rise sharply from 33,046 tons to 35,205 tons, putting the United States even farther ahead of Russia in import share. For its part, Canada's exports consist almost entirely of herring roe, whereas China exports a variety of fish roe products to Japan.

Fig. 3 Principal exporters of fish roe to Japan

Trends in import volume by leading exporters



Shares of fish roe imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	21,899	23,756	26,372	33,046	59,081	35,205	41.9%	52,609	44.1%
Russia	32,209	31,427	19,866	20,766	33,017	13,973	16.6%	17,217	14.4%
China	11,116	8,910	9,134	8,850	14,885	10,492	12.5%	16,961	14.2%
Canada	9,654	9,270	9,652	9,356	12,770	10,286	12.2%	15,142	12.7%
R. Korea	6,207	6,674	6,015	4,426	8,723	4,251	5.1%	8,344	7.0%
Others	9,631	10,808	15,340	12,942	10,796	9,815	11.7%	9,069	7.6%
TOTAL	90,716	90,845	86,380	89,386	139,272	84,023	100.0%	119,341	100.0%
(E U)	3,649	3,256	3,839	3,686	4,466	3,062	3.6%	4,285	3.6%

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Cod roe>

Most cod roe is imported frozen from the United States and Russia. In 2002 the United States turned in a solid performance with annual growth of 5.0%, while Russia's imports fell to 8,262 tons. The relative shares of the USA and Russia now stand at 72.6%:24.5%. Moreover, it is clear that nearly all of the decline in cod roe imports results from declining Russian production. American catch restrictions on Alaska pollack roe have enabled the United States to provide a consistent supply of roe. In contrast, Russia's catch volume seems likely to have hit a ceiling for some time to come. (see Fig. 4)

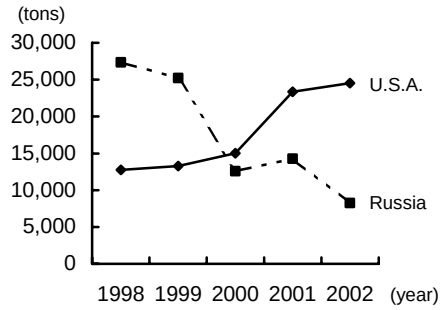
About half of all cod roe is pickled in Japan and sold as salted cod roe. The other half is used as raw material for spiced cod roe products (so called "*karashi-mentaiko*"), a food made by marinating salted cod roe in cayenne pepper and other flavorings. Main suppliers are the Republic of Korea and China. (see Fig. 4)

<Herring roe>

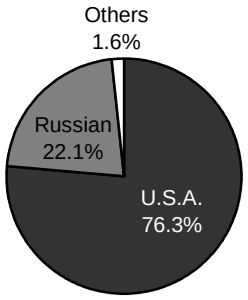
Canada has consistently been the leading exporter of herring roe to Japan. This was also true in 2002, when Canada accounted for 66.8% of Japan's imports on a volume basis and 73.6% on a value basis. The next leading exporters are China (17.6%, mainly salt-packed), the Netherlands (4.3%) and Ireland (4.1%, both mainly frozen). (see Fig. 5)

Fig. 4 Principal exporters of cod roe to Japan

Trends in import volume by leading exporters



Shares of cod roe imports in 2002 (value basis)

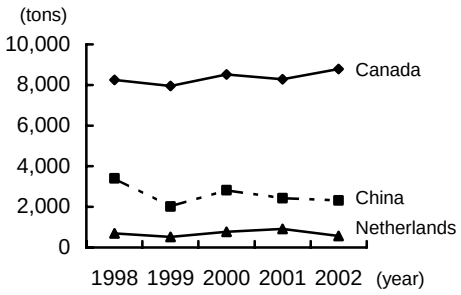


	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	12,785	13,303	15,000	23,357	42,881	24,526	72.6%	36,325	76.3%
Russia	27,347	25,222	12,605	14,285	22,467	8,262	24.5%	10,543	22.1%
China	34	931	704	404	528	310	0.9%	387	0.8%
Chile	25	59	182	529	301	292	0.9%	149	0.3%
Poland	824	1,187	316	405	573	80	0.2%	55	0.1%
Others	77	975	1,699	1,748	1,625	291	0.9%	156	0.3%
TOTAL	41,091	41,677	30,507	40,728	68,375	33,762	100.0%	47,616	100.0%
(E U)	-	-	58	96	73	-	-	-	-

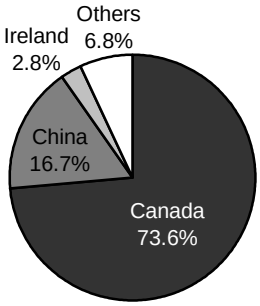
Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 5 Principal exporters of herring roe to Japan

Trends in import volume by leading exporters



Shares of herring roe imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Canada	8,243	7,946	8,510	8,275	10,653	8,785	66.8%	12,103	73.6%
China	3,402	2,027	2,817	2,428	3,043	2,317	17.6%	2,753	16.7%
Netherlands	699	527	777	920	595	564	4.3%	425	2.6%
Ireland	1,504	1,122	1,185	877	616	535	4.1%	465	2.8%
Russia	188	135	211	161	158	288	2.2%	253	1.5%
Others	672	647	774	385	426	673	5.1%	443	2.7%
TOTAL	14,708	12,404	14,275	13,046	15,491	13,161	100.0%	16,442	100.0%
(E U)	2,231	1,697	2,040	1,810	1,218	1,212	9.2%	937	5.7%

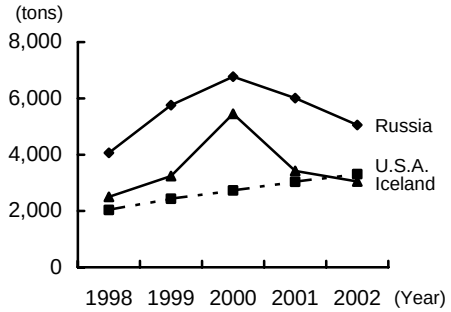
Units: tons, ¥ million *Source: Japan Exports and Imports*

<Other fish roe, livers and milt>

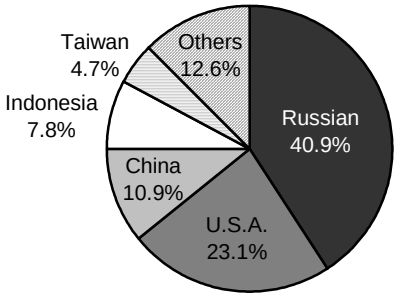
Imports of other fish roe in 2002 finished with 15,352 tons (down 9.5% from the year before).While no precise breakdown is available, this category may include not only gray mullet and kite roe but also other kinds of fish livers and roe. Low prices and abundant variety are the reasons for their popularity. The leading exporters of other fish roe are Russia (32.9%), the United States (21.6%) and Iceland (19.8%). Russia also showed decline in this category. (see Fig. 6)

Fig. 6 Principal exporters of other fish roe to Japan

Trends in import volume by leading exporters



Shares of other fish roe imports in 2002 value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Russia	4,065	5,762	6,774	6,011	8,780	5,051	32.9%	5,660	40.9%
U.S.A.	2,040	2,437	2,734	3,041	3,394	3,315	21.6%	3,195	23.1%
Iceland	2,505	3,243	5,452	3,428	664	3,047	19.8%	614	4.4%
China	223	239	463	874	869	1,502	9.8%	1,503	10.9%
New Zealand	454	843	933	897	332	650	4.2%	195	1.4%
Others	1,810	1,539	2,748	2,721	2,749	1,786	11.6%	2,657	19.2%
TOTAL	11,096	14,063	19,103	16,973	16,787	15,352	100.0%	13,825	100.0%
(E U)	232	177	192	284	455	159	1.0%	268	1.9%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 7 Leading exporters of fish roe to Japan by type (2002, volume basis)

			First			Second		
		TOTAL	Country	Share	Yearly change	Country	Share	Yearly change
Cod roe	frozen	33,762	U.S.A.	72.6%	105.0	Russia	24.5%	57.8
	preparation	2,017	China	68.4%	126.7	R. Korea	27.7%	112.7
	salted, etc.	8,426	China	54.1%	103.7	R. Korea	42.4%	105.5
Herring roe	salted, etc.	8,013	Canada	57.2%	107.5	China	27.8%	94.6
	frozen	5,048	Canada	83.3%	104.8	Ireland	10.6%	61.0
Other fish roe (including livers and milt)	frozen	11,318	Russia	44.6%	84.0	Iceland	26.9%	88.9
	fresh, chilled	2,337	U.S.A.	69.0%	95.0	China	29.2%	188.2
Ikura (preparation of salmon roe)	preparation	5,132	U.S.A.	78.0%	122.0	Canada	12.4%	196.2
Sujiko (salted salmon roe)	salted, etc.	4,628	U.S.A.	67.5%	100.7	Denmark	14.6%	101.5
Caviar and caviar substitutes	preparation	768	Denmark	68.1%	130.2	China	18.8%	388.8
Herring roe on the tangles	salted, etc.	777	Canada	72.8%	111.7	U.S.A.	16.1%	197.0

Unit: tons *Source: Japan Exports and Imports*

(Note) On a value basis, leading exporters of caviar and caviar substitutes to Japan are Iran (39.8%) and Russia (26.6%).

(3) Imports' Market Share in Japan

Most fish roe distributed in Japan consists of processed food products packed in salt. Frozen fish roe is used as a raw material for these products. Since product categories are classified differently in official import statistics than they are for domestic production (post-import processing), it is impossible to accurately determine imports' share of the Japanese market for fish roe. Fig. 8 below presents imports' market share for salt-packed fish roe and prepared fish roe for which domestic production volume can be clearly differentiated. In 2001, the product category in which imports had the largest domestic market share was salted salmon roe (so-called "*sujiko*" and "*ikura*"), with 48.8%. On the other hand, salted cod roe is the least with 7.5%.

Fig. 8 Imports' share in the Japanese market

		1998	1999	2000	2001
Salted cod roe	Domestic production	30,805	29,352	24,189	23,692
	Imports	2,543	2,472	1,970	1,931
	Domestic market total	33,348	31,824	26,159	25,623
	Imports' share	7.6%	7.8%	7.5%	7.5%
Spiced cod roe preparations	Domestic production	27,427	24,447	21,470	22,985
	Imports	11,898	9,941	9,465	7,057
	Domestic market total	39,325	34,388	30,935	30,042
	Imports' share	30.3%	28.9%	30.6%	23.5%
Salted herring roe	Domestic production	13,323	12,660	12,200	11,642
	Imports	9,563	7,747	8,510	7,920
	Domestic market total	22,886	20,407	20,710	19,562
	Imports' share	41.8%	38.0%	41.1%	40.5%
Salted salmon roe (*sujiko*)	Domestic production	4,019	3,576	3,854	8,829
	Imports	4,990	4,888	4,662	8,404
	Domestic market total	9,009	8,464	8,516	17,233
	Imports' share	55.4%	57.8%	54.7%	48.8%
Salmon roe preparations (*ikura*)	Domestic production	9,652	7,806	7,536	23,692
	Imports	3,315	3,985	5,015	1,931
	Domestic market total	12,967	11,791	12,551	25,623
	Imports' share	25.6%	33.8%	40.0%	7.5%

Unit: tons
Source: Annual Statistics on Fishery and Aqua Culture Production, Japan Exports and Imports

3. Key Considerations related to Importing

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

All imported fish roe, irrespective of variety, is subject to the Food Sanitation Law. Cholera inspections once were required for imported fish roe from areas with cholera outbreaks, under provisions of the Quarantine Law. This requirement was abolished as of April 1, 2001. All safety inspections now have been consolidated with inspections performed under the Food Sanitation Law.

Under provisions of the Foreign Exchange and Foreign Trade Law (Import Trade Control Order), cod roe is subject to import quotas, while salmon roe imported from China, North Korea and Taiwan is subject to import approval requirements. Caviar (sturgeon roe) is subject to import controls under the Washington Convention. In addition, the fish catch of foreign vessels is subject to regulation under the Law for Regulation of Fishing Operation by Foreign Nationals.

1) Foreign Exchange and Foreign Trade Law (Import Trade Control Order)

Cod roe is subject to import quotas under the Import Trade Control Order, except for prepared food products. Importers must obtain an import quota allocation in advance from the Minister of Economy, Trade and Industry and also be granted an import license. New applications for import quota allocation are handled on a first-come, first-served basis. Applicants must have cleared at least US$100,000 in food products through customs in the preceding fiscal year. They must already have concluded an import contract for at least 10 tons of fish roe, and they must clear the cargo through customs within 9 months of the date of the import quota grant. Every year in October the application method for import quotas for the succeeding fiscal year is published in official publications of the Ministry of Economy, Trade and Industry, and JETRO, along with the numerical quota limits. For more complete information, please contact the Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

Under provisions of the Import Trade Control Order, imports of salmon, trout and their preparation (including fish roe) originated in or shipped from China, North Korea and Taiwan must obtain import approval (No. 2 approval) from the Minister of Economy, Trade and Industry.

Moreover, as sturgeon is covered by Appendix II of the Washington Convention (designating animal species in danger of extinction without strict controls on international trade), importers of caviar (sturgeon roe) must present to customs for confirmation an export permit issued by the competent authority of the exporter nation government with respect to matters related to the Washington Convention. For more details, please contact the Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

2) Food Sanitation Law

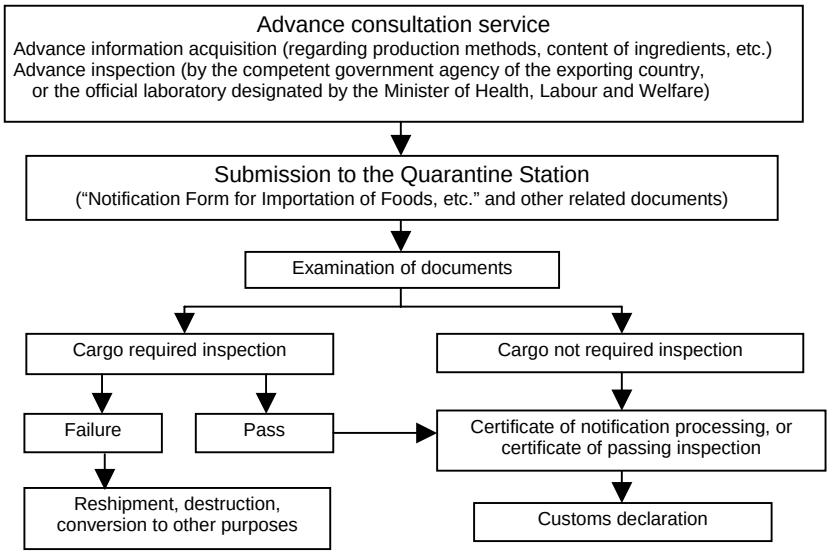
Under provisions of the Food Sanitation Law, an import notification is required for all fish roe being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

The Food Sanitation Law mandates inspections of frozen fish and shellfish intended for use as fresh food, in accordance with the Standards for Frozen Fish and Shellfish for Use as Fresh Food. The Standards require a bacteria count of no more than 100,000 per gram of the test piece, and they require that any E. coli present be dormant. Also, sodium nitrite is authorized for use as a coloring agent with salmon roe and cod roe, but the quantity must not exceed 0.005 grams per kilogram.

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.

The Food Automated Import Notification and Inspection Network System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour and Welfare, and verify their passwords.

Fig. 9 Procedures required under the Food Sanitation Law



3) Law for Regulation of Fishing Operation by Foreign Nationals

When foreign fishing vessels land directly in Japan with fishing products caught on the sea, permission is required by the Minister of Agriculture, Forestry and Fisheries in accordance with the Law for Regulation of Fishing Operation by Foreign Nationals. When fishing products are shipped from a foreign country and land in Japan, permission is not required. However, a certificate of port clearance (PC) issued by the government agency of the shipping country must be attached.

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

The sale of fish roe is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling fish roe sealed in wrapping or containers, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

In order to establish a store and sell fresh fisheries to consumers and retailers, they must apply for and obtain a business license. For more details on applications for licenses for selling fish, required facilities, etc. please contact the health center with jurisdiction over the intended sales area.

2) JAS Law

The JAS Law establishes quality labeling standard for all food and beverage products sold to ordinary consumers. (see 4. Labeling)

3) Health Promotion Law (former Nutrition Improvement Law)

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

4) Measurement Law

Fish roe sealed in wrapping or containers is required the labeling of the net content to certain accuracy. (see 4. Labeling)

5) Act Against Unjustifiable Premiums and Misleading Representations

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

<Fair Competition Code for Spiced Cod Roe Preparations>

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

(3) Competent Agencies

- Foreign Exchange and Foreign Trade Law
  Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- Law for Regulation of Fishing Operations by Foreign Nationals
  Resources Management Division, Resources Management Department, Fisheries Agency, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp
- 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
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- 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
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp

• Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling
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

<Fresh or frozen fish roe>

The JAS Law establishes the Fresh Food Product Quality Labeling Standards and the Marine Product Quality Labeling Standards, requiring quality labeling for fresh fishery products (including chilled or frozen) sold to ordinary consumers. The Law requires to include the following labeling items, and to place labeling on the container or packaging in a readily visible location, or to display it in a readily visible location adjacent to the applicable fresh fishery products.

- Name of product
- Country of origin (names of capturing areas or processing regions for domestic products)
- Description of “thawed” if it corresponds
- Description of “cultivated” if it corresponds

<Fish roe preparations>

When selling salted fish roe and fish roe preparations sealed in wrapping or containers, it is subject to labeling requirements under the Food Sanitation Law, and the Processed Food Product Quality Labeling Standards by the JAS Law.

- Name of product
- List of ingredients
- Food additives (if used)
- Net contents
- Best-before date
- Preservation method
- Country of origin
- Name and address of importer

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging

Individual packaging

(2) Voluntary Labeling based on Provisions of Law

<Labeling under the Health Promotion Law>

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

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

(3) Voluntary Industry Labeling

There is no voluntary industry labeling for fish roe.

5. Taxes

(1) Customs Duties

Customs duties on fish roe are shown below. Japan started lowering its tariff rates on fish roe (except cod roe) in stages starting April 1, 1995 as pledged at the Uruguay Round.

Fig. 10 Customs duties on fish roe

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0302.70-010	Hard roes of Nishin (Clupea spp.) (fresh, chilled)	10%	5.6%		
0302.70-020	Hard roes of Tara (Gadus spp., Theragra spp. and Merluccius spp) (fresh, chilled)	10%			
0302.70-090	Livers and roes of others (fresh, chilled)	5%	3.5%		
0303.80-010	Hard roes of Nishin (Clupea spp.) (frozen)	6%	4%		
0303.80-020	Hard roes of Tara (Gadus spp., Theragra spp. and Merluccius spp) (frozen)				4.2%
0303.80-090	Livers and roes of other s (frozen)	5%	3.5%		
0305.20-010	Hard roes of Nishin (Clupea spp.) (but not Nishin roes on the tangles) (dried, smoked, salted or in brine)	12%	8.4%		
0305.20-020	Hard roes of Tara (Gadus spp., Theragra spp. and Merluccius spp) (dried, smoked, salted or in brine)	15%	7.5%		
0305.20-030	Hard roes of Salonidae (dried, smoked, salted or in brine)	5%	3.5%		
0305.20-040	Nishin roes on the tangles (dried, smoked, salted or in brine)	15%	10%		
0305.20-090	Livers and roes of others (dried, smoked, salted or in brine)	4%	2.8%	Free	
1604.20-011	Hard roes of Nishin (Clupea spp.) (preparations of fish roes, in airtight containers)	12.8%	11%	9.6% * Free	
1604.20-012	Hard roes of Nishin (Clupea spp.) (preparations of fish roes, not in airtight containers)	12.8%	11%		
1604.20-013	Hard roes of Tara (Gadus spp., Theragra spp. and Merluccius spp) (preparations of fish roes, in airtight containers)	12.8%	9%	* Free	
1604.20-014	Hard roes of Tara (Gadus spp., Theragra spp. and Merluccius spp) (preparations of fish roes, but not in airtight containers)	12.8%	9%		
1604.20-019	Hard roes of others ((preparations of fish roes)	6.4%	(6.4%)		
1604.30-010	Ikura ((preparations of fish roes)	6.4%	(6.4%)	4.8% * Free	
1604.30-090	Caviar and caviar substitutes	6.4%	(6.4%)	4.8% * Free	

*Note 1: "*Free" in Preferential Rate is applicable only for the Least Developed Countries.*
Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

The following section describes the characteristics of various types of fish roe.

<Cod roe>

Cod (walleye pollack) is a fish that lives at a depth of 100-400 meters in the northern Sea of Japan, the Ohotsk Sea, the North Pacific Ocean, and the Bering Sea. Because it loses its freshness quickly, it has low value as a fresh fish, and is usually processed into dried fish or ground fish meat. Cod roe is pickled and made into salted cod roe (*tarako*). Then, it is marinated in a mix of flavorings (cayenne pepper, Japanese sake, and other flavorings) and aged and chilled to make the secondary processed food product known as spiced cod roe preparations (*karashi-mentaiko*).

<Herring roe>

Herring is a cold-water migratory fish. Varieties include ocean herring, which forms schools and migrates over a large area, and coastal herring, which live near the coastline. In the past, ocean herring would come near the shore of Hokkaido to lay their eggs, and fixed netting would yield 1 million ton catches. However, herring catches have declined dramatically in recent years, and Japan is now almost completely dependent on imports. Herring roe is a traditional New Year's food in Japan, and average families eat it mostly during December and January. Other times of year people only eat it occasionally at *sushi* shops.

<Salmon and trout roe>

Salmon return to the same stream where they were hatched in order to spawn, in four-year cycles. Pickled aged salmon roe is known as "*sujiko*," while aged eggs that are separated and pickled, are known as "*ikura*" (a Russian loan word that means "fish roe"). There are many different varieties of both *sujiko* and *ikura* salmon roe, but the ones prized as delicacies are those with a lot of fat but soft surfaces. In Japan, production of autumn salmon begins in Hokkaido and the northern Pacific Coast in September, when the ban on salmon fishing is lifted. In recent years, though, imported salmon from the United States (Alaska), Denmark and Finland account for the bulk of the market.

<Caviar and caviar substitutes>

Caviar is the common term for sturgeon roe, and it is prized as one of the three great culinary delicacies of the world. Sturgeon return to the same stream where they were hatched in order to spawn, just as do salmon. Females take 8-9 years to mature for the smaller sevruga sturgeon, 12-13 years for the medium-sized osetra sturgeon, and 20 years for the large beluga sturgeon.

The Caspian Sea area produces more than 90% of the world's caviar, about 900 tons annually. Only about 350-370 tons goes onto the world market, making it a highly prized item. Recent years have seen a decline in the sturgeon population, caused by pollution of the Volga, unfavorable weather, and unauthorized fishing. Caspian Sea nations have all seen their official sturgeon catches fall far below their catch quotas. Russian and three other former Soviet republics received official warnings from the monitoring agency for the Washington Convention, and reports indicate that these nations banned caviar fishing and caviar exports in 2001. The world market thus will inevitably face a caviar shortage.

Imports have been growing of caviar substitutes such as lumpfish caviar and flying fish caviar. These caviar substitutes have smaller-size eggs and differ significantly in taste, but black coloring makes them look the same, and they cost only one-tenth the amount of real caviar. These substitutes are gradually gaining in popularity in Japan.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Nearly all the fish roe distributed in wholesale and retail markets is packed in salt. The most widely consumed fish roe product is spiced cod roe, followed by salted cod roe. In the past salted cod roe was mainly popular in eastern Japan, while spiced cod roe was considered a specialty of Fukuoka City in northern Kyushu, close to its route of transmission from the Korean Peninsula. Today spiced cod roe is more popular nationally than salted cod roe. However, consumption of both on a volume basis has been on a downward trend. (see Fig. 8)

Most salted cod roe processors are small and medium-sized companies that have endured a serious blow from the abnormal spike in the price of imported cod roe. Compared with salted cod roe, spiced cod roe has higher added value and a steadier level of consumption. Still, resistance to the spike in cod roe cost has been strong, and processors have found it difficult to absorb the recent cost run-up. The result has been a serious impact on revenues and profits. Despite the previously discussed decline in imports of frozen cod roe from Russia in 2002, import prices did not spike upward as on other occasions in the past. In fact, the average price per kilogram dropped from ¥1,679 to ¥1,410. This decline is the result of retail price increases from past upward price spikes, changes in package volume, and reduced consumption of salted cod roe and spiced cod roe due to lower product quality, which induced Japanese processors to rein in their purchasing.

Consumption of salted herring roe has also been declining year by year. The association with the New Year's holiday has been declining, and the recession has cut sharply into corporate and individual gift purchase demand. However, some supermarkets have been selling imported frozen herring roe flavored and parceled into small packages (priced at around ¥500 per 80 grams), and these products have been faring comparatively well.

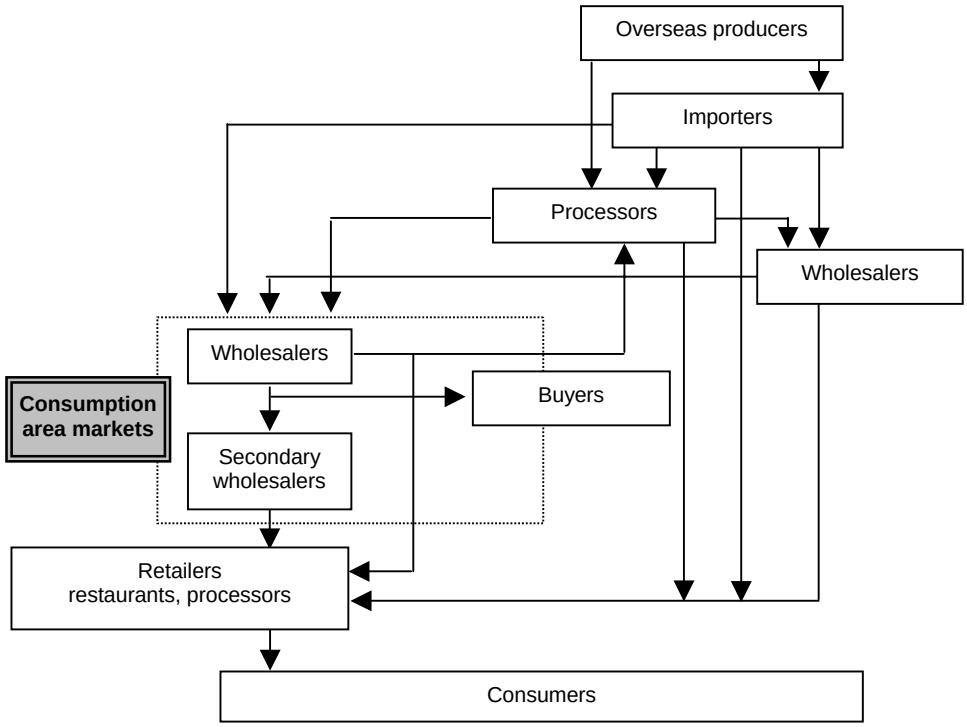
In contrast, annual consumption of "*ikura*" salmon roe has topped the 10,000 ton mark. It has become part of the standard menu at *sushi* shops. Imports have been growing of prepared "*ikura*" salmon roe from the United States (Alaska), Canada and Russia, and they have overwhelmed domestically produced "*ikura*" salmon roe. "*Sujiko*" salmon roe once was consumed mainly in Hokkaido and northern Honshu, but in recent years "*sujiko*" salmon roe marinated in soy sauce has become available in supermarkets around the country, and thus has gained a national following.

(2) Distribution Channels

Distribution channels for imported processed fishery products containing fish roe may be grossly classified into two types. The first is wholesale market-based distribution, from importers and processors to wholesale markets in the consumption area, with the foods distributed from the wholesale markets to mass merchandisers, retailers and food service establishments. The second is outside-market distribution, from importers and processors to wholesalers who operate outside the wholesale market system, and then on to mass merchandisers, retailers and food service establishments. Imported processed fishery products are more often distributed through the latter channels than the former. (see Fig. 11)

Since frozen fish roe is often processed by marinating in salt, processor distribution channels tend to predominate (processors include both spiced cod roe makers and those who import in bulk and simply repackage fish roe for consumer sale). In the case of cod roe, about half of the total is processed into spiced cod roe, and leading spiced cod roe makers are involved not only in procurement of cod roe but also in wholesaling and in retailing, through direct outlet stores and catalog and Internet sales. Mass merchandisers and restaurant chains are increasingly shifting to imported fishery products that offer consistency in size, product quality and price, and that are consistently available. The same trend holds true for fish roe as well.

Fig. 11 Imported fish roe distribution channels



Notes:
1) Buyers; includes large-scale buyers, food processors, operators from outside the local area, trading company representatives.
2) Processors also include companies that import in bulk and simply repackage the merchandise for consumer sale or perform other comparable minor processing.

(3) Key Considerations for entering the Japanese Market

Prospective fish roe importers need to check thoroughly in advance regarding the different varieties of fish roe in different countries, and for differences in regulations. Also, since the Japanese market is very demanding in regard to product quality and standards compliance, importers must pay careful attention to freshness and size, among other factors. Also, it is difficult to enter the market without securing processing outlets and marketing channels in advance.

8. After-Sales Service

Sometimes complaints arise from consumers about sanitation-related issues. In such cases, either the retail store, the processor or the importer is responsible for dealing with the matter.

9. Related Product Categories

Fish roe not intended for use as food (HS No. 0511.91) includes 1) fish roe for incubation and 2) fish roe for use as bait. Fish roe for incubation is identified at customs as so intended by the presence of black marks representing eyes of the hatchlings, and is sometimes subject to provisions of the Fishery Resource Protection Law. Salt-packed cod roe and mackerel roe are often used as bait, and are clearly distinguished from roe for use as food by their unpleasant odor. There are no legal or regulatory restrictions on the importation of fish roe for use as bait.

All imports of coastal herring, cod, sardines, mackerel and horse mackerel are subject to import quotas, whether they are imported live, fresh, chilled, frozen, salt-packed, dried, or salt-pickled. Importers must obtain an import quota in advance from the Minister of Economy, Trade and Industry. Also, if the material is imported for resale, it is also subject to provisions of the Food Sanitation Law.

10. Direct Imports by Individuals

Individual imports of fish roe deemed appropriate to personal consumption are exempt from provisions of the Food Sanitation Law.

11. Related Organizations

- Japan Fish Traders Association TEL: 03-5280-2891 http://www.jfta-or.jp
  (Name changed as of July 2001, to reflect a dual mission of promoting both exports and imports)
- Japan Frozen Foods Inspection Corporation TEL: 03-3438-1411 http://www.jffic.or.jp

17. Edible Seaweed

1. Definition of Category

Several varieties of imported edible seaweed. It does not include baked or boiled seaweed or seaweed that has been canned, flavored or otherwise processed.

HS Numbers	Commodity
1212.20-110	Dried *nori*
1212.20-120	*Porphyra spp*. and other seaweed mixed with *Porphyra spp.*
1212.20-131	*Hijiki*
1212.20-133, -135, -136	*Wakame*
1212.20-139	Other seaweed and algue

2. Import Trends

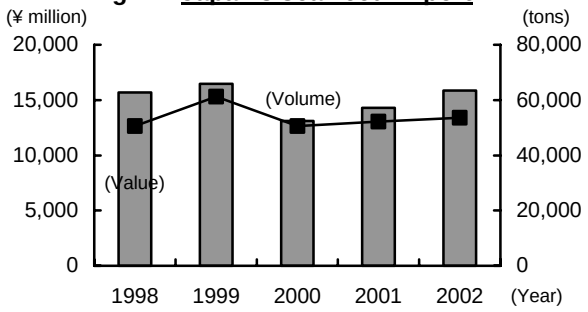
(1) Recent Trends in Edible Seaweed Imports

The categories of dried *nori*; *Porphyra spp.* and other seaweed mixed and other category (including *kombu*) are designated as import quota items. Import quantities are subject to government controls. At present the nation subject to quotas is the Republic of Korea. Since FY 1998 the IQ amount has been set by intergovernmental agreement, and the quota limit was raised to 150 million sheets in FY 2001, and to 180 million sheets in FY 2002.

Edible seaweed enjoys strong demand as a health food product. But, aside from a temporary sudden rise in 1999, edible seaweed imports tend to remain consistently at around the 50,000 ton level. 2002 actually saw a recovery from the falloff of a year earlier, with 53,594 tons (up 2.7% from the year before), worth ¥15.9 billion (up 10.8%).

A look at imports by product shows *wakame* (42,834 tons, up 4.9% from the year before) to be imported the most - accounting for 79.9% of the volume and 52.7% of the value. Seaweed imports increased during 2002 in all categories except for h*ijiki*. Most *wakame* is imported in the boiled and salted form, while *kombu*, *hijiki*, *aonori*, and *hitoegusa* are mainly imported in the dried form.

Fig. 1 Japan's seaweed import



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Dried *nori*	99	214	114	301	196	552	234	835	239	802
Hijiki	7,234	6,117	7,460	5,253	6,088	3,557	6,838	4,243	6,088	4,671
Wakame	40,954	8,560	50,096	9,269	40,035	7,173	40,831	7,305	42,834	8,348
Other seaweed and algue	2,281	794	3,590	1,635	4,221	1,832	4,281	1,921	4,434	2,033
TOTAL	50,569	15,686	61,260	16,458	50,541	13,114	52,184	14,303	53,594	15,854

Units: tons, ¥ million *Source: Japan Exports and Imports*

(2) Imports by Place of Origin

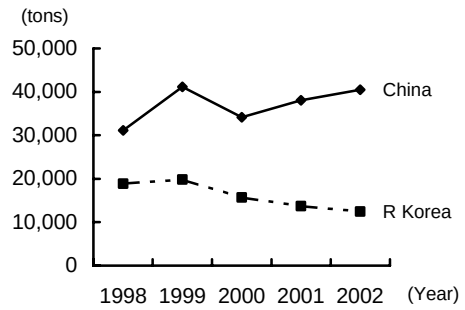
China and the Republic of Korea together hold a virtual monopoly on the import market for edible seaweed, with China holding the lead in *wakame* (import share 83.2%) and the Republic of Korea in *hijiki* (72.6%). Recently, prices of edible seaweed from the Republic of Korea have been rising. Along with this, the price merits of Korean products has fallen. The lower priced Chinese seaweed has been catching up as a result. China posted sizable 47.1% growth to overtake the Republic of Korea for the top spot, with growth not only in *wakame* but also in *hijiki*.

China not only has natural edible seaweed, but also is farming the seaweed. The main production areas are Shandong and Fujian provinces. Japan constitutes the biggest export market for Chinese producers. Tonga, Chile, and the Philippines, among others, also export edible seaweed to Japan, but their exports are minimal.

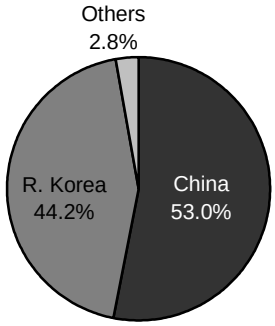
The categories of dried *nori*; *Porphyra spp*. and other seaweed mixed and other category (including *kombu*) are designated as import quota items. Consequently, all imports of these varieties come from the Republic of Korea, and the expanded quota limit has expanded imports from 15.6 tons in 1996 to 239 tons in 2002.

Fig. 2 Principal exporters of edible seaweeds to Japan

Trends in import volume by leading exporters



Shares of edible seaweed imports in 2002(value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	31,112	41,182	34,112	38,059	7,028	40,515	75.6%	8,403	53.0%
R. Korea	18,893	19,838	15,699	13,742	7,042	12,480	23.3%	7,011	44.2%
Tonga	420	102	500	201	18	180	0.3%	18	0.1%
Brazil	-	-	-	-	-	119	0.2%	24	0.1%
Chile	31	33	74	48	102	99	0.2%	166	1.0%
Others	113	105	156	135	114	201	0.4%	232	1.5%
TOTAL	50,569	61,260	50,541	52,184	14,303	53,594	100.0%	15,854	100.0%
(E U)	1	0	1	0	0	0	0.0%	0	0.0%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 3 Leading exporters of sea weeds to Japan by category (2002, volume basis)

		First			Second		
	TOTAL	Country	Share	Yearly change	Country	Share	Yearly change
Dried *nori*	239	R. Korea	100.0%	101.9			
Hijiki	6,088	R. Korea	72.6%	77.5	China	27.3%	147.1
Wakame	42,834	China	83.2%	104.5	R. Korea.	16.8%	107.0
Other seaweed and algue	4,434	China	72.6%	114.5	R. Korea	14.3%	58.2

Unit: tons *Source: Japan Exports and Imports*

(3) Imports' Share in the Japanese Market

Domestic seaweed production totaled 12,600 tons (dry weight basis) in 2001, the lowest level anytime in the recent past. Imports held a 38.9% share of the overall seaweed market, with a slight upward trend evident in recent years. While it is not possible to calculate precise imports' market shares on a product-specific basis, imports have about 40% of the *wakame* market, and imports have about 80% of the *hijiki* market.

Fig. 4 Imports' share in the Japanese market

	1997	1998	1999	2000	2001
Domestic production	137	128	135	130	126
Imports	75	76	90	78	79
Exports	3	2	2	2	2
Domestic supply total	209	202	223	206	203
Imports' share	35.9%	37.6%	40.4%	37.8%	38.9%

Unit: 1,000 tons *Source: Food Supply and Demand*
Note: converted to dried weight in fiscal year basis (April-March).

A survey by the National Federation of Fisheries Cooperative Association indicates that the total supply of edible seaweed for FY 2001 was 15.68 billion dried sheets. Of this total, 10.74 billion sheets came from domestic production (68.5%), 4.76 billion sheets came from previous inventory (30.4%), and 0.18 billion sheets came from the Republic of Korea (1.1%).

3. Key Considerations related to Importing

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

Some of seaweed is subject to import quota allocation and prior confirmation requirements based on the Foreign Exchange and Foreign Trade Law (Import Trade Control Order). The importation of seaweed is also subject to provisions of the Food Sanitation Law.

1) Foreign Exchange and Foreign Trade Law (Import Trade Control Order)

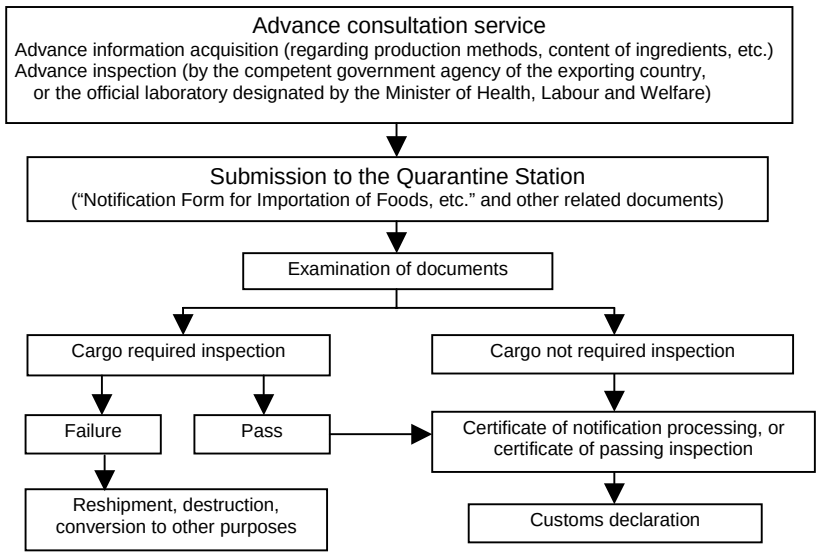
<Import Quota (IQ) System>

The categories of dried *nori*; *Porphyra spp*. and other seaweed mixed and other category (including *kombu*) are designated as import quota items. Import quantities are subject to government controls. Any person or organization wishing to receive an import quota for these seaweed must submit three copies of the "Application for Import License/Import Quota," along with other required documentation, to the Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

2) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for edible seaweed being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Fig. 5 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.

The Food Automated Import Notification and Inspection Network System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour and Welfare, and verify their passwords.

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

The sale of edible seaweed is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

When selling edible seaweed sealed in wrapping or containers, it must be labeled in accordance with provisions of the Food Sanitation Law (see 4. Labeling).

2) JAS Law

The JAS Law establishes quality labeling standard for all food and beverage products sold to ordinary consumers. (see 4. Labeling)

3) Measurement Law

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

4) Act Against Unjustifiable Premiums and Misleading Representations

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

(3) Competent Agencies

- Foreign Exchange and Foreign Trade Law
  Trade Licensing Division, Trade and Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
- 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
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling
  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 Procedures

(1) Legally Required Labeling

When selling edible seaweed sealed in wrapping or containers, following items must be listed all together on the label, in accordance with the Food Sanitation Law, the Processed Food Product Quality Labeling Standards under provisions of the JAS Law, and the Measurement Law. In addition, there are individual labeling requirements for dried *wakame* and salt-packed *wakame*. Domestically produced seaweed must indicate name of raw material producing area.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients
3) Net content
4) Best-before date
5) Preservation method
6) Usage instruction (if specified)
7) Country of origin
8) Importer's name and address

Example label for dried *wakame*

Product name	Dried wakame
List of ingredients	Wakame
Net contents	500g
Best-before data	January 2004
Preservation instructions	Keep at room temperature. Avoid hot spots
Country of origin	China
Importer	XXX Wakame Co. X-X, YY-machi, ZZ Prefecture

Example label for salt-packed *wakame* (salt content 40% or more)

Product name	Salt-packed wakame
List of ingredients	Wakame
Salt content level	50%
Net content	300g
Best-before date	2004. 1. 22
Preservation instructions	Keep at room temperature out of direct sunlight
Usage Instructions	Remove salt before using
Country of Origin	Republic of Korea
Importer	XXX Wakame Co. X-X, YY-machi, ZZ Prefecture

In addition, the JAS Law establishes the Fresh Food Product Quality Labeling Standards, requiring quality labeling for fresh seaweed sold to ordinary consumers. The Law requires to include the following labeling items, and to place labeling on the container or packaging in a readily visible location, or to display it in a readily visible location adjacent to the applicable fresh fishery products.

1) Product name
2) Country of origin

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging

Individual packaging

(2) Voluntary Labeling Based on Provisions of Law

<JAS Law>

JAS Mark

In the edible seaweed, *kombu* is subject to JAS standards. 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 display the JAS mark in order to be sold.

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

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

(3) Voluntary Industry Labeling

There is no voluntary industry labeling for edible seaweed.

5. Taxes

(1) Customs Duties

Following table presents tariff rates on edible seaweeds.

Fig. 6 Customs duties on edible seaweeds

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
1212.20	Locust beans, seaweed and other algae				
	1. Edible seaweeds				
-110	(1) Formed into rectangular, including square, papery sheets not more than 430 cm^2/piece	¥1.50/piece			
-120	(2) *Porphyra spp*. And other seaweeds mixed with *Porphyra spp.*	40%			
	(3) Other edible seaweeds	15%			
-131	a. Hijiki (*hizikia fusiforme*)		10.5%	8% *Free	
-133~-136	b. Wakame (*Undaria pinnatifida*)		10.5%		
	2. Other seaweeds				
-139	(1) *Gloiopeltis spp*., *Porphyra spp*., *Enteromorpha spp*., *Monostroma spp*., *Kjellmaniella spp.* or *Laminaria spp*.	5%	3.5%		

*Note 1:"*Free" in Preferential Rate is applicable only for the Least Developed Countries.*
Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

<Wakame>

Japanese *wakame* is classified according to thickness, with certain regions of Japan typically producing particular grades of thickness. Almost all imported the Republic of Korean and Chinese *wakame* is cultivated. Korean and Chinese *wakame* fall roughly in between what is considered medium and thin in Japan, and primarily used in boiled salt-packed products. In addition, since Chinese *wakame* is very inexpensive, it is widely used in commercial settings and in economy-size packaging.

<Kombu>

Most *kombu* imports are cultivated, and are imported in dried form. Imported cultivated *kombu* differs in flavor and texture from natural Japanese *kombu*, so food service providers primarily use it in processed food products.

<Hijiki>

There are also notable differences in color and texture between Japanese and imported *hijiki*. Japanese *hijiki* also tends to be larger and thicker than imported *hijiki*. Both domestic and imported *hijiki* is usually distributed in dried form, and there is no readily apparent difference between the two. Japanese consumers rarely know or care where the *hijiki* they purchase came from.

7. The Japanese Distribution System and Business Practices

(1) Japanese Market Conditions

Edible seaweed enjoys strong demand as a health food product, but there continues to be an excess of supply over demand for *wakame*, for dried *nori* and for *kombu*. At the same time, increased imports from China and the Republic of Korea have driven down market prices, threatening the survival of many small-scale producers. Some producer organizations have been calling for regulations on imports as a result.

A damaging blow occurred to *nori* seaweed production in Japan's principal domestic producing area, the Ariake Sea in 2001. This disrupted the supply-demand balance and put makers and wholesalers into intense competition for supplies, and prices skyrocketed as a result. In a dramatic turnaround, 2002 saw a bumper harvest of seaweed, and prices returned to more normal levels.

According to a survey by the National Federation of Fisheries Cooperative Association, breakdown of seaweed consumption shows that 62% is for commercial use, 30% is for home use and 8% is for use as gifts.

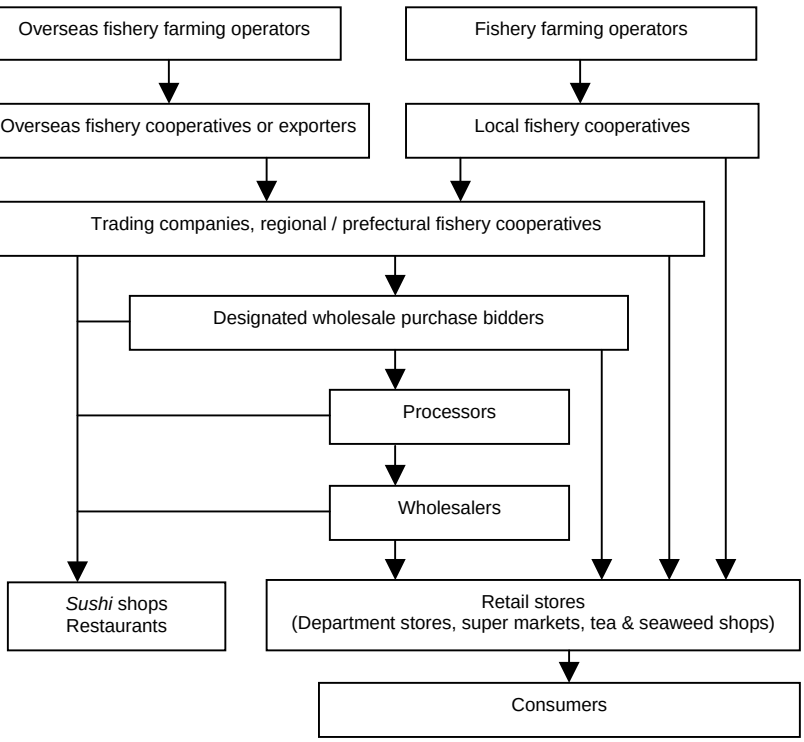
The popularity of convenience store boxed lunches and *sushi* bars in recent years has boosted demand from commercial users. Unlike domestic seaweed, Korean seaweed can be marinated in oil and salt for flavor and spice to make snack foods that have won a solid foothold in the market. Demand for *nori* seaweed concerns have risen over import quotas on the Republic Korean *nori*. More than 1,000 companies participated in a public screening meeting to determine priority application quota purchase rights, for a competition rate 9 times.

(2) Distribution Channels

In Japan, seaweed products such as *kombu*, *nori*, and *hijiki* are distributed in dried form, while *wakame* is most often distributed in boiled salt-packed form. Dried seaweed is often packaged for sale as a souvenir gift item as well. Almost all-Japanese seaweed is handled through joint sales by local fishery cooperatives. Those joint sales occur between the local fishery cooperatives and designated wholesale purchase bidders (wholesalers or processors).

Imported seaweed usually is distributed from an overseas fishery collective or exporter through a trading company or local fishery cooperative in Japan to retail outlets.

Fig. 7 Distribution channels for edible seaweed



(3) Points to Consider When First Entering the Japanese Market

Edible seaweed importers must make sure to take steps to assure the freshness of the merchandise after shipping and storage. Also, since generally seaweed is in oversupply in Japan, it is important to secure distribution channels ahead of time. Prospective importers must bear in mind that certain varieties of seaweed are subject to import quota (IQ) requirements. Import quotas for *kombu*, for instance, are allotted to the Hokkaido Federation of Fisheries Cooperative Association.

Quotas for *nori* and other types of seaweed are allocated based on past import experience and results. For FY 2002, import quota for *nori* is 180 million sheets, and the breakdown is 112 million sheets for users allocation; 30.2 million sheets for trading company (track-record purchaser) allocation, and 37.8 million sheets for priority application allocation. Those seeking a new import quota must obtain it within the priority application quota allocation. However, there have been a great many applicants in recent years, and only a few have been granted quotas.

8. After-Sales Service

There is virtually no need for after-sales service. In that event, retailer or importer is responsible for addressing the problem.

9. Related Product Categories

Related products include baked *nor*i, seaweed-based broth and *nori* boiled in soy sauce. Processed *nori* and *kombu* products are also subject to import quota (IQ) requirements, while all processed foods made from edible seaweed are subject to provisions of the Food Sanitation Law. Seaweed is sometimes imported for use as an ingredient making toothpaste and dyes.

10. Direct Imports by Individuals

Imports in quantities judged appropriate for individual consumption are exempt from requirements of the Foreign Exchange and Foreign Trade Law and the Food Sanitation Law. In the case of dried *nori*, the quantity deemed appropriate for individual consumption is 1,000 sheets per household per month. Appropriate quantities for *kombu* and other varieties of edible seaweed are determined on a case-by-case basis. Individuals who plan to import edible seaweed directly should check in advance with the Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

11. Related Organizations

- Seaweed Department, National Federation of Fisheries Cooperative Association
  TEL: 03-3294-9611 http://www3.jf-net.ne.jp
- Japan *Kombu* Incorporated Association TEL: 06-6533-2290 http://www.kombu.or.jp
- Nippon *Wakame* (sea weed) Association TEL: 03-3396-3549

18. Dairy Products

1. Definition of Category

This section addresses the dairy product categories of butter, cheese and ice cream. Cheese is broadly classified into natural cheese and processed cheese, but this report also examines other more distinctive forms of cheese, such as those containing spices, meat, vegetables and vitamins.

HS Numbers	Commodity
0405.10	Butter
0406.10-020, 10-090, 20-200, 40-090	Natural cheese
0406.10-010, 40-010, 90-010, -090	Natural cheese for making processed cheese
0406.20-100, 30	Processed cheese
2105.00	Ice cream

Note1: 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.

Note2: The HS number above covers a larger range than discussed in this report.

2. Import Trends

(1) Recent Trends in Dairy Product Imports

<Butter>

Fresh milk produced in Japan is generally used to make ordinary drinking milk, which enjoys a price advantage over other dairy products. Only a small portion of Japan's milk production goes into making butter. Imports generally compensate for shortages of domestically produced butter relative to demand. In order to stabilize domestic butter prices, all butter imports pass through a single importer channel, namely, the Agriculture and Livestock Industry Corporation. From 1996 onward, butter imports have shrunk to the 300-350 ton range.

Because consumers have begun avoiding processed dairy products, inventories of fat-free powdered milk are running at high levels. In contrast, butter is in short supply. Accordingly, Japan made use of its current access (WTO minimum access) ceiling for government trade to execute import contracts for 3,500 tons of butter in FY 2001 and 3,000 tons in FY 2002. This was the first government sponsored sale of butter since December 1991, and the first since the current access ceiling system was instituted in 1995 (previous current access purchases had all involved fat-free powdered milk, except for whey).

In addition, the official customs classification system will change in July of 2002. Under the new system, middle fat cream cheese (MFC, dairy fat content 50-60%) that has not undergone protein solidification was classified as butter instead of natural cheese (so-called "virtual butter," used in making ice cream, and previously subject to the tariff rate applied to cheese). The result was a leap of 4,241 tons of butter imports for the full year 2002.

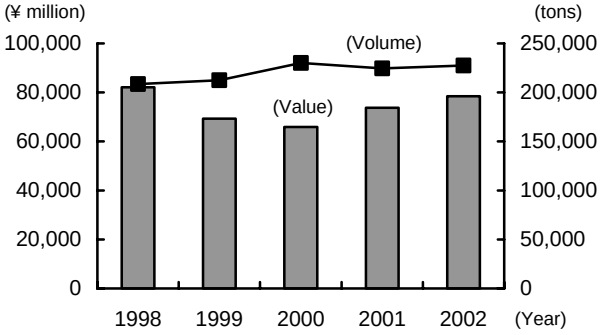
<Cheese >

Cheese imports have been steadily rising year by year, breaking through the 200,000 ton barrier for the first time in 2000, to a total of 205,123 tons. Despite a 16% increase in the unit price of imported cheese in 2001, due to higher raw material prices, increased transportation costs and the weakness of the yen, imports fell just 1.5%, to 202,076 tons. In 2002, the volume of total cheese imports keeps high level in 203,547 tons (up 0.7%), and reached ¥71.9 billion (up 6.6% from the year before) on the value basis.

Cheese consumption in Japan is split between natural cheese and processed cheese, but most imported cheese consists of natural cheese. In 2002, natural cheese imports for direct consumption were 68,737 tons (up 9.3%), and imports for making processed cheese were 127,836 tons (down 3.1%).

The cheese market in Japan has grown for ten straight years, and imports of natural cheese for direct consumption have also been rising. Demand is rising in particular for Parmesan cheese used with Italian food, as well as for Camembert and other white mold cheeses. For its parts, Japan imports only a small quantity of processed cheese, though that total had been growing in recent years. But, 2002 saw process cheese imports slip to 6,974 tons (down 3.5% from the year before).

Fig. 1 Japan's diary product imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Butter	327	117	324	102	319	89	316	111	4,241	690
Cheese (total)	183,447	72,992	186,904	61,746	205,123	59,116	202,076	67,442	203,547	71,919
Natural cheese	50,337	20,795	55,506	19,130	66,360	19,813	62,892	21,322	68,737	24,233
Natural cheese for processing	127,783	49,005	125,457	39,297	132,154	36,007	131,957	42,418	127,836	43,883
Processed cheese	5,327	3,191	5,940	3,319	6,610	3,296	7,227	3,703	6,974	3,802
Ice cream	25,564	10,087	25,948	8,270	25,294	7,353	22,804	6,933	20,469	6,639
TOTAL	209,339	83,195	213,176	70,118	230,737	66,559	225,196	74,486	228,257	79,247

Units: tons, ¥ million *Source: Japan Exports and Imports*

<Ice cream>

Since 1995 the ice cream market in Japan remains in a slump, and ice cream imports have been essentially flat at around 25,000 tons. Moreover, since 2000 onward imports have been falling. 2002 saw no halt in the decline in ice cream imports, which slid to just above the 20,000 ton mark at 20,469 tons (down 10.2% from the year before), valued at some ¥6.64 billion (down 4.2%). The main reason for the decline is the slump over the past two years in imports of super-premium ice cream (mainly US-made).

(2) Imports by Place of Origin

<Butter>

As mentioned above, butter imports took place in 2002 under the current access ceiling. This resulted in a huge increase in imports from New Zealand, which soared from 191 tons the year before to 3,800 tons. Australia also leapt from 65 tons to 384 tons. Japan imports only very small quantities of butter from France and Denmark, but they are luxury-grade products with high prices. (see Fig. 2)

<Cheese>

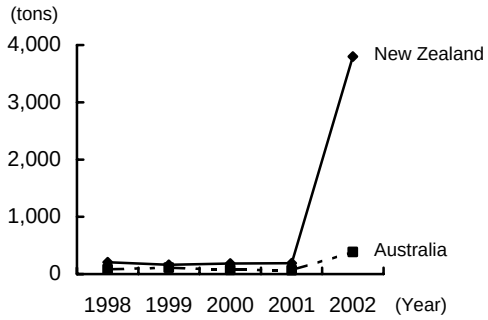
The main exporters of cheese are in Oceania or Western Europe. Australia led with a share of 45.7%, followed by New Zealand (22.2%) and EU member nations (total share of 25.7%) such as Denmark, Germany and the Netherlands. Cheese import leader Australia recovered in 2002 from its slump the year before to post a new all-time record with 93,058 tons of exports (up 16.3%). (see Figures 3-5)

The Australian Dairy Corporation (ADC) has exclusively handled all cheese exports to Japan for the last 10 years, but this program was abolished as of July 2002. Japanese trading companies and dairy product makers are able to do business with Australia on their own. Leading Australian cheese makers are taking new steps to further trade, such as opening representative offices in Japan. 2002 saw sizable growth in imports from Australia, not only of natural cheese for making processed cheese, but also of natural cheese for direct consumption. Australia owns a large lead in this sector with 67.2% of the import market. Second-place New Zealand fared poorly in 2002, with cheese exports to Japan down by 15.5% to 45,131 tons. This mainly was the result of a 30% decline from the year before in cheddar and other cheeses used as raw material for processed cheese (under tariff quota).

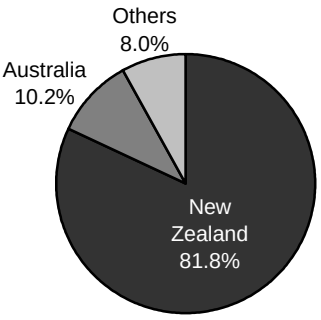
Among the EU nations, Denmark and Germany pulled back in 2002 after posting gains the year before, while the Netherlands, France and, among the lower ranks, Italy and Great Britain all recorded gains. Denmark mainly exports natural cheese for direct consumption, while Germany and the Netherlands export a high proportion for use in making processed cheese (not under tariff quota). France is the leading exporter of processed cheese for direct consumption, with a 54.0% import share. For its part, the United States exports a unique mixture of cheeses to Japan, including fresh cheese, powdered cheese and mozzarella cheese for use in delivery pizzas.

Fig. 2 Principal exporters of butter to Japan

Trends in import volume by leading exporters



Shares of butter imports in 2002 (value basis)

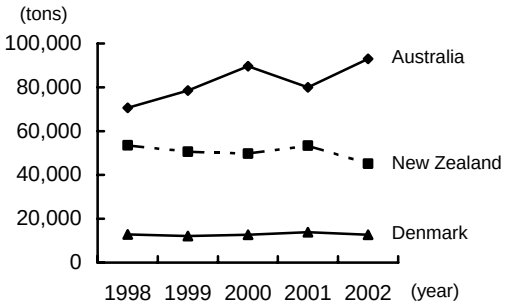


	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
New Zealand	207	164	187	191	43	3,800	89.6%	564	81.8%
Australia	86	111	72	65	17	384	9.0%	71	10.2%
France	21	21	26	34	38	42	1.0%	46	6.7%
Denmark	13	5	15	8	3	9	0.2%	4	0.7%
Belgium	0	0	0	0		5	0.1%	1	0.2%
Others	1	23	19	18	10	3	0.1%	3	0.4%
TOTAL	327	324	319	316	111	4,241	100.0%	690	100.0%
(E U)	34	26	41	45	44	57	1.3%	54	7.8%

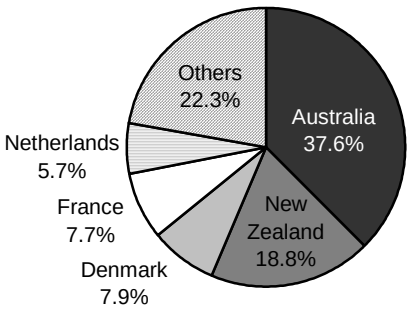
Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 3 Principal exporters of cheese to Japan

Trends in import volume by leading exporters



Shares of cheese imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Australia	70,655	78,447	89,594	80,028	21,916	93,058	45.7%	26,723	37.2%
New Zealand	53,509	50,655	49,678	53,413	15,513	45,131	22.2%	13,370	18.6%
Denmark	13,121	12,436	13,035	14,156	5,458	12,924	6.3%	5,763	8.0%
Germany	7,181	7,821	10,855	12,298	3,702	12,176	6.0%	4,005	5.6%
Netherlands	7,815	7,586	9,127	10,239	3,404	11,344	5.6%	4,048	5.6%
Others	31,166	29,959	32,835	31,941	17,450	28,914	14.2%	18,010	25.0%
TOTAL	183,447	186,904	205,123	202,076	67,442	203,547	100.0%	71,919	100.0%
(E U)	38,769	38,452	44,912	49,647	22,241	52,218	25.7%	25,253	35.1%

Units :tons, ¥ million *Source: Japan Exports and Imports*

Fig. 4 Leading exporters of cheese by usage (2002, volume basis)

		Natural cheese			Processed cheese
		(For raw material)		(For direct consumption)	(For direct consumption)
		(TQ)	(Other than TQ)		
Ranking	Total volume	40,478	87,359	68,737	6,974
1	Country	Australia	Australia	Australia	France
	Import share	46.9%	31.7%	67.2%	54.0%
	Yearly change	106.0	108.3	127.0	116.2
2	Country	New Zealand	New Zealand	New Zealand	Denmark
	Imports' share	34.7%	26.2%	11.8%	19.8%
	Yearly change	70.0	95.8	86.5	101.6
3	Country	Norway	Netherlands	Denmark	R. Korea
	Imports' share	4.5%	11.6%	6.0%	7.3%
	Yearly change	102.9	110.5	103.8	78.2
4	Country	Germany	Germany	U.S.A	U.S.A.
	Imports' share	3.3%	11.0%	5.0%	5.6%
	Yearly change	115.1	98.7	90.2	78.7
5	Country	Denmark	Denmark	Italy	Netherlands
	Imports' share	3.0%	7.1%	3.5%	4.9%
	Yearly change	108.7	80.6	117.6	152.4

TQ =Tariff Quota (see 3-(1)) *Source: Same as above*

Fig. 5 Leading exporters of cheese to Japan and their usages (2002, volume basis)

				Natural cheese			Processed cheese
				(For raw material)		(For direct consumption)	(For direct consumption)
Ranking	Country	Total volume	Yearly change	(TQ)	(Other than TQ)		
1	Australia	93,058	116.3	20.4%	29.8%	49.6%	0.2%
2	New Zealand	45,131	84.5	31.2%	50.7%	17.9%	0.2%
3	Denmark	12,924	91.3	9.5%	48.1%	31.7%	10.7%
4	Germany	12,176	99.0	11.0%	79.0%	8.7%	1.3%
5	Netherlands	11,344	110.8	4.9%	89.0%	3.1%	3.0%
6	France	6,691	107.8	0.4%	33.9%	9.4%	56.3%
7	Norway	5,392	90.9	20.4%	29.8%	49.6%	0.2%
8	Italy	4,472	109.2	-	80.6%	16.8%	2.6%
9	U.S.A.	4,314	96.5	2.4%	17.3%	64.3%	16.0%
10	U.K.	2,228	240.5	4.8%	94.5%	0.8%	-

Units: tons, % *Source: Same as above*

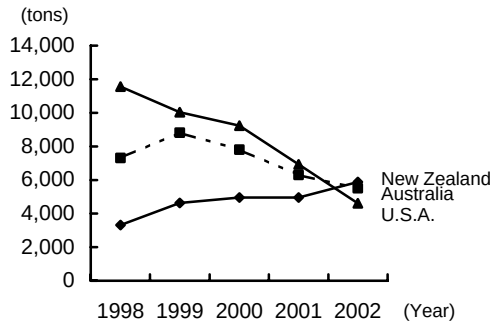
<Ice cream>

Imports from the United States had been trending downward, reacting to the sluggishness in the domestic market, since 1998. In 2002, however, American imports sagged to just 4,600 tons, a drop of 33.7% from the year before. The USA not only conceded the top spot in the rankings to New Zealand, but also dropped below Australia into 3rd place. American imports stand at just 37% of the level of their peak year of 1997 (12,550 tons). But, most American ice cream imports consist of luxury-grade premium and super-premium brands, so the United States continues to hold the lead in imports on a value basis, with a 31.4% import share.

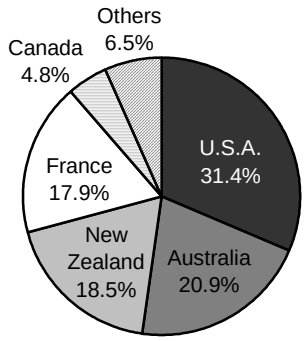
In 2002, in contrast to the slump in American and Australian imports, New Zealand ice cream alone fared well, with an increase of 18.7% to 5,877 tons. This is the first time ever that New Zealand has finished first in the rankings (28.7% import share). Nearly all ice cream imports from New Zealand consist of OEM production for Japanese dairy makers and private brand products sold at mass merchandisers. These products are generally lower in price, so New Zealand ranks just third on a value basis. Although only a small volume is involved, upscale French ice cream is growing steadily.

Fig. 6 Principal exporters of ice cream to Japan

Trends in import volume by leading exporters



Shares of ice cream imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
New Zealand	3,310	4,629	4,956	4,951	1,023	5,877	28.7%	1,229	18.5%
Australia	7,314	8,827	7,802	6,314	1,044	5,507	26.9%	1,387	20.9%
U.S.A.	11,563	10,032	9,243	6,937	3,100	4,600	22.5%	2,083	31.4%
France	1,295	307	911	1,664	918	1,971	9.6%	1,185	17.9%
Canada	1,292	1,206	1,368	1,372	317	1,304	6.4%	320	4.8%
Others	790	947	1,014	1,567	531	1,210	5.9%	434	6.5%
TOTAL	25,564	25,948	25,294	22,804	6,933	20,469	100.0%	6,639	100.0%
(E U)	2,064	997	1,839	3,143	1,407	3,045	14.9%	1,557	23.4%

Units: tons, ¥ million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

<Butter>

Imports' share is around 1% because butter requires freshness.

<Cheese>

Imported natural cheese enjoyed around 85% share in the Japanese market. This large market share results from the high cost of Japanese natural cheese, and from climatic conditions in Japan, which are less suited to cheese making than other countries.

A breakdown for cheese consumption (Fig. 6) shows that imported natural cheese for direct consumption accounted for 90.1% of the market, and natural cheese for use in making process cheese accounted for 77.8%. In contrast, most processed cheeses are domestic products made from a blend of imported natural cheese and domestically produced ingredients. Imported process cheese accounted for just 6.1% of the process cheese market.

Fig. 7 Imports' share in the Japanese market

	<FY>	1997	1998	1999	2000	2001
Butter	Domestic production	88	88	90	80	86
	Imports	1	1	0	0	0
	Change in stock	△1	6	6	△3	△8
	TOTAL	90	83	84	83	94
	Imports' share	1.1%	1.2%	0%	0%	0%
Cheese	Domestic production	34	35	37	34	34
	Imports	173	183	190	209	206
	Change in stock	0	0	0	0	0
	TOTAL	207	218	227	243	240
	Imports' share	83.6%	83.9%	83.7%	86.0%	85.8%

Unit: 1,000 tons FY = April to March *Source: Food Supply and Demand*

A breakdown for cheese consumption (see Fig. 8) shows that imported natural cheese for direct consumption accounted for 90.1% of the market in FY 2001, and natural cheese for use in making processed cheese accounted for 77.8%. In contrast, most processed cheeses are domestic products made from a blend of imported natural cheese and domestically produced ingredients. Imported processed cheese accounted for jut 6.1% of the processed cheese market.

Fig. 8 Trends in Cheese Supply and Demand

		FY 1998	FY 1999	FY 2000	FY 2001
Natural cheese (for direct consumption)	Domestic production	14,827	15,977	14,628	14,159
	Imports	104,666	111,881	127,903	128,788
	TOTAL	119,493	127,858	142,531	142,947
	Imports' share	87.6%	87.5%	89.7%	90.1%
Natural cheese (used as raw ingredient for process cheese)	Domestic production	20,093	20,534	19,041	20,188
	Imports	72,196	72,662	74,394	70,744
	(Tariff Quota)	(49,681)	(50,518)	(48,380)	(46,990)
	TOTAL	92,289	93,199	93,435	90,932
	Imports' share	78.2%	78.0%	79.6%	77.8%
Processed cheese (for direct consumption)	Domestic production	108,902	109,975	110,177	107,300
	Imports	5,655	5,884	6,868	6,935
	TOTAL	114,557	115,859	117,045	114,235
	Imports' share	4.9%	5.1%	5.9%	6.1%
Domestic consumption (total of direct consumption)		234,050	243,717	259,576	257,182
Yearly change		105.1	104.1	106.5	99.1
Imports' share		83.9%	83.8%	86.1%	85.7%

Unit: tons

Source: Compiled from Supply and Demand of Cheese, Ministry of Agriculture, Forestry and Fisheries

< Ice cream >

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. 9 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 seven straight years on a volume basis.

Fig. 9 Trends in market size of ice cream (reference)

(FY)	1995	1996	1997	1998	1999	2000	2001
Sales volume	868.9	847.2	823.5	825.0	825.7	813.9	786.2
(Yearly change)	89.8	97.5	97.2	100.2	100.1	98.6	96.6
Sales value	387.9	378.5	375.0	367.1	358.5	354.2	343.2
(Yearly change)	90.3	97.6	99.1	97.9	97.7	98.8	96.9

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

Importation of diary products is subject to provisions of the laws in table below.

Fig. 10 Laws applying to diary products

		Manufacturing Milk Producer Compensation Temporary Law	Customs Tariff Law	Food Sanitation Law
Butter		O	O	O
Cheese	Natural cheese		O	O
	Processed cheese			O
Ice cream				O

1) Manufacturing Milk Producer Compensation Temporary Law

In order to stabilize the price of dairy products and protect the dairy industry and related industries, Japan has adopted the Manufacturing Milk Producer Compensation Temporary Law. To the extent of the quantity stipulated by the Law, the Agriculture and Livestock Industry Corporation is granted the exclusive right to import and market butter in Japan.

Any one may import - not just parties commissioned by the Corporation. But, under the Law, importers must conclude contracts with the Agriculture and Livestock Industry Corporation for the purchase or sale of designated milk products generally imported. They submit a sale or purchase application to the Corporation and receive a purchase or sale agreement before notification of import.

2) Customs Tariff Law

Butter and natural cheese are subject to Tariff Quota (TQ) system under provisions of the Customs Tariff Law. This, however, applies only to butter used for specific applications (used for international exhibitions, international airlines, making reconstituted milk in Okinawa, and making powdered infant formula in Okinawa). It does not cover butter for general use.

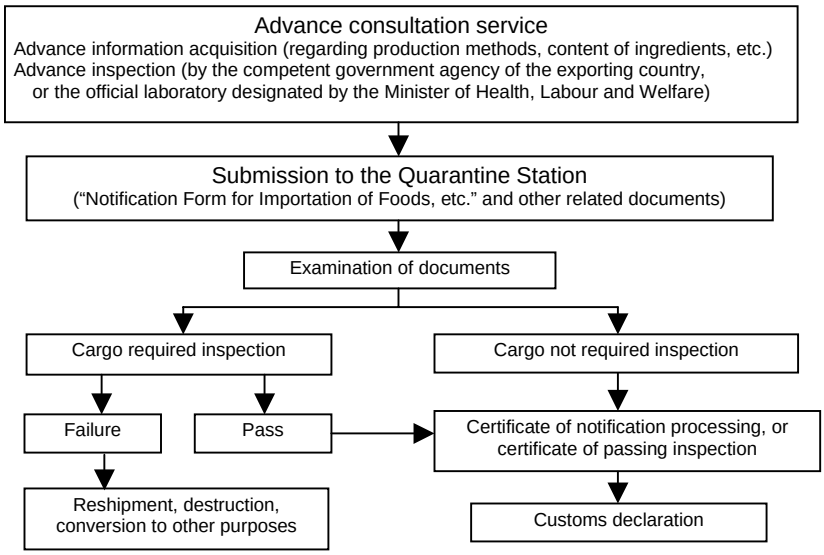
Tariff quotas impose either duty free or a very low tariff (known as the primary tariff) on a certain portion of imports, thereby providing consumers with low-cost imported products, then impose a high tariff (known as the secondary tariff) on imports exceeding a designated level in order to protect domestic producers. Natural cheese imports up to 2.5 times the domestic natural cheese may be imported tariff free, but only for making processed cheese products. Qualified applicants must own or operate processed cheese production facilities and must prove they are also using domestically produced natural cheese to make processed cheese.

3) Food Sanitation Law

In order to assure product safety, diary products are subject to provisions of the Food Sanitation Law, as well as Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. issued under the Law. These regulations govern standards of the content, production methods and labeling methods for dairy products.

Under provisions of the Food Sanitation Law, an import notification is required for dairy products being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed “Notification Form for Importation of Foods, etc.” to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Fig. 11 Procedures required under the Food Sanitation Law



Butter and processed cheese are checked for compliance with content standards (milk fat content, milk solid content, E. coli content). Natural cheese is not subject to content requirements, but it is inspected for the presence of some organisms, such as *listeria pir*e. Some countries permit the use of antibiotics in cheeses. But, any foods shall not contain antibiotics in Japan, and such cheeses may not be imported into Japan.

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.

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

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

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

The sale of diary products is subject to provisions of the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. The Law defines content standards and sets forth manufacturing and preservation standards for diary products under the Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc.

Fig. 12 Regulations on Ingredients

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

Source: Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc

The sale in Japan of diary products is subject to labeling requirements under provisions of the Food Sanitation Law. In addition, processed foods and food additives containing allergens are required or recommended to state in the labeling to the effect that they contain allergenic foods. Milk is designated as mandatory labeling item. (see 4. Labeling)

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

Dairy products sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

In addition, based on the Act, the dairy product industry has voluntary adopted the Fair Competition Code Concerning Representations of Natural Cheese, Process Cheese, and Cheese Foods, and the Fair Competition Code Concerning Representations of Ice cream. The purpose of these guidelines is to assure consumer product choice availability and preserve fair competition. (see 4. Labeling)

(3) Competent Agencies

- Manufacturing Milk Producer Compensation Temporary Law

  Milk and Dairy Products Division, Livestock Industry Department, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries

  TEL:03-3502-8111 http://www.maff.go.jp

  Daily Products Division, Daily Department, Agriculture & Livestock Industries Corporation

  TEL:03-3582-3381 http://alic.lin.go.jp

- Customs Tariff Law

  International Trade Policy Coordination Division, International Affairs Department, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries

  TEL: 03-3502-8111 http://www.maff.go.jp

  Compensation and Operation Division, Customs and Tariff Bureau, Ministry of Finance

  TEL: 03-3581-4111 http://www.mof.go.jp

- 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

- Health Promotion Law (former Nutrition Improvement Law)

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

  TEL: 03-5253-1111 http://www.mhlw.go.jp

- Act Against Unjustifiable Premiums and Misleading Representations

  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan

  TEL: 03-3581-5471 http://www.jftc.go.jp

- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law

  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry

  TEL: 03-3501-1511 http://www.meti.go.jp

  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment

  TEL: 03-3581-3351 http://www.env.go.jp

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

  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling butter and cheese sealed in wrapping or containers, following items must be listed all together on the label under provisions of the Food Sanitation Law, the JAS Law (Processed Food Quality Labeling Standards), and the Measurement Law.

<Labeling items to be listed all together>

1) Product name (example: butter, natural cheese, or processed cheese)
2) List of ingredients, food additives (if used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

The Food Sanitation Law requires the following items be listed on the label, if present:

- Principal ingredient of blended cheese, if present (example: almond)
- Natural cheese animal source if not cattle, if present (example: goat)

Ice cream sealed in wrapping or containers is subject to labeling provisions under the Ministerial Ordinance Concerning Specifications of Composition of Milk and Milk Products, etc. under the JAS Law. It is required to list the product name; nonfat milk solid, milk fat; name of ingredients (food additives); net content; fat other than milk fat; country of origin; and name of importer and business location.

Example label for imported ice cream

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

<Labeling of Foods Containing Allergens>

The Food Sanitation Law mandates or recommends ingredient labeling for 24 items that contain allergens. Processed foods containing the food items listed in the following table, and processed foods containing additives derived from these food items are either required or advised to bear labeling to the effect that they contain allergenic foods.

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

<Labeling of Law for Promotion of Effective Utilization of Resources>

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging

Individual packaging

(2) Voluntary Labeling based on Provisions of Law

< Labeling under the Health Promotion Law >

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

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

(3) Voluntary Industry Labeling

1) Fair Competition Code Concerning Representations of Natural Cheese, Process Cheese, and Cheese Foods

The Japan Cheese Fair Trade Council has adopted fair trade guidelines based on the Act Against Unjustifiable Premiums and Misleading Representations. These guidelines define fair labeling practices for product category name, ingredients, best-before date (or date of minimum durability), producer (or importer) name and address, and content volume, as well as defining when the product name must be accompanied by the country of origin. These guidelines apply to any product containing 51% or more cheese content, which is classified as a "cheese food."

Contacts: Japan Cheese Fair Trade Council TEL: 03-3264-4133

2) 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 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.

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

5. Taxes

(1) Customs Duties

Fig. 13 on the following page presents tariff rates on dairy products. Tariff rates on dairy products vary according to the content of milk fat and sucrose. Prospective importers can confirm the applicable tariff rate in advance with Customs Counselors Office (advance counseling program).

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

<Butter>

Imported butter differs considerably in terms of texture and aroma from domestically produced butter. Most imported butter goes to dairy companies for use in processed dairy foods, ice cream, and bread. Very little imported butter is consumed directly by end-users.

<Natural cheese>

Curdling and fermenting fresh milk with lactobacilli or rennin makes natural cheese. When the fermentation process goes too far, the cheese becomes over-ripe, and is no longer edible. The optimal storage temperature is 2-9 degrees Celsius. If cheese is stored at temperatures below freezing point the molecular structures break down and degrade product quality. If the humidity is too high bacteria can form and multiply readily, while if it is too low the cheese dries out and loses its flavor.

Throughout most of the world, the word "cheese" usually refers to natural cheese. The International Dairy Federation (IDF) classifies cheese into four categories based on hardness: soft, semi-soft, hard and extra hard. The Oceania region produces mostly hard cheeses, which are often used to make processed cheese. European cheeses run the gamut from very soft to very hard in texture. Each locale has its own traditional cheese-making techniques that give cheeses their distinctive qualities. The flavor and texture of cheese also varies according to the type of grasses milk-producing animals graze upon. Therefore, the same type of cheese produced in different locations will have different flavors and textures.

Fig. 13 Customs duties on dairy products

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0405.10	Butter				
	1. Of a fat content, by weight, not exceeding 85%	(35%+¥1,159 /kg)			
-110	(1) Imported by the Agriculture and Livestock Industries Corporation		(35%)		35%
	(2) Other, not imported by the Agriculture and Livestock Industries Corporation				
-121	a. For "the Pooled Quota" (Note)		(35%)		35%
-129	b. Not for "Pooled Quota"		*(29.8%+¥985 /kg)		29.8%+¥179 /kg
	2. Except a fat content, by weight, not exceeding 85%	(35%+ ¥1,363 /kg)			
-210	(1) Imported by the Agriculture and Livestock Industries Corporation		(35%)		35%
	(2) Other, not imported by the Agriculture and Livestock ndustries Corporation				
-221	a. For "the Pooled Quota" (Note)		(35%)		35%
-229	b. Not for "Pooled Quota"		*(29.8%+ ¥1,159/kg)		29.8%+¥210 /kg
0406.10	Fresh cheese and curd	35%			
-020	1. A dry matter content, by weight, not exceeding 48%		22.4%		
	2. A dry matter content, by weight, exceeding more than 48%		29.8%		
-010	(1) Intended for use as materials for processed cheese, for "the Pooled Quota"				#Free
-090	(2) Other processed cheese				
0406.20	Grated pr powdered cheese				
-100	1. Of processed cheese	40%	(40%)		
-200	2. Not of processed cheese	35%	26.3%		
0406.30	Processed cheese, not grated or powdered	40%	(40%)		
0406.40	Blue-veined cheese	35%	29.8%		
-010	1. Intended for use as materials for processed cheese, for "the Pooled Quota"				#Free
-090	2. Other blue-veined cheese				
0406.90	Other cheese	35%	29.8%		
-010	1 Intended for use as materials for processed cheese, for "the Pooled Quota"				#Free
-090	2. Other cheese				
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%		
2105.00	Ice cream and other edible ice, whether or not containing cocoa:				

Note1: Concerning butter and other fats and oils delivered from milk in this subheading 1-(2), 2-(2) and subheading No.0405.90-2-(2) for the quantity (quota) stipulated by a Cabinet Order on the basis of 581 ton, in consideration of the quantity of prospective domestic demand in the current fiscal year(April-March), international market situation and other relevant conditions, hereinafter referred to as "the Pooled Quota" in this heading.

Note2: Intended for use as materials for processed cheese (excluding those of subheadings Nos.0406.20 and 0406.30): for the quantity(quota) stipulated by a Cabinet Order, within the limits of the quantity of prospective domestic demand in the coming fiscal year (April-March) with deduction of the quantity of the prospective domestic production, and also in consideration of the quantity of prospective domestic production, international market situation and other relevant conditions (hereinafter in this heading referred to as "the Pooled Quota").

Note3: "#Free" in Temporary applicable only for using for specific purpose.

Note4: Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. Also, WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for more complete interpretation of tariff table.

Compared with Japanese cheese, which is rather bland, imported cheese is noted for its variety and distinctive taste. Product characteristics for each major exporter country are noted below.

- Australia

  Australia offers a wide variety of cheeses made by is European immigrant population, including cheddar, shredded cheese and cream cheese, among others. Australia is the largest exporter of cheese to Japan, and has the biggest share of the import market in both natural cheese for making processed cheese and in natural cheese for direct consumption. In the past the Australian Dairy Corporation (ADC) operated as a sole agent for cheese exports to Japan. However, this program was abolished as of July 2002. The ADC has changed its program to include its Cheese School and other measures to support the industry as a whole.

- New Zealand

  New Zealand has adopted a focus on cheese exports as an element of national policy. The Japan-NZMP functions as a exclusive export agent for New Zealand cheese. New Zealand cheddar is widely used as a raw material for processed cheese. Recent years have seen New Zealand actively pursue the market for natural cheese for direct consumption as well as raw material cheese, and it has developed cheeses for the Japanese market with enhanced flavor and topping potential.

- Denmark

  Denmark exports most of its domestic production. It is a consistent supplier of high-quality cheese. The Japan representative office of the Danish Agricultural Council Japan Office holds Denmark Cheese Seminars on an ongoing basis, as part of long-term efforts to educate the public and promote wider use of Danish cheese.

- Germany

  German cheese is mostly used in Japan in making processed cheese, and ordinary consumers are unfamiliar with it. Nevertheless, Germany is the world's second-ranked maker, exporter and consumer of cheese, after the United States. Germany produces and exports a wide range of cheeses, including hard, semi-hard, soft and fresh cheese. Popular within Germany itself are Quark and other fresh cheeses.

- Netherlands

  The smooth and subtle taste of gouda cheese is easy for people to like. It melts easily when heated, which is why it is widely used in cooking.

- France

  France ranks 3rd in the world in volume of cheese production. It produces an enormous variety of cheeses, so much so that it is sometimes said there is a different cheese in every village. Most famous are its easy-to-eat white mold type Camembert cheese and Roquefort cheese, which has a 2000-year history. French cheese imports to Japan include several types of processed cheese, including cheese mixed with herbs and nuts.

- United States

  The USA is the world's leading producer of cheese, and the leading consumer as well. Domestic production is unable to meet domestic demand fully, and so the United States imports cheese from all over the world. Japan imports from the United States fresh cream, powdered cheese, pizza mozzarella and other types of cheeses that have an increasingly sizable presence in commercial sales channels.

<Processed Cheese>

Processed cheese is a 20th Century innovation. Mixing two or more different kinds of powdered natural cheeses, then heating the mixture to produce a substance with a cheesy texture, makes it. The heating kills lactobacillus and mold organisms present in the natural cheese, which means that processed cheese is easier to store and easier to produce in large quantities with consistent quality.

Imported processed cheeses are noted for their greater variety of flavors and styles than Japanese products. Imports include spiced cheese; cheese blended with fish (such as smoked salmon), meat (such as ham), vegetables and even fruit. Imported processed cheeses also include boxed, sliced, diced, candied, and tube container cheese.

<Ice cream>

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., 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. 14 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 United States 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 sluggish.

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

<Butter>

According to the statistics on milk and milk products of the Ministry of Agriculture, Forestry and Fisheries, demand for butter has moved at the level of 8 to 9 tons in the recent several years (see Fig. 7). Industry sources report that about 28% of the market demand is for household use and 72% for industrial use. The principal commercial purchasers of butter are confectioners and bread makers (27%) and restaurants and hotels (11%).

<Cheese>

Processed cheese caught on in Japan much earlier than natural cheese. In FY 1980, 70% of all cheese consumed in Japan was processed cheese. However, direct personal consumption of natural cheese soared after FY 1985, and in FY 2001 the ratio of natural to processed cheese in the Japanese diet became roughly 56-44 (see Fig. 8). Consumption of natural cheese for direct consumption continues growing in recent years. Wider selection of cheeses is now available to Japanese consumers, and more Japanese people have traveled or lived abroad and had a chance to taste cheeses and grow to like the cheeses of other countries. Also, pizza and other foods that use cheese as an ingredient are becoming a more prominent part of the Japanese diet.

Of the total amount of natural cheese for household, about half consists of shredded cheese. The main use in the past for shredded cheese has been as a pizza topping or in gratin, but recently demand for shredded cheese has been slipping. Growth has been especially strong in white mold type cheeses, especially Camembert, which is admired for its softness and mildness of flavor. This is a prominent trend of introductory period for natural cheese, and in the future growth can be expected for blue mold type cheeses such as blue cheese and Roquefort.

The cheese market had been experiencing steady growth until 2000, when a food poisoning incident at the leading Japanese dairy maker (Snow Brand Milk Products) forced a halt to production and closure of its plants. Ever since then, growth has started to flatten out. Rising raw material prices and growing global demand have led to a tight international cheese market. Nevertheless, per capita consumption of cheese is much lower in Japan than in many other countries. This means that over the long term there remains considerable room for growth. Export promotion agencies from Oceania and the EU are working alongside importers and manufacturers on various sales promotions aimed at expanding demand for cheese in Japan.

<Ice cream>

Sales volumes of ice cream have slightly fluctuated for years, and the market itself has been sluggish (see Fig. 9). The main factors are continuous cool summers, 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.

Ice cream market in FY 2001 shrunk to 786,200 kiloliters (90.5% level of 1995), worth ¥343.2 billion (88.5%). In recent years, the place of sales has moved to supermarkets and convenience stores. The multi-pack type is being very popular, because most ice cream is bought and taken home. In FY 2001 multi-pack type accounted for 26.0% on a volume basis, and 29.4% on a value basis (see Fig. 15). Adults generally prefer paper cups, while school-age children prefer stick style, since they can eat outdoors. Small paper cups of 120 ml have once become popular as a result of increased sales in high quality ice cream like premium and super premium. But in the recent market, large-size cups (200 ml and larger) of ice cream have gained sales.

Fig. 15 Sales of ice cream by package type (FY 2001)

Type	Sales volume (kλ)	Annual change	Percent-age	Sales value (¥ billion)	Annual change	Percent-age
Paper cup	159,600	97.1	20.3%	66.0	98.7	19.2%
Plastic cup	110,500	97.7	14.1%	38.7	95.1	11.3%
Stick style	68,200	103.4	8.7%	32.1	111.8	9.4%
Corn style	59,100	90.8	7.5%	23.5	93.6	6.8%
“Monaka” style	48,300	102.3	6.1%	19.1	103.8	5.6%
Multi-pack	204,600	96.7	26.0%	100.8	94.8	29.4%
Family size	15,400	78.8	2.0%	8.1	84.4	2.4%
Commercial use	63,200	90.3	8.0%	22.4	91.8	6.5%
Others	57,300	100.6	7.3%	32.5	95.3	9.5%
Total	786,200	96.6	100.0%	343.2	96.9	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:Sales volume is calculated based on factory shipments of domestic makers, and does not include imports. Sales value includes imports by domestic makers, but not by distributors.

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.

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 suit their choices. That is the reason for the lack of particular selling products these days.

Competing products like soft drinks and yogurt conduct aggressive promotional campaigns. For its part, in the ice cream industry, increase of bundled ice cream sales (packages of five ¥100 containers, priced at ¥398 each), have brought chaos to retail pricing, and has significantly degraded the earning capability of the industry as a whole. Also, there is no major hit product on the horizon. Moreover, when mass merchandisers hold a special sale on ice cream at a price below the wholesale purchase price, the wholesaler must absorb the loss, under established business custom. This unusual custom has become increasingly normalized in practice. Only Haagen-Dazs has proved able to avoid being caught up in this destructive practice and maintain its brand and product strength.

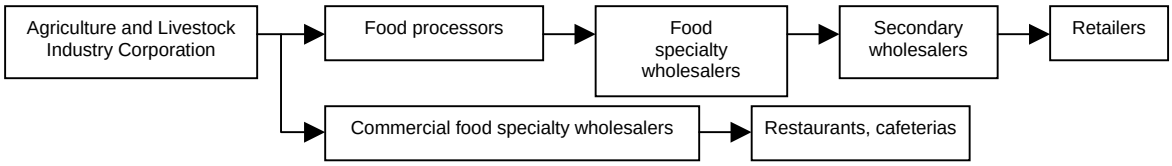
Heading into 2003, all the leading makers had plans for new product introductions and ad campaigns. They are also seeking to normalize trade practices, rectify pricing imbalances, and give greater emphasis to earnings and profitability in order to restore the ice cream market to health. Consumer confidence in food products has been undermined by the outbreak of BSE and by a succession of scandals and misconduct at leading food makers. Consumers have become increasingly dubious about food safety. The dairy industry is also working to assure product quality and safety and establish traceability mechanisms in order to regain consumer confidence.

(2) Distribution Channels

<Butter>

The Agriculture and Livestock Industry Corporation through open competitive bidding sells imported butter to domestic purchasers. Only confectioners and dairy product processors are allowed to submit bids, and the standard lot size is 100 boxes (about 2.5 tons). Demand for imported butter tends to limit to commercial users such as confectioners, dairy product processors, other processed food makers, and hotels, restaurants, cafeterias. In many cases distribution to the commercial user market requires the capability to meet specific needs in terms of temperature control and transport. Thus distribution occurs through food specialty wholesalers, since they possess the necessary refrigerated storage equipment, refrigerators and the like.

Fig. 16 Distribution channels of imported butter



<Cheese>

Because natural cheese contains live organisms and has an ongoing fermentation process, it must be kept at proper storage temperatures throughout the shipping, customs clearance and domestic distribution process. Therefore, cheese is generally shipped in reefer containers. In addition, each variety of cheeses has its own characteristic aging speed and progression. This means that cheese distributors must have considerable knowledge and expertise.

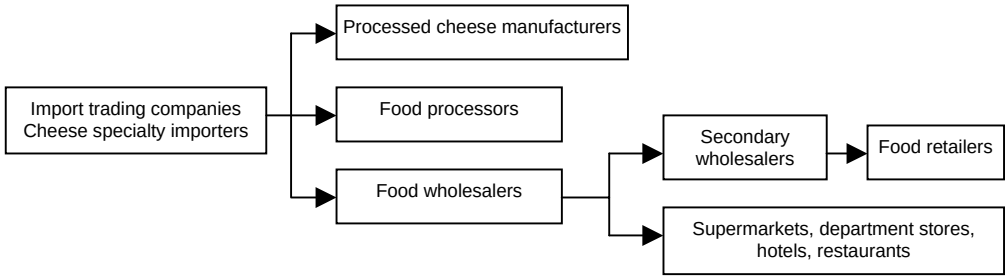
Natural cheese used as raw ingredients for making processed cheese is mainly imported by the foods divisions of general trading companies for supply to domestic processed cheese makers. Leading Japanese cheese makers have close working relationships with particular cheese trading companies that handle raw ingredients procurement on their behalf.

In contrast, cheese specialty trading companies and importers mainly import natural cheese for direct consumption. Natural cheese is imported whole or cut by air freight or reefer container. When imported whole, natural cheese is cut into standard sizes and then distributed to food wholesalers, and sometimes directly to retail stores. Cheese specialty trading companies play an important role in imports of natural cheese for direct consumption. Not only do they select many varieties of cheeses from all over the world, but they also handle distribution management for every phase of the process from shipment, customs clearance and distribution processing (cutting cheese shipped whole into standard sizes, labeling, etc.) to domestic delivery.

Many consumers would like to experience the good taste of natural cheese but are unwilling to pay much money for a single package. They prefer instead to sample that taste by buying smaller size and less costly packages. In addition, many supermarkets find it hard to manage sales by the gram with their Point-of-Sale (POS) system based product control programs. By cutting natural cheese shipped whole into 100-200 gram standard sizes, these cheese specialty trading companies have expanded the availability of natural cheese from a small number of department stores and specialty stores to a wider range of mass merchandisers and supermarkets. Thus small size cuts were developed to accommodate both of these needs and contributed greatly to stimulating volume zone demand for natural cheese.

Cheese destined for retail sale is usually distributed through dairy product wholesalers, since they have the refrigerated trucks and warehouses needed to keep cheese at the proper temperature. Most natural cheeses are sold through department stores, large supermarkets, or specialty shops. The reasons for this include the amount of shelf space required to offer a variety of cheese products, the short shelf life of natural cheese compared to processed cheese and the resulting need for quick product turnover, and the need for product knowledge on the part of store sales people. Recent years have seen more and more cheese specialty stores open, and more supermarkets are setting up special cheese section. It is easier than ever to buy through a wide variety of sales channels, including through Internet, and cheese market are expected to grow in the future.

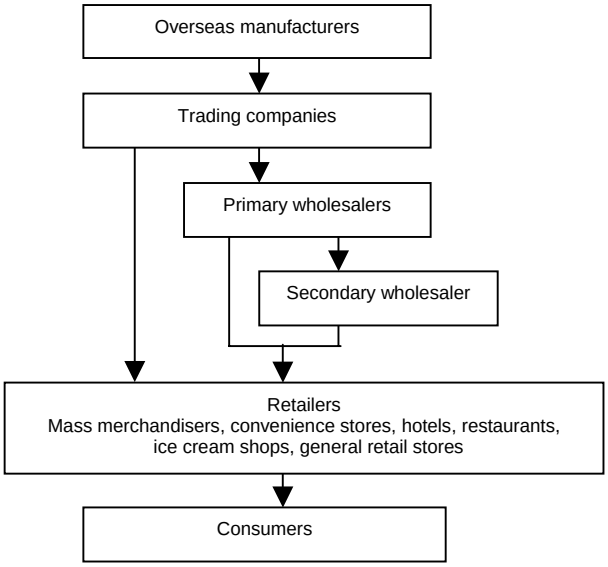
Fig. 17 Distribution channels of imported natural cheese



<Ice Cream>

Imported ice cream is 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. 18 Distribution channels of imported ice cream



(3) Key Considerations for entering the Japanese Market

<Cheese>

Importers must make sure that people at every stage of the distribution process are thoroughly knowledgeable in storage requirements. Order placement must anticipate both the times required to ship to Japan and the progress of the cheese aging process. 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.

Distributors must have access to refrigeration equipment needed to keep cheese at the proper constant temperature and humidity up to the point of sale. Retailers need to understand that selling a product like cheese containing live organisms involves some business risk. Retail sales people must be prepared to inform consumers about the properties and uses of each variety of cheeses. Cheese makers often find it difficult to export direct to Japan because of the small-lot shipments generally involved. As a result, many exports pass through export wholesalers in the country of origin.

<Ice cream>

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

Normally the retailer or importer is responsible for handling defective merchandise. The Japan Ice Cream Association recommends clearly stating the telephone number on the container in case of an emergency.

9. Related Product Categories

• Margarine

Related products, such as margarine, containing other than 100% vegetable fat is subject to other laws and regulations depending on the content. Consult with customs officials for more information. Those products are regulated under provisions of the Food Sanitation Law, and they are subject to content and quality labeling requirements under the JAS Law.

• 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., 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. 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 sale.

• Frozen yogurt

The demand for frozen yogurt 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.

10. Direct Imports by Individuals

Individuals may import quantities of butter deemed appropriate to personal consumption, as well as gifts of butter worth ¥10,000 or less, without having to meet requirements of the Foreign Exchange and Foreign Trade Law, the Manufacturing Milk Producer Compensation Temporary Law or the Food Sanitation Law.

Individuals may import quantities of cheese and ice cream deemed appropriate to personal consumption without having to meet requirements of the Food Sanitation Law. However, individuals attempting to bring cheese into Japan should monitor closely the freshness and ripeness of the cheese (in the case of natural cheese), make sure the cheese stays cool in transit, and remains properly sealed in its packaging, and transportation costs.

11. Related Organizations

• Japan Imported Cheese Promotion Association	TEL: 03-3288-7258	http://www.jic.gr.jp
• Cheese Fair Trade Council	TEL: 03-3264-4133	
• Cheese Promotion Council	TEL: 03-3264-4133	
• Japan Dairy Industry Association	TEL: 03-3261-9161	http://www.jdia.or.jp/
• Japan Ice Cream Association	TEL: 03-3264-3104	http://www.icecream.or.jp

19. Spices

1. Definition of Category

Spices is a general term for seeds, fruits, buds, bark, and plant roots, especially those from tropical areas, which enhance food by adding color, fragrance and a spicy taste, stimulating appetite, by eliminating unpleasant food odors, and aiding digestion. Sometimes the term also generally refers to herbs (fragrant plants that grow primarily in warm climates).

Spices are classified as follows according to their physical condition when used and purpose.

1) Fresh spices: beefsteak plant, garlic, ginger and other herbs
2) Dried spices (whole type, powder type): pepper, red pepper, cinnamon, numerous others
3) Mixed dried spices: seven-flavor red pepper, curry powder, five-spice powder
4) Seasoning spices (mixed with table salt, sugar or other flavoring): garlic salt, barbecue spices
5) Flavor-modifying spices: curry roux, hot red pepper oil *(raayu*), Japanese horseradish *(wasabi*)
6) Extracts: nutmeg oil, vanilla essence

This report excludes 1) above, which is mostly domestically grown and is used as a vegetable, and 6), which is produced by another industry and has separate distribution channels. Accordingly, this report focuses on items 2) through 5) above.

HS Numbers	Commodity
0904.11, 12	Pepper
0904.20	Capsicuim or pimento (red pepper)
0905	Vanilla beans
0906.10, 20	Cinnamon
0907.00	Clove
0908.10, 20	Nutmeg
0908.30	Cardamon
0909.20	Coriander
0910.30	Turmeric
0910.50	Curry
2103.30	Mustard
0909.10, 30, 40, 50 / 0910.20, 40, 91, 99	Other spices (anise, cumin, caraway, fennel, saffron, bay leaves, thyme, mixed spices and other spices)

2. Import Trends

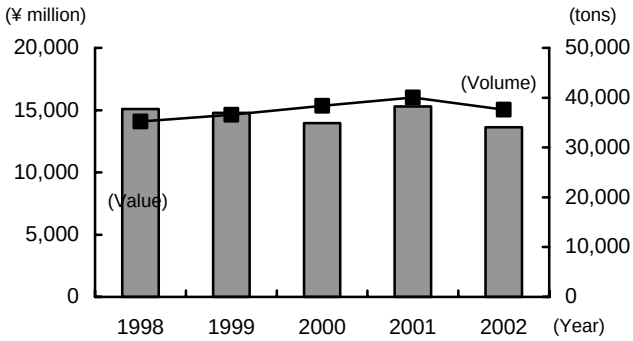
(1) Recent Trends in Spice Imports

Japan relies on imports for virtually its entire supply of unprocessed spice materials. Japanese home consumption of spices used to be limited, but changes in the lifestyle have led to greater diversity in the diet. As a result, the opportunities for use of western spices in the home have grown. The main spices used in the home are pepper, chilies (red pepper), nutmeg, paprika, laurel, saffron, oregano, and garammasala. In recent years, more Japanese consumers have acquired a taste for spicy food. Very spicy processed foods, such as ethnic food and Korean food, which uses large amounts of red pepper, have gained popularity in Japan of late, and is expected to result in greater demand for spices.

Spice imports are influenced by weather conditions, international supply and demand, and various other factors and fluctuate considerably in terms of individual items, but overall have remained strong. After rising for three straight years from 1999 through 2001, imports of spices slipped by 6.6% to 37,576 tons in 2002. Products such as red pepper and cinnamon that had enjoyed sizable growth in the year before failed to sustain those same levels, although ginger and pepper imports continued to post steady growth. On a value basis, although there was substantial fluctuation in some product categories, prices of leading spice products were mostly stable. This resulted in an import decline of 10.5% overall from the year before, to ¥13.6 billion, the lowest level in the last five years.

By species, the leading category is red pepper (26.5%) followed by peppers (23.1%), turmeric (11.6%), coriander (8.5%), and mustard (8.5%). Prices of pepper had been soaring, but now they are showing signs of settling down again. On a value basis, red pepper (23.1%), pepper (19.3%) and vanilla beans (14.2%) accounted for 56.6% of total spice imports in 2002.

Fig. 1 Japan's spice imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Pepper	7,186	6,028	8,023	5,328	7,766	4,407	8,294	3,009	8,667	2,630
Red pepper	9,881	3,027	10,335	3,231	10,983	3,261	11,952	3,745	9,962	3,150
Vanilla beans	69	387	90	459	116	778	88	1,641	84	1,937
Cinnamon	1,797	510	1,480	359	2,052	514	2,285	552	1,923	495
Clove	339	72	301	122	316	153	319	249	341	281
Nutmeg	416	293	684	552	476	425	535	461	488	451
Cardamon	227	248	348	599	278	343	346	548	315	528
Coriander	3,148	661	3,422	590	3,683	360	3,015	262	3,177	285
Turmeric	4,404	759	3,948	551	4,301	432	4,396	432	4,354	490
Curry	70	47	84	51	63	32	52	34	65	40
Mustard	1,888	572	2,327	629	2,933	675	2,955	714	3,191	796
Others	5,790	2,477	5,536	2,298	5,372	2,567	5,773	3,637	5,009	2,550
TOTAL	35,215	15,080	36,577	14,769	38,338	13,948	40,011	15,285	37,576	13,633

Units: tons, ¥ million *Source: Japan Exports and Imports*

(2) Imports by Place of Origin

The enormous diversity of spices means that Japan imports spices from virtually every part of the world, including China, India and other countries/areas in Asia, the Mediterranean, the Middle East, Africa, Canada, and Central and South America. However, many countries produce only limited amounts of spices, and in most categories the top three exporter nations account for over 90% of total import volume. Only 9 nations export at least 1,000 tons of spice to Japan annually.

The leading exporter of spice is China on a volume basis, which supplies mainly red pepper (share 79.8%) and cinnamon (76.8%), accounts for 30.1% of total spice imports. Next leading exporters are Malaysia (16.3%, mainly pepper).and India (14.0%, mainly turmeric)

By species, the four most important pepper producers in the world are India, Malaysia, Indonesia and Brazil. Japan imports most of its pepper from Malaysia (5,952 tons, share: 68.7% in volume). Most of coriander come from Morocco (84.4%), and mustard from Canada (36.8%) and the United States (29.6%). (see Fig. 3)

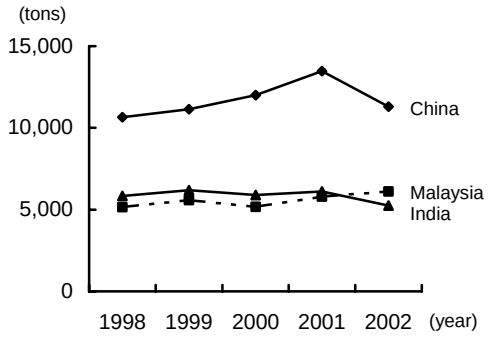
(3) Imports' Market Share in Japan

Virtually almost all of Japan's spice supplies come from abroad. Japan produces less than 10% of its own spice supplies, and the percentage is declining steadily. The only spices Japan produces in any quantity are Japanese horseradish *(wasab*i), Japanese pepper *(sansh*o), red pepper and garlic.

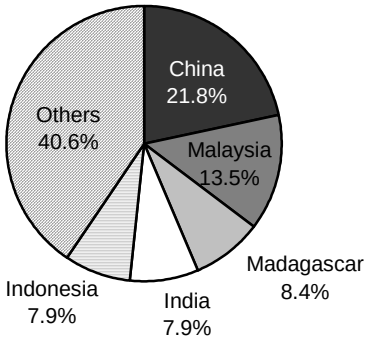
Nevertheless, virtually all spices sold in Japan both to household and commercial and industrial users is processed and packaged in Japan. Industry observers claim that less than 1% of all spices is imported into Japan pre-packaged and ready for retail sale.

Fig. 2 Principal exporters of spices to Japan

Trends in import volume by leading exporters



Shares of spice imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	10,647	11,137	12,004	13,465	3,449	11,306	30.1%	2,967	21.8%
Malaysia	5,144	5,591	5,165	5,803	2,116	6,109	16.3%	1,836	13.5%
India	5,835	6,185	5,893	6,111	1,307	5,249	14.0%	1,083	7.9%
Morocco	2,483	2,737	3,204	2,515	230	2,791	7.4%	256	1.9%
Indonesia	1,550	1,675	1,736	2,107	973	2,562	6.8%	1,073	7.9%
Others	9,557	9,252	10,336	10,011	7,211	9,559	25.4%	6,419	47.1%
TOTAL	35,215	36,577	38,338	40,011	15,285	37,576	100.0%	13,633	100.0%
(E U)	1,880	1,831	1,974	2,015	1,309	1,987	5.3%	1,448	10.6%

Units: tons, ¥ million *Source: Japan Exports and Imports*

Fig. 3 Leading exporters of spice to Japan by species (2002)

	Total volume	First	Volume	Share	Second	Volume	Share
Red pepper	9,962	China	7,951	79.8%	Spain	671	6.7%
Pepper	8,667	Malaysia	5,952	68.7%	Indonesia	1,967	22.7%
Turmeric	4,354	India	2,958	67.9%	China	1,085	24.9%
Mustard	3,191	Canada	1,175	36.8%	U.S.A.	860	26.9%
Coriander	3,177	Morocco	2,680	84.4%	Egypt	229	7.2%
Cinnamon	1,923	China	1,477	76.8%	Vietnam	323	16.8%
Nutmeg	488	Indonesia	449	92.0%	Malaysia	37	7.6%
Clove	341	Tanzania	206	60.3%	Madagascar	57	16.7%
Cardamon	315	India	254	80.7%	Vietnam	47	15.0%
Vanilla beans	84	Madagascar	44	52.8%	Germany	8	9.0%
Curry	65	Singapore	20	30.8%	U.K.	11	16.3%

Unit: tons *Source: Japan Exports and Imports*

3. Key Considerations related to Importing

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

The importation of spices is subject to provisions of the Plant Protection Law and the Food Sanitation Law. Certain spices and herbs may be subject to the Pharmaceutical Affairs Law, when they are imported as pharmaceuticals or they claim beneficial medicinal effects of pharmaceuticals. Prospective importers should be aware of these regulations, including specified labeling items.

1) Plant Protection Law

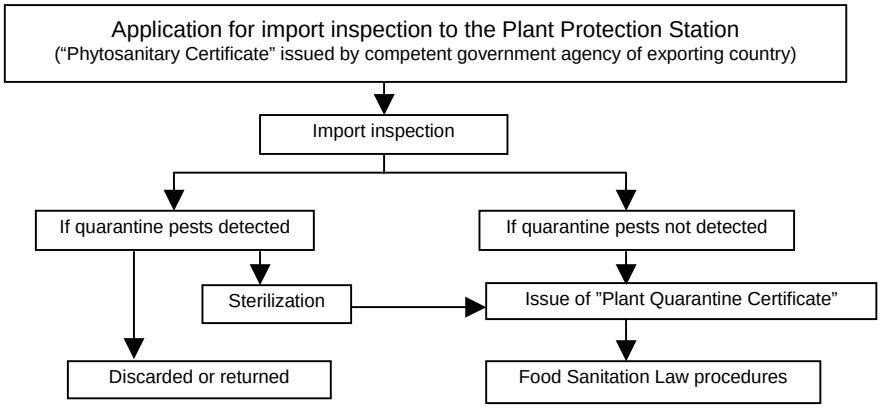
Under the Plant Protection Law, in order to prevent the entry and spread into Japan of harmful micro-organisms, insect pests, and parasites that would cause serious damage to crops and forest resources of Japan, root crops with soil attached and host plants of the Mediterranean fruit fly, the Colorado leaf beetle, the citrus burrowing nematode, etc. from or through the infested area are allowed into Japan. There is a separate list of import-prohibited items for every infested area. If one of these import-prohibited items is brought to Japan, an order will be issued to burn and the like.

Importer of spices must promptly submit to the Plant Protection Station an “Application for Import Inspection of Plants and Import-Prohibited Articles” along with a “Phytosanitary Certificate” issued by the competent government agency of the exporting country.

Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If an infestation is detected, and then the importer will be ordered to decontaminate, discard, or return to the shipper.

Dried turmeric and dried pepper seeds are covered by the quarantine system, but do not require a certificate of the exporting country for import. Dried spices that are sealed in retail use containers are exempt from the plant quarantine regulations.

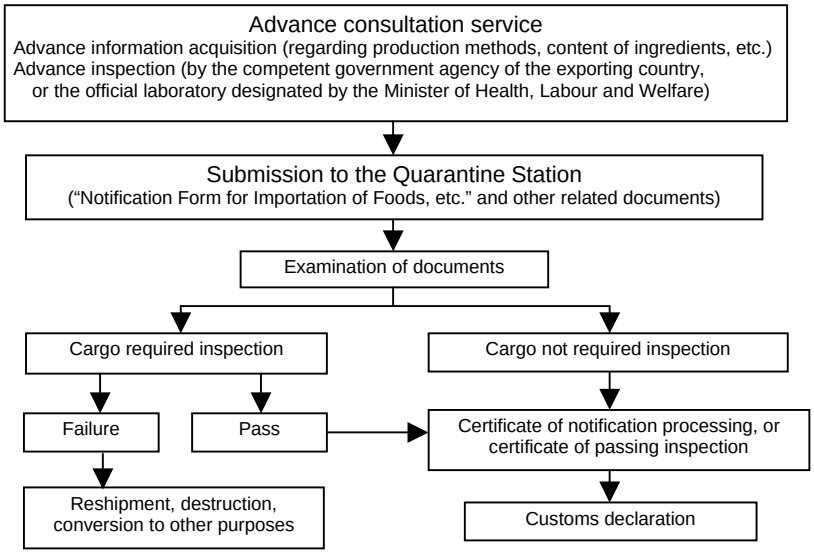
Fig. 4 Plant Protection Law procedures



2) Food Sanitation Law

After clearing quarantine, the importer must submit a "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry, and must have the cargo inspected for safety before bringing it into Japan. Figure below presents a flowchart of the required procedures. In recent years The import inspection at the port of entry includes aflatoxin (toxic mold) inspection for all spices and radioactive contamination inspection for fresh and dried herbs imported from Europe. In addition, dried herbs need to be checked for possible sulfur dioxide residue (standard value: 30 ppm). Thus careful attention is needed.

Fig. 5 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.

Note 1: In the case of epidemiological and other constantly changing situation (such as aflatoxin and bacteria count), however, import inspections must take place after reaching Japan (post-import inspection), even if they have passed inspection by a foreign designated laboratory (pre-import inspection).

Note 2: Some countries allow disinfecting irradiation of spices. However, the Food Sanitation Law prohibits in principle the use of radiation in the manufacturing and processing of foods (the only exception is to prevent sprouting in white potatoes).

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

3) Pharmaceutical Affairs Law

Pharmaceuticals and other related products regulated by the Pharmaceutical Affairs Law require advance permits and approval. Whether a product is subject to provisions of the Law depends on (a) its contents and properties and (b) statement of its medicinal effects. If the Law apply to a product, then an importer's license is required, along with approval for specific product, under normal circumstances. For more complete information, please consult the Ministry of Health, Labour and Welfare, or pharmaceutical affairs division in the prefectural government office.

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

The sale of spice is subject to provisions of the Food Sanitation Law, the JAS Law, the Measurement Law, and the Act Against Unjustifiable Premiums and Misleading Representations. Products that infringe intellectual property rights are regulated by the various intellectual property laws (Trademark Law, Patent Law, Unfair Competition Prevention Law, etc.). Prospective importers must be aware of these considerations, as rights holders may initiate legal action. When the spice is regarded as pharmaceuticals, it is subject to the Pharmaceutical Affairs Law.

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

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling packaged spice, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

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

Spice sealed in wrapping or containers is required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Act Against Unjustifiable Premiums and Misleading Representations

The Act prohibits a form of improper labeling exaggerated or false labeling that misleads consumers about the nature or quality of products. Also, vague or confusing labeling that makes it difficult to discern the actual country of origin is also prohibited as a form of improper labeling. The country of origin is defined as "a country in which a treatment or process effecting substantial change to the substance of the goods made."

(3) Competent Agencies

- Food Sanitation Law
  Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Plant Protection Law
  Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL:03-3502-8111 http://www.maff.go.jp
- JAS Law
  Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

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

4. Labeling

(1) Legally Required Labeling

When selling spice sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, List of food additives (if used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

< Labeling under the Pharmaceutical Affairs Law >

When provisions of the Pharmaceutical Affairs Law do apply, the product is subject to mandates of both required label items and prohibited label items.

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging **Individual packaging**

(2) Voluntary Labeling based on Provisions of Law

There is no voluntary labeling based on provisions of laws for spice.

(3) Voluntary Industry Labeling

The Japan Curry Manufacturers Association and the All Nippon Spices Association have no labeling guidelines, but spice manufacturers and distributors sometimes voluntarily include the best-before date and a list of ingredients as needed for curry roux and other processed food products containing spices.

5. Taxes

(1) Customs Duties

Spices are subject to different tariff rates for each product category according to raw processing method, shapes, ingredients, etc. (see Fig. 6). Prospective importers can confirm the applicable tariff rate in advance with Customs Counselors Offices (advance counseling program).

Fig. 6 Customs duties on spices

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0904.11, 12	Pepper				
-100	(1) Put up in containers for retail sale	4.2%	3%	Free	
-200	(2) Other Pepper	Free	(Free)		
0904.20	Fruits of the genus Capsicum or of the genus *Pimento*				
-100	(1) Put up in containers for retail sale	7%	6%	Free	
-210, -220	(2) Other Capsicum or *Pimento*	Free	(Free)		
0905	Vanilla beans	Free	(Free)		
0906	Cinnamon	Free	(Free)		
0907.00, 0908.10~30, 0910.20 ~40,91,99	Cloves, nutmeg, cardamoms, turmeric and other				
-100	(1) Put up in containers for retail sale	4.2%	3.6%	Free	
-210,-220	(2) Other Capsicum or *Pimento*	Free	(Free)		
0909.10~50	Coriander and other				
-100	(1) Put up in containers for retail sale	7%	6%	Free	
	(2) Other coriander				
-210	a. Neither crushed nor ground	Free	(Free)		
-220	b. Crushed or ground	3.5%	3%	Free	
0910.50	Curry	12%	7.2%		
2103.3	Mustard				
-100	(1) Put up in containers for retail sale	12.2%	9%		
-200	(2) Other Mustard	10.3%	7.5%		

*Note 1: "*Free" in Preferential Rate is applicable only for the Least Developed Countries.*

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

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

(1) General Characteristics

Roughly 500 different varieties of spices are produced around the world, of which about 100 are used in Japan. The same spice may have somewhat different flavors depending on the exact variety and the place of origin. Spices are noted for three primary characteristics: aroma, hot taste, and color. All spices have some distinctive aroma produced by what is known as the extract, an ingredient with very high volatility.

Since the active ingredients of aromatic spices are volatile, and since the spices with natural coloration are all sensitive to light (especially ultraviolet light), spices should be packaged in tin cans or in bottles covered with large labels. While in storage spices must be kept tightly sealed against moisture.

About one-tenth of all spices, or tens of the spices commonly used in Japan, feature a hot, spicy taste. The balance between its flavorful and spicy ingredients determines the quality of a spice. Spice differ in subtle ways depending on the exact variety and grade of plant used to make the spice, as well as the soil and climate conditions of the place of origin. Only a few spices are known for their color, but those spices can greatly enhance the visual appeal of food. Some of the best-known color spices are listed in the following table.

Fig. 7 Spices known for color appeal

Color	Spice
Yellow	Turmeric, curry powder, saffron, gardenia
Red	Paprika, cayenne pepper, chili powder
Green	Parsley, mugwort, herbs generally
Purple	Beefsteak plant

There is no unified grading system for spices in Japan at the present time, and the only grading system at all consists of manufacturer specifications. Neither are there any unified international standards. American Spice Trade Association and American military procurement specs are sometimes used as reference standards for their import purposes.

(2) Pricing

Spices are consumed in small quantities and are noted for slow product turnover. Prices fluctuate considerably with changing weather conditions, political situations, international supply and demand and inventories in Japan.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Spice market size in Japan in 2002 is estimated at approximately ¥58.0 billion on a factory shipment basis, of which the home use market is believed to account for ¥44.5 billion (76.7%). For its part, of the spices consumed in Japan, just a small 15% of total volume is consumed in the home. The overwhelming volume of spices is used in food processing and in the food service industry. There is also fairly significant use of spices as herbal medicine, and in spice trading among providers in the spice industry.

The home market is divided broadly between paste spices packaged in tube containers (*wasabi*, mustard, ginger, garlic) and powdered spices made from imported spice raw materials (also including some whole-type spices). Recent years have seen flat sales for paste-type spices, whereas sales of Western-type spices have been strong, posting double-digit growth in 2002 (30% growth in spice packaged for re-packaging use).

The market is divided broadly between paste spices packaged in tube containers (*wasabi*, mustard, ginger, garlic) and powdered spices made from imported spice raw materials (also including some whole-type spices). Recent years have seen flat sales for paste-type spices, whereas sales of Western-type spices have been strong, posting double-digit growth in 2002 (30% growth in spice packaged for re-packaging use).

TV variety shows feature segments on garam masala, saffron, cumin and red pepper, extolling the antibacterial, medicinal, fat-burning and other dietary benefits. Some supermarkets have reported temporary spikes in sales on the same day that such programs aired. Of course, not all of these sales lead to repeat purchases, but unquestionably there are more people who first learned about Western-type spices in relation to health benefits and then gradually started using them more extensively in home cooking.

However, people still do not often cook foods with complex and carefully-timed combinations of multiple spices, as is common in Western countries. From a global perspective, the Japanese are still only beginners when it comes to using spices. Japanese people are only just starting to get accustomed to way spices are used in foreign-style cooking.

In order to respond to diversified consumer needs, home use spice makers have moved to strengthen their Western-type spice product lines while offering smaller and more fashionable packaging. They have introduced a number of new products, including seasoning spices that mix multiple spices with salt and flavorings for use with fish, grilled seafood, steak and basilico pasta, as well as somewhat more upscale true spice products.

The principal source of spice demand in food processing is to make curry products. Curry originated in India but was introduced to Japan indirectly through Great Britain, and over many years has been adapted to Japanese culinary tastes. Sales of curry roux and various forms of pre-cooked curry (in retort packages, canned curry, etc.) now total some ¥160 billion (combined home and commercial use). Curry powder is made up of some 30-40 different spices, and companies' methods of mixing and aging curry powder are carefully guarded corporate secrets.

The restaurant and food service industry generally has suffered greatly not only from the chronic recession and deflation in the Japanese economy, but also from the impact of the first outbreak of BSE (mad cow disease). This occurred in September of 2001, and the impact has been especially great on processed meat products, and problems with false and misleading labeling of foods. The commercial use spice market could not help but be affected as well, even though none of these incidents was directly related to spices. Still commercial demand declined, and users became still more demanding with respect to pricing and safety issues.

At the same time, the past few years have seen increased occasions in the diversifying food market for using spices as a key ingredient imparting flavor and spiciness to foods. In addition, consumers increasingly are interested in spices as a replacement for chemical additives, because of health considerations. Accordingly, there has been increased activity in developing a variety of processed foods that use spices and herbs. The future is likely to see a greater need for low-cost consistent providers of safe and reliable spices and herbs.

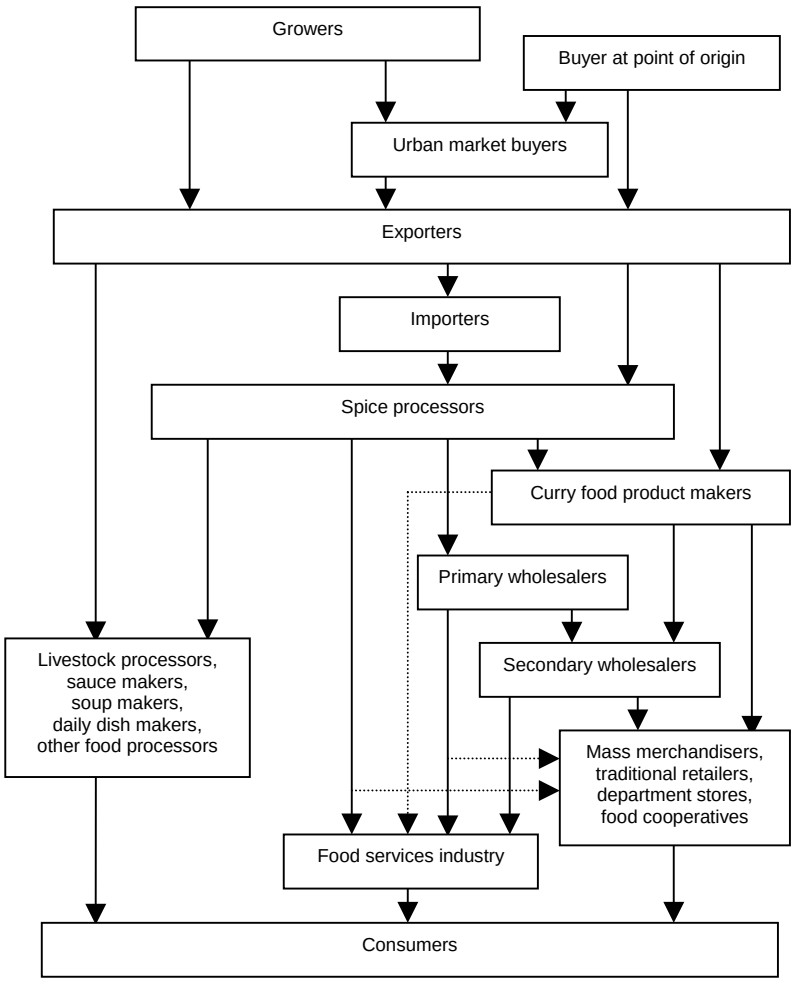
(2) Distribution Channels

Japan relies on imports almost exclusively for its supply of spices. Most is imported as crude spice, and then is processed and packaged for retail sale after reaching Japan. Most spice raw material is imported by specialty spice trading companies, although general trading companies import some. Spice makers and food processors sometimes also acquire spices on their own directly from growing areas.

Spices often require unique expertise in pulverizing, mixing and processing. Accordingly, spice makers often acquire needed raw materials for producing spices according to particular specifications from other spice makers. Particularly in the commercial use market, when one company is unable to fulfill the request of a food processor for a particular product (for example, black pepper), the company will often acquire a supply from another Japanese spice company. As a result, spice distribution is extremely complex.

The distribution channels for home use spice are essentially the same as for general processed foods. Spice passes through primary and secondary wholesalers to department stores, supermarkets, convenience stores and general food stores. In contrast, in the commercial use market, spice may pass through either a specialized commercial wholesaler or through the same primary and secondary wholesalers as in the home use market, before being supplied to commercial users. In addition, leading food processors sometimes acquire special orders of spices according to stipulated specifications directly from makers

Fig. 8 Distribution channels for spice products



(3) Key Considerations for entering the Japanese Market

The product quality, grading, and place of origin need to be verified at the time of purchase, and steps must be taken to preserve product quality. There are a number of difficulties that any prospective importer should be aware of. First of all, natural spices often become contaminated with microorganisms, so close attention to product quality is needed during the production in the country of origin, storage and transportation stages. The Food Sanitation Law imposes specifications and standards for food additives, residual agricultural chemicals, and contaminants, and spices that fail to comply with these specifications and standards may not be allowed to enter the Japanese market. Especially, the Food Sanitation Law strictly limits aflatoxin B1 levels in spice less than 10 ppb.

8. After-Sales Service

Responsibility for dealing with defective merchandise may fall either the producer, the distributor or the retailer, depending on the cause.

9. Related Product Categories

1) Food flavorings

These products fall into category 6) in the classification system presented in Chapter 1 of this report. Food flavorings include vanilla, strawberry, melon, banana, orange, butter and cola flavors. These flavorings are widely used in confections and beverages, both alcoholic and non-alcoholic. Food flavorings are considered a form of food additive, and as such are subject to provisions of the Food Sanitation Law.

2) Perfumes

A wide variety of natural fragrances are used in perfumes, perhaps the best-known being musk and rose oil. Customs handling is similar to that for spices, they are subject to provision of the Food Sanitation Law, but are exempt from plant import inspection requirements.

3) Medicinal compounds

Spices are widely used in digestive tract tonics, cold medicines, and mouthwashes. Any product claiming medicinal properties that is imported for sale as a medicinal product is subject to provisions of the Pharmaceutical Affairs Law. Prospective importers must make sure they comply with labeling requirements and all other pharmaceutical regulations. For more information, please refer to "Natural Medicines" (VI-6) in this guidebook.

4) Fresh spices

These items, which fall into category 1) in Chapter 1 of this report, are used in much the same manner as spices. This category includes garlic and ginger, which have long been part of Japanese culinary culture, as well as herbs such as parsley, sage, rosemary, and thyme, plus edible flowers, which have attracted much attention of late. All of these items are consumed as vegetables. Most come primarily from domestic sources, and imports are insignificant.

10. Direct Imports by Individuals

Imports of spices for personal consumption are subject to provisions of the Plant Protection Law, and must be submitted to the Plant Protection Station for import inspection by a plant quarantine inspector.

Imports of quantities of spice deemed appropriate to personal use are exempt from the Food Sanitation Law requirements. However, imports of spices to provide to a multiple non-specific persons are subject to provisions of the Law. Individuals bringing spices into Japan for their own use should be aware of potential dangers from toxic mold (aflatoxin) and, for European products, of radioactive contamination of nutmeg, white pepper, and chili pepper.

11. Related Organizations

- All Nippon Spice Association TEL: 03-3490-2791
- All Japan Curry Manufacturers Association TEL: 03-5687-1793
- All Japan Mustard Manufacturers Association TEL: 03-3271-4815
- *Wasabi* Association TEL: 03-3271-4815

20. Olive Oil

1. Definition of Category

Edible and inedible oils obtained from the olive.

HS Numbers	Commodity
1509.10	Virgin olive oil
1509.90	Pure olive oil
1510.00	Other oils from olives

Notes:

Virgin olive oil: Virgin oil obtained from olive pressings. Filtered to remove impurities; no other processing.

Pure olive oil: Refined olive oil that has been treated using refining processes for edible oils such as alkali boiling, depolarization, and deodorization.

Other oils from olives: Products and derivatives other than those listed above.

2. Import Trends

(1) Recent Trends in Olive Oil Imports

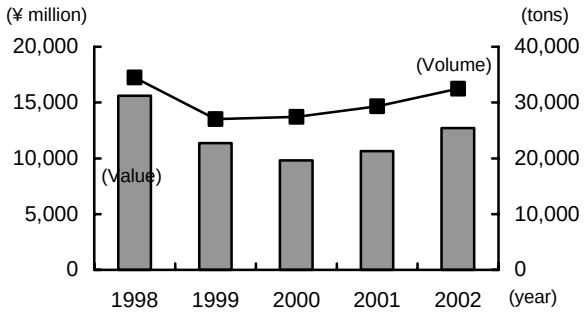
Olive oil is a product with a lengthy history, but one that has only become widely available in Japan during the latter half of 1990s. Part of the reason has to do with the growing popularity of Mediterranean and Italian food of recent years. In addition, the image has also rapidly spread of olive oil as a healthy food. The number of retail stores carrying olive oil for household use has grown rapidly. Imports of virgin and pure olive oil skyrocketed from 18,219 tons in 1996 to 34,376 tons in 1998.

Nevertheless, many people heard about the health benefits of olive oil without learning how to actually cook with it. As a result, not enough demand was generated to sustain long-term import growth. In addition, an oversupply of olive oil developed, and as a result of these factors, imports tumbled to 27,006 tons in 1999 (down 21.7% from the year before).

A shakeout occurred among importers who had newly entered the field spurred by the temporary food fad, and retailers gradually sold down the inventory of spot imports they had made. Olive oil imports showed upward again since 2000, and reached to 32,463 tons in 2002. Imports of virgin olive oil grew by 10.2% to 17,174 tons, while pure olive oil rose 11.5% to 15,125 tons. Thus, virgin olive oil leads pure olive oil, with a ratio of 53.2:46.8.

2002 saw imports of olive oil increase on a value basis even more than on a volume basis, partly because of a poor olive harvest in leading producer Italy, and partly because of strengthening of the euro in international exchange markets. Imports on a value basis reached a total of ¥12.7 billion (up 19.4%).

Fig. 1 Japan's imports of olive oil



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Virgin olive oil	18,074	9,183	13,286	6,374	13,054	5,296	15,585	6,333	17,174	7,457
Pure olive oil	16,302	6,393	13,712	4,984	14,275	4,518	13,571	4,293	15,125	5,232
Other oils from olives	112	26	7	2	76	14	161	27	163	32
TOTAL	34,488	15,602	27,006	11,360	27,405	9,828	29,316	10,653	32,463	12,721

Units: tons, ¥ million *Source: Japan Exports and Import*

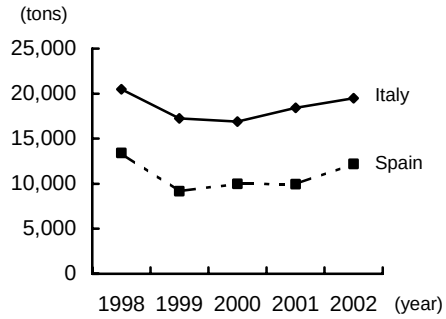
(2) Imports by Place of Origin

The leading producer nations of olive oil are the Mediterranean nations of Spain, Italy, Greece, Turkey and Tunisia. Nearly all of Japan's imports come from just two of these countries, Spain and Italy. Before the olive oil boom, it was imported mainly for commercial use and for non-food use. These customers preferred comparatively inexpensive Spanish olive oil to the more prestigious Italian brand names. But as olive oil has come into wider use in home cooking, Italy has gained a larger import share.

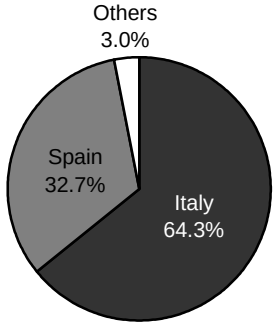
Imports from Italy generally showed an increase of 9.0% for the year, aided by the "Italy in Japan 2001" project that sponsored events all across the country. But, the poor 2002 olive harvest in Italy held Italian import growth down to a more modest 5.7%. For its part, Spain had a bumper crop of olives as well as more affordable prices. As a result, Spanish olive oil exports to Japan jumped by 22.4% from the year before, with especially strong growth in virgin olive oil. Consequently, for 2002 Italy held a 60.0% import share (19476 tons, virgin-to-pure ratio of 51.3:48.7), while Spain gained ground to reach a 37.5% share (12,180 tons, 55.5:44.5).

Fig. 2 Principal exporters of olive oil to Japan

Trends in import volume by leading exporters



Shares of olive oil imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Italy	18,354	20,473	17,263	16,890	6,445	18,418	62.8%	7,119	66.8%
Spain	9,948	13,422	9,186	9,988	3,116	9,952	33.9%	3,112	29.2%
Turkey	17	46	13	73	22	357	1.2%	106	1.0%
Greece	347	268	321	262	135	330	1.1%	173	1.6%
France	156	60	54	41	25	86	0.3%	54	0.5%
Others	241	219	169	151	85	173	0.6%	89	0.8%
TOTAL	29,063	34,488	27,006	27,405	9,828	29,316	100.0%	10,653	100.0%
(E U)	28,907	34,345	26,904	27,254	9,756	28,858	98.4%	10,489	98.5%

Units: kl, ¥ million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

Domestically, olive oil is produced in a few areas such as Kagawa prefecture, but only in extremely small quantities. Imports account for almost 100% of the market.

3. Key Considerations related to Importing

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

Olive oil imports as a foodstuff is subject to the Food Sanitation Law. When imported as pharmaceuticals or cosmetics, the Pharmaceutical Affairs Law regulates it.

Imports as a foodstuff

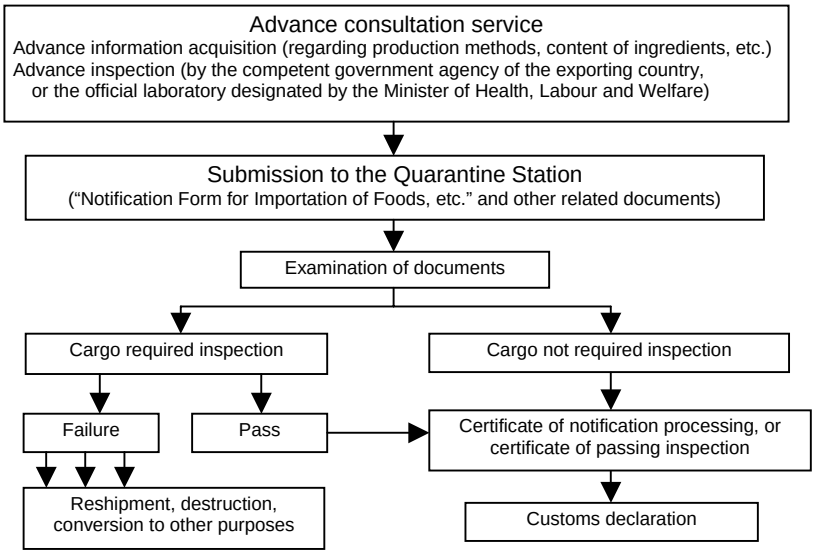
1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for olive oil being imported as a foodstuff 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.

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.

The Food Automated Import Notification and Inspection Network System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour and Welfare, and verify their passwords.

Fig. 3 Procedures required under the Food Sanitation Law



Imports as pharmaceuticals or cosmetics

1) Pharmaceutical Affairs Law

When importing olive oil classified under cosmetics in business, the Pharmaceutical Affairs Law requires to obtain first an importer's license. Then the importer must submit a name for sale, prior to importing the cosmetics. For more complete information, please consult with the pharmaceutical affairs office in the concerned prefecture.

Note that the Pharmaceutical Affairs Law does not regulate imports of olive oil as an ingredient for use in the domestic manufacture of pharmaceuticals or cosmetics.

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

The sale of olive oil as a foodstuff is subject to provisions of the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

Additionally, the Pharmaceutical Affairs Law regulate the sale of olive oil as pharmaceuticals or cosmetics. The sale of olive oil as cosmetics is also subject to provisions of the Fair Competition Code under the Act Against Unjustifiable Premiums and Misleading Representations.

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

Sale as a foodstuff

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling olive oil as a foodstuff, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

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

Edible olive oil sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Act Against Unjustifiable Premiums and Misleading Representations

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

5) Health Promotion Law (former Nutrition Improvement Law)

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

Sale as pharmaceuticals or cosmetics

1) Pharmaceutical Affairs Law

This law states that any business that sells pharmaceuticals directly to ordinary consumers, hospitals, clinics, etc. must be licensed to sell such products. However, a business license is not required when selling to pharmaceutical manufacturers, pharmaceutical sales firms, or pharmacy owners. The sale of cosmetics and quasi drugs does not require any special license.

Applications are to be submitted to the governor of the prefecture in which the business is located, together with documents demonstrating compliance with physical criteria for each store and with personal criteria for the applicant. For more information, please consult the pharmaceutical affairs office in the concerned prefecture for further information.

2) Act Against Unjustifiable Premiums and Misleading Representations

Based on the Act, the industry has voluntarily adopted fair competition code for labeling of cosmetics. (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
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Pharmaceutical Affairs Law
  General Affairs Division, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  Evaluation and Licensing Division, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

Sale as a foodstuff

When olive oil is to be sold for human consumption, following items must be listed all together on the label under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law. Under provisions of the JAS Law, olive oil must be labeled in accordance with the Processed Food Product Quality Labeling Standards and Edible Oil Product Quality Labeling Standards.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, list of food additives (if used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

Sale as pharmaceuticals or cosmetics

When olive oil is sold as pharmaceuticals or cosmetics, products must display certain information as specified in the Pharmaceutical Affairs Law. From a standpoint of health and hygiene, the display of false or potentially misleading information on the container or in the attached instructions is prohibited.

1) Product name
2) Contents (weight, volume or number of pills, etc.)
3) Manufacturing number or symbol
4) Name and address of manufacturer or importer

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging

Individual packaging

(2) Voluntary Labeling Based on Provisions of Law

1) Labeling based on provisions of the JAS Law

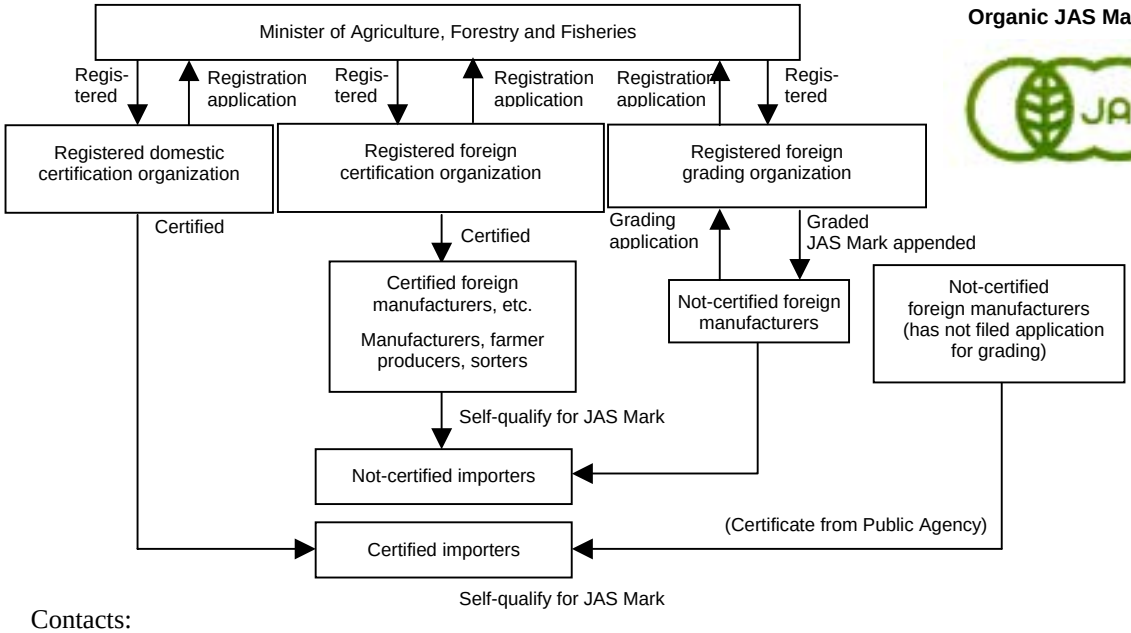
<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

The JAS Law establishes a "special JAS standard" for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase "organic" and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase "organic" and to display the Organic JAS Mark.

1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization.

   This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.
3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

Fig. 4 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



Organic JAS Mark

Contacts:

Center for Food Quality, Labeling and Consumer Services Headquarters

Standard and Labeling Department TEL: 048-600-2371 http://www.cfqlcs.go.jp

2) Labeling under the Health Promotion Law

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

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

(3) Voluntary Industry Labeling

<Fair Competition Code Concerning Representation of Cosmetics>

The Cosmetics Fair Trade Council has laid out certain rules for fair trade regarding the labeling of cosmetics. Cosmetic olive oil that contain more than 90% olive oil may be sold under the name of olive oil.

Contacts:

• Cosmetics Fair Trade Conference TEL: 03-3501-2643

5. Taxes

(1) Customs Duties

Olive oil is all duty free.

(2) Consumption Tax

CIF x 5%

6. Product Characteristics

Olive oil is a non-drying oil obtained from olives and characterized by a unique taste and aroma. It is the vegetable oil, which can be used in pressed state without going through refining process by heat treatment or chemical modification etc. along with sesame among other plants. The International Olive Oil Council (IOOC), an inter-governmental association, specifies international quality standards for olive oil, which defines it as “only that oil which is made from 100% olives.”

Olive trees naturally alternate between years of more and less abundant yield, and this results in a cycle of higher and lower olive oil production. According to IOOC, total world production has fluctuated between 2.0 million and 2.5 million tons annually. In the past, non-Italian olive oil producers would export their olive oil in bulk to Italy, where it was skillfully blended into olive oil products sold under Italian brand labels. But as Spain and Greece improve their technical capabilities, they are working to develop their own country’s brand names, and they are relying less on exportation to Italy.

Olive oil is an essential ingredient in the diets of the Mediterranean peoples. In Japan it has long been used as a pharmaceutical, to protect the skin, and as a cosmetic, for washing the skin. The boom in the popularity of Mediterranean cuisine has brought about a sharp increase in demand for human consumption. The various types of olive oil can be characterized as shown below.

<Edible olive oil>

Compared with other vegetable oils, olive oil is more resistant to oxidation. It also contains oleic acid, which is effective in lowering cholesterol, and anti-oxidants, which are useful in the prevention of aging and heart disease. As a result, it has recently attracted attention as a healthy oil for human consumption.

Edible olive oil can be broadly divided into three categories based on its acidity and whether or not it has been refined: 1) virgin olive oil; 2) refined olive oil; and 3) olive oil. Virgin oil that is pressed without refining is considered to be of the highest quality because of its rich taste and aroma. The third category of olive oil is sometimes referred to as "pure oil" in industry circles.

1) Virgin olive oil

Oil obtained from olives by a mechanical or other physical method under temperatures that do not affect the quality of the oil. The oil is transparent and may range from pale yellow to green in color. It has a unique aroma and taste. Virgin oil is further divided into "extra virgin," "virgin," and "ordinary virgin" varieties based on acidity and taste test results.

2) Refined olive oil

Oil from which the strong sensory stimulation and high acidity have been removed by a refining process. Virtually tasteless, odorless, and colorless.

3) Blend olive oil

A blend of virgin and refined olive oil. Transparent with hints of yellow and a mild aroma and taste. In Japan, olive oil is often used in Mediterranean cooking and pasta dishes as well as in processed foods like pasta sauces and marine foods packed in oil.

<Olive oil used in pharmaceuticals and cosmetics>

Olive oil destined for use in pharmaceuticals and cosmetics is refined, making it nearly odorless and transparent with a hint of yellow. It is listed in the Japan Pharmacopoeia and is commonly used for skin protection and moisturizing. Because it does not stimulate the skin, people with sensitive skin have long used it. It is also used to wash the bodies of bedridden individuals or of infants and elderly individuals with sensitive skin, as well as to remove make-up. Hospitals often use it as the foundation for medicinal salves.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

According to people in the industry, before 1994, when olive oil imports totaled only 5,000-6,000 tons per year, most demand was for commercial food use (45%) or for non-food use (35%). Demand for olive oil for home use accounted for only about 20% of the total. Growth in the olive oil market in recent years has been spurred primarily by soaring demand for household use. By the time household use accounted for about 60% of total demand, while commercial food use accounted for 30% and non-food use just 10%.

<Edible olive oil>

The edible olive oil market grew at a rapid pace from 1996 through 1998, then contracted suddenly in 1999 only to turn upward again in 2000. During that time fad-driven consumption disappeared, and little-known brands fell by the wayside as demand returned to normal levels. Today's market is characterized by increasing polarization between upscale product consumers and those who want affordable products. The former are particular about product differences and want organic extra virgin olive oil, or special extra virgin olive oil from a specific locale, or fresh and fruity olive oil made only from hand-picked olives. The latter are health-conscious consumers who want a good price for olive oil with no unusual characteristics.

At present, the best-selling varieties are upscale products from Italy and relatively inexpensive brands from Spain. Because of olive oil's strong Mediterranean image, products from other regions, such as France and the United States, face an uphill battle in the Japanese market. There is only a ¥100 price differential between the mass market products virgin olive oil and pure olive oil, and more and more home users are now choosing virgin olive oil. Commercial users still use olive oil only infrequently, and this is an area of expected future market growth.

<Olive oil used in pharmaceuticals and cosmetics>

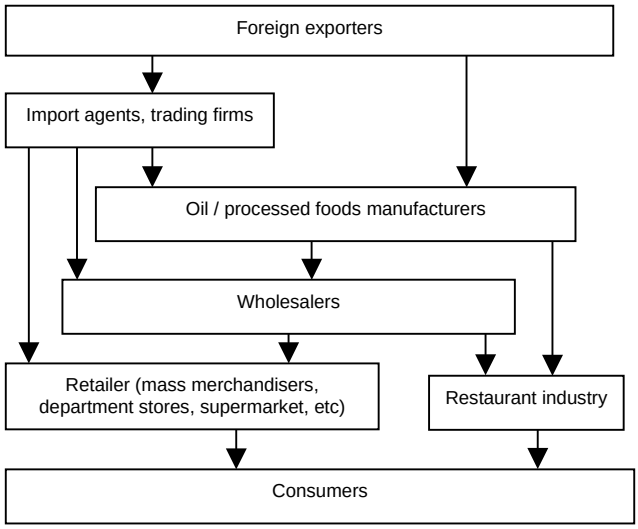
There is stable medical demand for olive oil. Recently, demand for olive oil as a cosmetic for daily skin care has increased, reflecting consumer orientations toward health and nature. Unlike edible products, the country of origin does not influence consumption of olive oil-based cosmetics. However, some manufacturers attempt to differentiate their products by emphasizing the fact that they use only the highest-grade oil from certain producing regions.

(2) Distribution Channels

<Edible olive oil>

There are two main forms of import for edible olive oil: 1) bottled and canned varieties designed for household and restaurant use; and 2) products packaged in drums or other large containers for use as raw materials in the manufacture of other products. Some of the products imported in large containers are repackaged in small containers for resale after being treated and blended at local oil manufacturers. During 2001 a number of leading department stores and supermarkets held Italy fair events in conjunction with "Italy in Japan 2001." More and more of these retailers are now making olive oil a standard part of their product line.

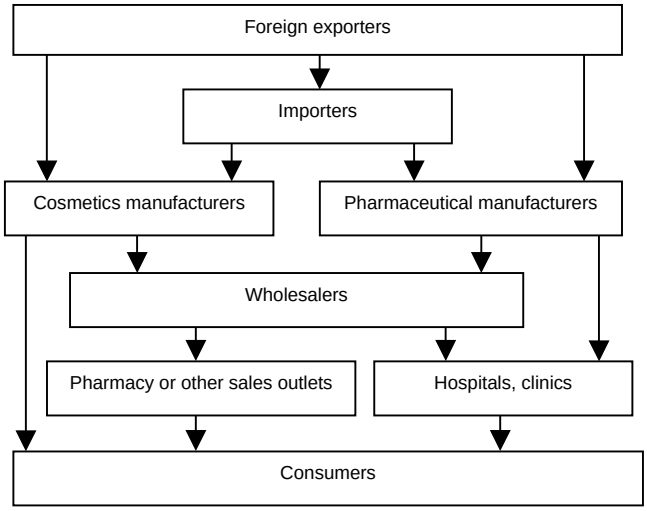
Fig. 5 Distribution channels for edible olive oil



<Olive oil used in pharmaceuticals and cosmetics>

Olive oil used in pharmaceuticals and cosmetics is almost always manufactured in Japan using imported raw materials. Some cosmetics manufacturers have promoted their use of olive oil in TV commercials, and others have embarked on mail-order sales of these products.

Fig. 6 Distribution channels for olive oil used in pharmaceuticals and cosmetics



(3) Key Considerations for entering the Japanese Market

In Japan, consumers have increasingly accepted edible olive oil for several years. Demand is growing very rapidly, prompting many trading firms to start imports from overseas suppliers, resulting in severer competition in the market. The new entries into the market may face fierce competition. Imports of olive oil for use in pharmaceuticals and cosmetics are subject to procedures under the Pharmaceutical Affairs Law. The implementation of the Product Liability Law requires importers to take responsibility for eventual damage or injury caused by imported products. Careful quality control is essential.

8. After-Sales Service

Generally speaking, after-sales service will not be required in the case of olive oil used as food. On the other hand, manufacturers and importers have to take quick action in the case of olive oil for use in pharmaceuticals and cosmetics and if problems such as damage or injury arise. Responsibilities include notifying the Ministry of Health, Labour and Welfare of problems, surveying their cause and measures for improvement.

9. Related Product Categories

Vegetable oils and processed foods using edible olive oil can be categorized as olive oil related products. These products are subject to standards and labeling procedures under the Food Sanitation Law. When they are sold in the market, they are subject to the Food Sanitation Law, the JAS Law and the Measurement Law.

10. Direct Imports by Individuals

There are no legal restrictions on direct imports by individuals. When olive oil is imported in small quantity for direct use by individuals and not marketed to other consumers, it is exempt from regulations under the Food Sanitation Law.

11. Related Organizations

- The Japan Oil and Fat Importers & Exporters Association TEL: 03-3662-9821
- Japan Oilseed Processors Association TEL: 03-3271-2705 http://www.oil.or.jp
- International Olive Oil Council TEL: 03-3267-1731

21. Salt

1. Definition of Category

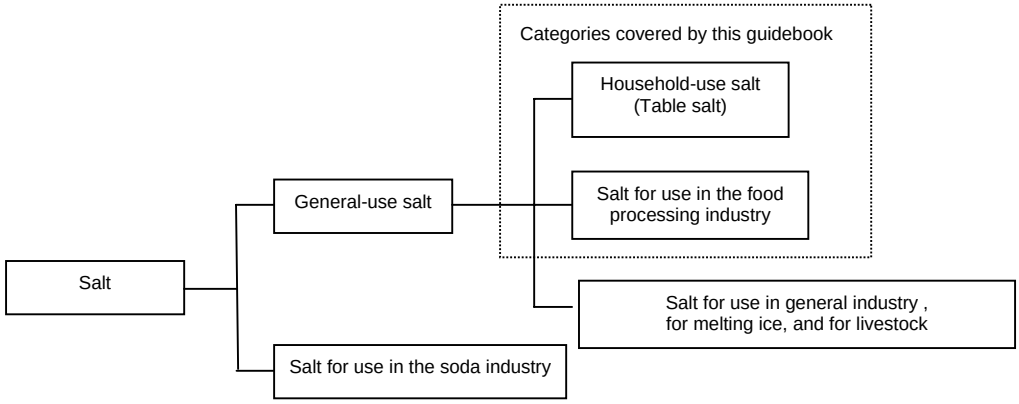
The salt discussed here is for human consumption.

HS Numbers	Commodity
2501.00	Salt (including table salt and denatured salt, whether or not in aqueous solution or containing ant caking agents)

Note: The above HS number also covers salt for applications other than human consumption as well as sea water.

At the time of importation, salt is not strictly categorized by application. All salt that is not "salt for use in the soda industry" is imported as "general-use salt." Later, at the domestic distribution and consumption stage, "general-use salt" is categorized as shown below. The "salt for human consumption" discussed in this guidebook falls for the most part under the categories "household-use salt" and "salt for use in the food processing industry."

Fig. 1 Categories of salt

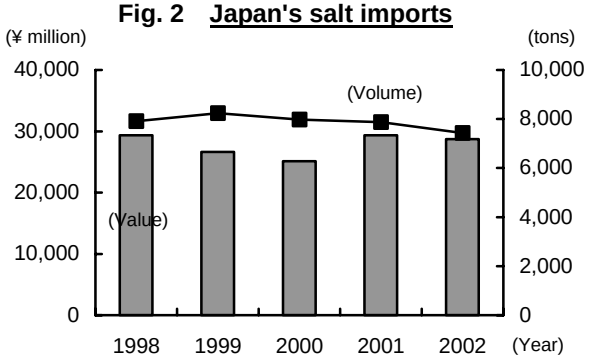


2. Import Trends

(1) Recent Trends in Salt Imports

Since 2000 overall salt imports (including salt for use in general industry and that for use in the soda industry) have been showing slight down for three straight years, resulting 74.28 million tons (down 5.6% from the year before), worth about ¥28.72 billion (down 2.2%) in 2002. Trade statistics do not have classification according to application, no breakdown is available for salt for human consumption alone.

Fig. 2 Japan's salt imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Salt	7,914	29,351	8,236	26,650	7,974	25,129	7,866	29,352	7,428	28,715

Units: 1,000 tons, ¥ million *Source: Japan Exports and Imports*

Note: Including salt for applications other than human consumption

As of April 1, 1997, the Salt Business Law abolished the salt monopoly system and greatly liberalized salt imports. Under the Law, foreign salt for human consumption to be sold as-is may be imported by submitting notification to the Customs. And as of April 2002, imports of salt for general use were fully liberalized.

According to a survey by the Tobacco and Salt Industries Office, Ministry of Finance, in FY 2001, the total domestic supply of salt decreased by 8.8% from the year before, to 8.799 million tons. Of this, 1.358 million tons was produced domestically, while 7.441 million tons was imported, for a 15.4-84.6 domestic-to-import ratio. Out of the foreign-produced table salt, 6.897 million tons (92.7%) is used in the soda industry, with only 544,000 tons for general use. This latter total includes not only household salt (124,000 million tons), but also general industrial use salt and livestock salt. Thus, it is impossible to determine exactly what proportion of imported salt goes to human end-users (household use, etc., sold at retail outlets). As is clear from table below, although only a small volume is involved, imports of household sold is growing from 22,000 tons to 124,000 tons in the recent five years.

Fig. 3 Trends in imports of salt by application

FY	1997	1998	1999	2000	2001
For general industrial use	491	434	409	448	420
For daily life	22	48	74	91	124
For the soda industry	7,779	7,068	7,614	7,618	6,897
TOTAL	8,292	7,530	8,097	8,157	7,441

Unit: 1,000 tons,

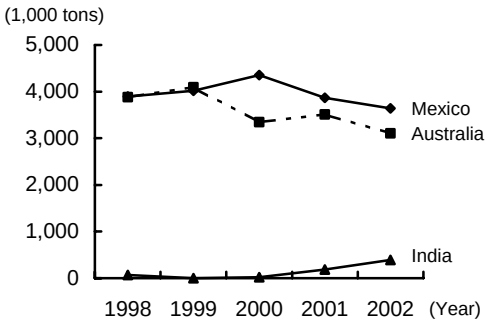
Source: Tobacco and Salt Industries Office, Ministry of Finance, The Japanese Government

(2) Imports by Place of Origin

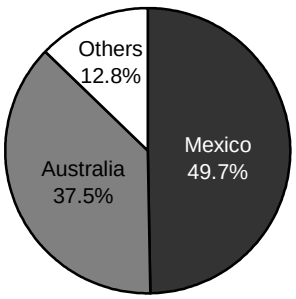
Mexico (49.0%) and Australia (41.8%) account together for 90.8% of salt imports overall. Most of these imports used for the soda industry. Although only a small quantity is involved, imports from India are increasing.

Fig. 4 Principal exporters of salt to Japan

Trends in import volume by leading exporters



Shares of salt imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Mexico	3,891	4,019	4,356	3,868	14,634	3,637	49.0%	14,263	49.7%
Australia	3,877	4,096	3,347	3,508	12,036	3,102	41.8%	10,765	37.5%
India	69	0	22	187	609	392	5.3%	1,194	4.2%
China	72	112	239	293	1,458	286	3.8%	1,736	6.0%
U.S.A.	0	1	1	1	106	2	0.0%	93	0.3%
Others	4	8	8	9	507	9	0.1%	662	2.3%
TOTAL	7,914	8,236	7,974	7,866	29,352	7,428	100.0%	28,715	100.0%
(E U)	2	4	2	3	249	4	0.1%	367	1.3%

Units: 1,000 tons, ¥ million *Source: Japan Exports and Imports*

Note: Including salt for applications other than human consumption

Fig. 5 presents trends in leading exporters of salt to Japan, based on the information by the Tobacco and Salt Industries Office of the Ministry of Finance. In addition, in FY 2001, the Ministry of Finance began publishing country-specific totals for imports of salt for daily life (table salt) alone. China held an overwhelming lead in this category with 102,600 tons out of the 124,000 tons of total imports. The next leading exporters, trailing far behind, are Australia (7,800 tons), the United States (2,700 tons), Vietnam (2,000 tons), and Germany (1,800 tons).

Fig. 5 Leading exporters of salt to Japan by usage classification

	FY	1997	1998	1999	2000	2001
General-use salt (including salt for daily life)	Mexico	257	270	226	281	289
	Australia	256	212	257	258	255
	TOTAL	513	482	483	539	544
Salt for use in the soda industry	Mexico	3,622	3,659	3,803	4,361	3,422
	Australia	3,766	3,339	3,698	2,966	2,930
	India	103	15	0	47	290
	China	49	56	113	244	255
	Chile	239	0	0	0	0
	TOTAL	7,779	7,068	7,614	7,618	6,897

Unit: 1,000 tons *Source: Tobacco and Salt Industries Office, Ministry of Finance*

(3) Imports' Market Share in Japan

Because soda industry, which account for nearly 80% of total salt market in Japan, relies entirely on imports for its salt, imported salts account for 84.6% of the total salt market in Japan. But, in the category of general-use salt alone, imports account for 28.6%. Furthermore, in the sub category of salts for daily life alone, Japan's 124,000 tons of imports account for 52.3% of the 237,000 total tons in the market.

Fig. 6 Imports' share in the Japanese market

	FY	1997	1998	1999	2000	2001
General-use salt	Domestic production	1,329	1,293	1,327	1,374	1,358
	Imports	513	482	483	539	544
	Total supply	1,842	1,775	1,810	1,913	1,902
	Imports' share	27.9%	27.2%	26.7%	28.2%	28.6%
Salt for use in the soda industry	Imports	7,779	7,068	7,614	7,618	6,897

Unit: 1,000 tons *Source: Tobacco and Salt Industries Office, Ministry of Finance*

3. Key Considerations related to Importing

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

The importation of salt is subject to provisions of the Salt Business Law and the Food Sanitation Law.

1) Salt Business Law

The Salt Business Law abolished the monopoly sales system and greatly liberalized imports in April 1997. The interim-measures phase come to an end on March 31, 2002. Now, salt (except salt for use in the soda industry) may be freely imported just by registering with the Director General of the Customs.

<Definitions under the Salt Business Law>

The following refers only to items related to the importation of salt for human consumption. Under the Law, companies that import raw salt and process it domestically into salt for human consumption are considered manufacturers rather than importers. They must register as salt manufacturers (notification, in the case of special-purpose salt and salt made with special methods).

Designated salt sellers: Those who import salt as a business

Salt wholesalers:

Those who wholesale or retail salt purchased from salt manufacturers or designated salt sellers

Salt: Solids containing at least 40% sodium chloride

Special-purpose salt:

(1) Items whose sodium chloride content is 60% or less and difficult to separate from the other ingredients.
(2) Salt for trial uses or with special properties, including salt sold on a trial basis at a limited number of outlets and at quantities of no more than 100 tons a year.
(3) Salt for special uses, including pharmaceuticals or for research, etc.

Salt made with special methods:

(1) Salt made with special production methods, including the *hiragama* method and methods using hot-spring heat

(2) Salt purchased from others and used as an ingredient in domestic production, mixed with spices, brine, sesame or other foods.

<Special-purpose salt>

The sale as-is of imported salt for human consumption produced overseas falls under the "special-purpose salt" category. Special-purpose salt may be imported and sold freely in Japan, by submitting notification to the Director-General of Customs of intend to engage in "special use salt specified sellers."

<Ordinary salt (block salt, sea salt, etc.)>

During the interim-measures phase of the Salt Business Law (until March 31, 2002), only the Salt Industry Center of Japan was allowed to import ordinary salt for human consumption (except special-purpose salt). From April 1, 2002, importers (designated salt sellers) can import ordinary salt just by registering with the Director-General of the Customs at the time of importation. To apply for registration, applicants submit the prescribed form together with the necessary documents to the Customs with jurisdiction over their main place of business.

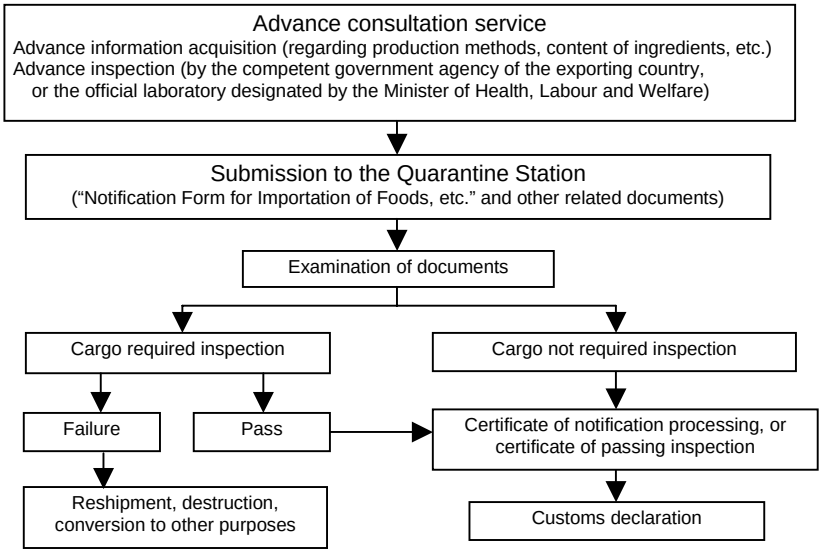
2) Food Sanitation Law

To ensure safety in terms of sanitation, the Food Sanitation Law regulates the importation of salt for human consumption. Under provisions of the Food Sanitation Law, an import notification is required for edible salt 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. Such notification is not required, however, for the importation of raw salt, even if it is for use as an ingredient in food products.

Some foreign countries add ferrocyan compounds to keep salt from hardening. Previously these compounds were not allowed in Japan under the Food Sanitation Law, but adding these compounds to table salt has now been authorized as of August 2002.

Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites the quarantine clearance process. In addition, importers who wish to submit their notifications by computer may make use of the computerized FAINS (Food Automated Import Notification and Inspection Network System) for processing import-related documentation. Importers who have the required hardware and software may apply for a security code from the Minister of Health, Labour and Welfare to access the system.

Fig. 7 Procedures required under the Food Sanitation Law



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

The sale of salt for human consumption is subject to the Salt Business Law, the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

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

1) Salt Business Law

Companies wholesaling salt for human consumption must be registered with the Minister of Finance. To register, companies submit the prescribed application form together with the necessary documents to (the branch office of) the Director-General of the Local Finance Bureau. After expiring the Law's interim-measures phase, it is not required to have at least five years' experience wholesaling salt. Neither registration nor notification is necessary for the wholesale of special-purpose salt or salt made with special methods. But, the sales volume and customers are restricted for some types of special-purpose salt (please refer to definition 2 under "special-purpose salt" above). There are no registration or notification requirements for the retail of salt for human consumption.

Note: Under the Law, companies that import raw salt and process it domestically into salt for human consumption are considered manufacturers rather than importers. They must register as salt manufacturers (or submit notification, in the case of special-purpose salt and salt made with special methods). Thereafter, wholesale and retail procedures are same as described above.

2) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. The sale of salt sealed in wrapping or containers for human consumption is subject to labeling requirements under provisions of the Law. (see 4. Labeling)

3) 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)

4) Measurement Law

Salt sealed in wrapping or containers is required the labeling of the net content to certain accuracy. . (see 4. Labeling)

5) Act Against Unjustifiable Premiums and Misleading Representations

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

6) Health Promotion Law (former Nutrition Improvement Law)

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

(3) Competent Agencies

- Salt Business Law
  General Administration Division, Financial Bureau, Ministry of Finance
  TEL: 03-3581-4111 http://www.mof.go.jp
- 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

- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
  Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
  TEL: 03-3501-1511 http://www.meti.go.jp
  Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
  TEL: 03-3581-3351 http://www.env.go.jp
  Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
  TEL: 03-3502-8111 http://www.maff.go.jp

4. Labeling

(1) Legally Required Labeling

When selling salt sealed in wrapping or containers, following items must be listed all together on the label, under provisions of the Food Sanitation Law, the JAS Law (Processed Food Quality Labeling Standards), and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, food additives (if used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) 8) Importer's name and address

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging **Individual packaging**

(2) Voluntary Labeling based on Provisions of Law

1) Health Promotion Law

When employing labeling for nutritional ingredients or calories in Japanese, either on the packaging or in accompanying documentation, labeling must be in accordance with the 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

The Japan Salt Industry Association has adopted Table Salt Safety Guidelines, effective as of April of 2001.The purpose of the Guidelines is to strengthen safety and sanitation control procedures in industrial salt production procedures and to improve production equipment control testing and finished product testing by the seven member producer companies. Commercial salt for use in food processing that is produced at a plant compliant with standards in the Guideline may display the "Safety and Sanitation Standard Certified Factory Mark" (does not apply to table salt for home use sold in containers of 5 kg or less).

5. Taxes

(1) Customs Duties

Figure 8 presents tariff rates on salt. It is currently subject to the Temporary rate, ¥3.3 per kilogram.

(2) Consumption Tax

(CIF + Customs Duty) x 5%

Fig. 8 Customs duties on salts

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
2501.00	Salt, pure sodium chloride and sea water				
-010	Salt, pure sodium chloride	¥0.5/kg			¥3.3/kg
-090	Other	Free			

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

6. Product Characteristics

Since ancient times, salt has been essential to human life. For this reason, it is a matter of national importance to secure a stable supply of salt, which Japan ensured until the end of March 1997 through a monopoly sales system. As a result, nearly all the salt seen in the domestic market on a daily basis was refined salt produced from raw salt by Japan Tobacco Inc. (JT) through ion-exchange filtration. However, because of the Salt Business Law that went into force in 1997, both domestic and foreign salt in various forms and made with various methods is expected to appear on Japanese tables. About one quarter of the world's salt is sea salt, produced from seawater. The remainder is taken from rock salt and salt water from salt lakes or underground. Generally speaking, because the evaporation of seawater over many years and the crystallization of the remaining salt form rock salt, it contains very little water but many impurities. Sea salt, in contrast, has high water content but few impurities.

The salt for human consumption produced in Japan is all made from seawater salt, but among imported products both seawater salt and rock salt can be found. Color and grain size differs slightly by brand, rather than by country, resulting in differences in flavor. Imported products include so-called "natural salt," such as sun-dried salt made only with solar and wind power. There are also rock salt formed by the evaporation of seawater trapped by movements of the earth's crust and other types made with natural methods (including French-, Italian- and Indonesian-made sun-dried salt and rock salt from the German Alps).

The salt for human consumption is priced at about ¥200 per kilogram in the case of the refined salt under the purview of the Salt Industry Center of Japan. Some domestically produced salt for human consumption processed from imported salt is priced 1.5 to 4 to 5 times as high, while some salt that is already for human consumption at the time of import is sold in stores for more than ¥2,000 per kilogram.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Under the salt monopoly system that had continued since the Meiji era, government permission was required to manufacture or wholesale salt and it could be imported and processed only by assignment to the government. However, with the abolition of the monopoly system, the distribution of salt has for all practical purposes been liberalized. With the importation and manufacture of salt liberalized, the Salt Industry Center of Japan is responsible for stockpiles, emergency supply of salt (called "salt for daily life" in the Salt Business Law) and its stable supply at other times nationwide, including isolated islands and depopulated areas. Stores with sales contracts with the center sell to the end user. It is believed that this distribution channel for "salt for daily life" will preserve the previous system's stability. Meanwhile, with imports liberalized, the number of importers and sellers handling imported salt has increased and the number of new entrants has spiraled. More and more consumers are looking for natural salt with added minerals, magnesium and other elements. In the food service industry as well, professional chefs increasingly distinguish between different varieties of salt for different national cuisines.

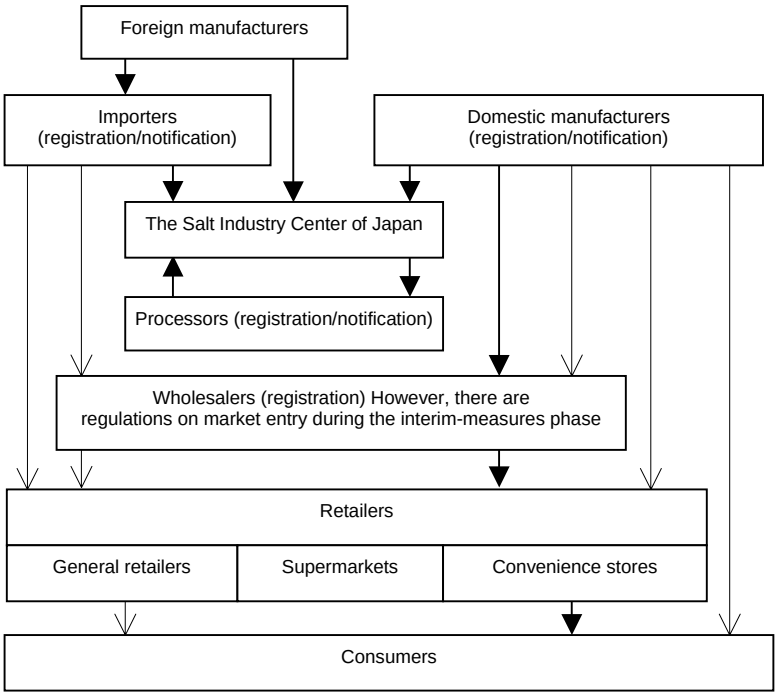
Also, more establishments are using natural salt in hamburgers, *sushi*, ramen noodles and ice cream. This is perhaps reflected in strong sales of sun-dried salt and rock salt (so-called natural salt rich in natural minerals) despite their high prices, and in expanding product lineups centering on European-made varieties. There are also signs of a trend to combine brand-name salt with *miso*, sauces and other flavorings to enhance the marketing value of foods. Although some of the domestic and imported salt for human consumption sold in Japan bears words like "natural" prominently, there are no voluntary industry regulations on such labeling. Labeling standards in some form should be established to help consumers make more informed choices.

(2) Distribution Channels

In the diagram below, the black arrows indicate distribution channels for "salt for daily life" handled by the Salt Industry Center of Japan, while the white arrows indicate those for "special-purpose salt" and "specially processed salt." Domestic manufacturers and processors are often the same company.

As stated previously, neither registration nor notification is necessary for the wholesale or retail of special-purpose salt or salt made with special methods. Department stores and supermarkets have been moving of late to strengthen their table salt sections with a wide range of Japanese and foreign salt products, including rock salt, ocean bottom salt, and salt mixed with herbs and spices.

Fig. 9 Distribution channels for salt for human consumption



(3) Key Considerations for entering the Japanese Market

Please be aware that the prescribed procedures for those entering the market as importers ("designated salt sellers" under the Salt Business Law) vary, depending on the type of salt to be imported (whether it is exclusively products that fall into the "special-purpose salt" category under the Salt Business Law). Liberalization of table salt imports has heightened interest in foreign-made salt. But, prospective new importers need to have the mineral and magnesium content carefully analyzed by a third-party public organization, and pay careful attention to quality control and sanitation control. Consumers are greatly concerned over food health issues, and this makes quality and sanitation control even more important than in the past

8. After-Sales Service

Generally, the retailers dealing with defective merchandise.

9. Related Product Categories

Salt for use in the soda industry and salt for use in general industry, which fall under the same HS Code as salt for human consumption are related product categories. These also fall under the Salt Business Law (for more information, please refer to the Law). The Food Sanitation Law does not apply to these product categories. There are also varieties of salt for human consumption mixed with other foods, such as garlic salt and spice salt. Those already mixed at the time of importation are treated under the Salt Business Law as "special-purpose salt," while those mixed in Japan are treated as "salt made with special methods."

10. Direct Imports by Individuals

There are no regulations on the direct importation by individuals of salt for human consumption. However, please inquire with the Customs as to the recognized scope of imports by individuals. Individuals returning to Japan from a trip overseas may bring in up to 30 kilograms of salt per person per entry.

11. Related Organizations

- The Salt Industry Center of Japan TEL: 03-5562-7711 http://www.shiojigyo.com
- The Japan Salt Industry Association TEL: 03-3402-6411 http://www.sio.or.jp

22. Bee Products

1. Definition of Category

Honeybees, specifically, natural honey, royal jelly, and propolis.

HS Numbers	Commodity
0409.00	Natural honey
3001.90	Royal jelly
0511.99	Propolis (solid and raw masses)
2106.90	Propolis (ethanol extracted)

Note: The HS codes, except for 0409.00, include products other than those reported in this guidebook as well. So, this guidebook deals with the statistics of natural honey only.

2. Import Trends

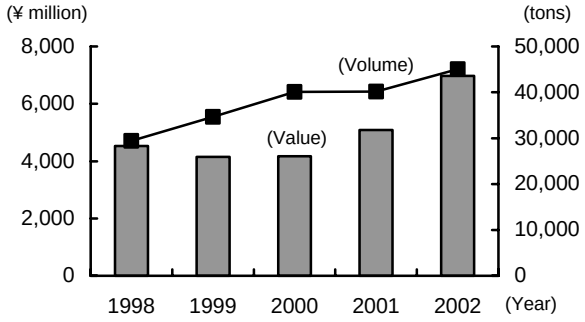
(1) Recent Trends in Bee Product Imports

<Natural honey>

Demand for honey reached a peak in 1990 due to a boom for honey lemon soft drinks, with total imports of natural honey reaching about 70,000 tons. After the honey lemon boom, which lasted only one year, imports began falling. In recent years, imports have run at about 30,000-40,000 tons range a year. Almost imported honey came from China. The result of higher-priced honey produced in China was a sharp decline in import volume. Retail prices have fallen so sharply that many importers find it difficult to raise prices enough to offset the increased prices of honey imported from China.

Natural honey has been experiencing a quiet surge of late in Japan, and the pattern of imports has undergone some change. In 2001, the average import unit price rose from 104 yen to 127 yen. But despite the price increases, import volume still rose slightly from the year before, to 40,188 tons. Furthermore, in 2002, despite higher raw material prices (155 yen/kg), honey's import reached 45,038 tons (up 12.1% from the year before), about 7 billion yen.

Fig. 1 Japan's natural honey imports



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Natural honey	29,425	4,529	34,658	4,147	40,077	4,170	40,188	5,088	45,038	6,968

Units tons, ¥ million Source: Japan Exports and Imports

(Note) This is not total of bee products reported in this guidebook.

<Royal jelly and propolis>

There are no customs clearance statistics on imports of royal jelly, since there is no independent HS code for that product. Therefore, trends in imports are not clear. Industry association, the National Royal Jelly Fair Trade Conference, reports that imports have been growing from 398 tons in 1996 to 607 tons in 2002 (see Fig. 3).

There are no customs clearance statistics on propolis either due to the lack of an independent HS code, so the trends in imports are unclear.

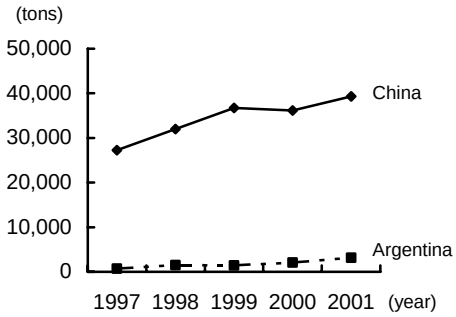
(2) Imports by Place of Origin

<Natural honey>

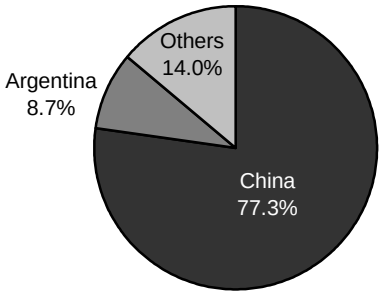
China supplies an overwhelming proportion of Japan's imports of natural honey – 39,281tons (share 87.2%) on a volume basis and 77.3% on a value basis in 2002. Imports from Argentine also registered growth from 700 tons to 3,122 tons during recent five years. Other exporters of natural honey to Japan include Canada, Vietnam, and the United States, although only a small quantity is involved.

Fig. 2 Principal exporters of honey (natural) to Japan

Trends in import volume by leading exporters



Shares of honey (natural) imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	27,295	32,012	36,754	36,157	4,229	39,281	87.2%	5,386	77.3%
Argentina	700	1,513	1,466	2,085	273	3,122	6.9%	609	8.7%
Canada	283	247	357	462	89	465	1.0%	133	1.9%
Vietnam	19	59	357	196	20	435	1.0%	75	1.1%
U.S.A.	260	304	304	278	94	327	0.7%	116	1.7%
Others	868	522	839	1,011	384	1,408	3.1%	648	9.3%
TOTAL	29,425	34,658	40,077	40,188	5,088	45,038	100.0%	6,968	100.0%
(E U)	118	52	75	93	79	225	0.5%	145	2.1%

Units: 1,000 tons, ¥ million *Source: Japan Exports and Imports*

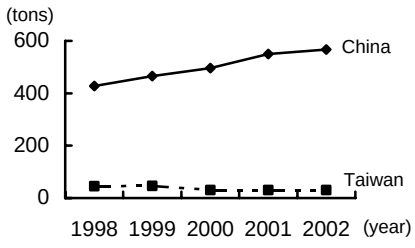
(Note) This is not total reported in this guidebook.

<Royal jelly>

According to the data from industry association (National Royal Jelly Fair Trade Conference), China supplies 93.3% of Japan's imports of royal jelly, 567 tons (93.3%) of 603 tons of total imports. The remainder is being imported from Taiwan, Thailand etc.

Fig. 3 Leading exporters of royal jelly to Japan

Trends in import volume by leading exporters



	1998	1999	2000	2001	2002	
	Volume	Volume	Volume	Volume	Volume	
China	428	466	496	550	567	93.3%
Taiwan	45	46	30	30	30	4.9%
Thailand	3	7	8	7	10	1.6%
Other	0	1	0	0	1	0.2%
TOTAL	476	520	534	587	608	100.0%

Unit: tons *Source: National Royal Jelly Fair Trade Conference*

<Propolis>

Since the total volume of propolis imports cannot be determined with certainty, there is also no precise breakdown of imports by country of origin. Industry insiders believe that about 80% of propolis imports come from Brazil, with about 10% coming from China and the rest divided among Australia, New Zealand, the United States, Hungary and other nations.

(3) Imports' Market Share in Japan

<Natural honey>

Japan consumes about 40,000 tons of natural honey a year. Imports therefore constitute over 90 percent of the market. There is little prospect for any increase in domestic production due to the conversion of the agricultural land from which bees make their honey to residential districts, the decline in the absolute number of domestic beekeepers and the aging of the remainder, the lack of younger people willing to take over existing operations, etc. The share of imports is expected to continue rising even further in the future.

<Royal jelly>

The decline in the number of domestic beekeepers has led to a drop in the production of royal jelly in Japan. Since domestic production of royal jelly declined to about just 3 tons, almost all of the royal jelly sold in Japan are imported.

Fig. 4 Imports' share in the Japanese market

	1998	1999	2000	2001	2002
Domestic production	5,464	4,739	4,035	3,724	*3,000
Imports	475,806	519,757	533,658	587,045	607479
TOTAL	481,350	524,496	537,693	591,045	610,469
Imports' Share	98.8%	99.1%	99.2%	99.3%	99.5%

Unit: kg *Source: National Royal Jelly Fair Trade Conference*

Figures for 2002 are estimates.

<Propolis>

Because there are no exact figures on the volume of propolis production and imports, no one knows how much of the market imports account for. A very small number of bee-keeping operations in Japan produce their own propolis, but their products are inferior to imports from Brazil and elsewhere in terms of active constituent levels. Thus, observers believe that imports account for nearly the entire propolis market.

3. Key Considerations related to Importing

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

The laws governing imports of bee products differ depending on the form, the claimed effectiveness, etc. When bee products are imported as a foodstuff, they are subject to the regulations of the Food Sanitation Law, while when they are imported as pharmaceuticals, they are subject to the regulations of the Pharmaceutical Affairs Law. At the present time, bee products are mostly imported as food. They are not believed to be imported much as a pharmaceutical.

When honey is imported packed in its natural comb state or as harvested, larvae and honeybees are sometimes included. In this case, inspection under the animal quarantine system is required under provisions of the Domestic Animal Infectious Diseases Control Law.

Imports as a foodstuff

1) Food Sanitation Law

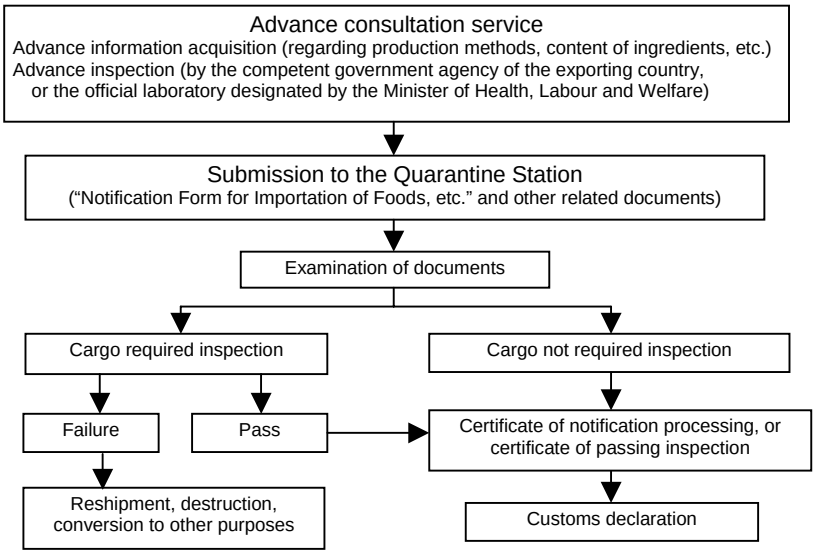
When bee products are imported as a foodstuff, the procedures under the Food Sanitation Law must be cleared. Under provisions of the Food Sanitation Law, an import notification is required for bee products being imported for the purpose of sale or for other commercial purposes. Importers are required 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.

Note that some countries use tetracycline family antibiotics for preventing contagious diseases among honeybees. Japan does not allow residual antibiotics in any food products -including honey or in royal jelly or propolis - and watches for this closely at the time of import. It does not allow imports of any products in which even small amounts of residual antibiotics are found as a result of inspection.

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

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

Fig. 5 Procedures required under the Food Sanitation Law



Import as a pharmaceutical

1) Pharmaceutical Affairs Law

When bee products are imported as a pharmaceutical or ingredients for a pharmaceutical in business, each item must be approved for safety under the Pharmaceutical Affairs Law and must obtain an importer's license. Note that honey covered by the Japan Pharmacopoeia is designated as pharmaceutical not requiring approval and therefore only customs clearance is required.

Further, honey or royal jelly imported as an ingredient for later domestic processing into a cosmetic is not subject to the regulations of the Pharmaceutical Affairs Law at the time of importation. For more details, contact the pharmaceutical affairs division in the nearest prefectural government office.

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

The sale of bee products as a foodstuff is subject to the regulations of the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations. The sale of bee products as a pharmaceutical or cosmetics is subject to the provisions of the Pharmaceutical Affairs Law.

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

Sale as a foodstuff

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling bee products as a foodstuff, it must be labeled in accordance with provisions of the Food Sanitation Law. In addition, processed foods and food additives containing allergens are required or recommended to state in the labeling to the effect that they contain allergenic foods. (see 4. Labeling)

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

Bee products sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Health Promotion Law (former Nutrition Improvement Law)

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

5) Act Against Unjustifiable Premiums and Misleading Representations

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

Sale as a pharmaceutical or cosmetics

1) Pharmaceutical Affairs Law

The Pharmaceutical Affairs Law requires prior approval be obtained for bee products sold as pharmaceuticals in business. Applications are to be submitted to the governor of the prefecture in which the business is located, together with documents demonstrating compliance with physical criteria for each store and with personal criteria for the applicant. For more information, please consult the pharmaceutical affairs division in the nearest prefectural government office.

This law states that any business that sells pharmaceuticals directly to ordinary consumers, hospitals, clinics, etc. must be licensed to sell such products. But, a business license is not required when selling to pharmaceutical manufacturers, pharmaceutical sales firms, or pharmacy owners. Cosmetics and quasi-drags can be sold freely without any approval.

(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
- Health Promotion Law (former Nutrition Improvement Law)
  Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Pharmaceutical Affairs Law
  General Affairs Division, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  Evaluation and Licensing Division, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
  TEL: 03-5253-1111 http://www.mhlw.go.jp
- Act Against Unjustifiable Premiums and Misleading Representations
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.go.jp
- 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

When sold as a foodstuff

When selling bee products sealed in wrapping or containers, following items must be listed all together on the label under provisions of the Food Sanitation Law, the JAS Law (Processed Food Quality Labeling Standards), and the Measurement Law.

<Labeling items to be listed all together>

1) Product name
2) List of ingredients, List of food additives (if used)
3) Net content
4) Best-before date
5) Preservation method
6) Country of origin
7) Importer's name and address

Example labeling for honey

Product name:	Honey
List of ingredients:	Chinese acacia honey
Net content:	1,000g
Best-before date:	2003. 1. 22
Preservation method:	oooooooooooooooo
Country of origin:	China
Importer:	XYZ Corp., Ltd. X-X, YY-machi, ZZ Prefecture

Example labeling for royal jelly

Product name:	Royal Jelly
Ingredients:	Royal jelly powder, honeybee pollen
Additives:	Soybean oil, beeswax
Net content:	100 capsules (each capsule containing equivalent of 0.1mg of royal Jelly)
Best-before date:	2003. 1. 22
Preservation method:	Store in cold, dark location
Country of origin:	China
Vendor:	ABC Corp., Ltd. A-A, BB-machi, CC Prefecture
Importer:	XYZ Corp., Ltd. X-X, YY-machi, ZZ Prefecture

Example labeling for propolis

Product name:	Propolis
Net content:	50mg
Ingredients	Propolis
How to intake	oooooooooooooooooooooo
Best-before date:	2003. 1. 22
Preservation method	Keep away from direct sunlight.
Ethanol content:	10%
Country of origin:	China
Importer:	XYZ Corp., Ltd. X-X, YY-machi, ZZ Prefecture

<Labeling of Foods Containing Allergens>

The Food Sanitation Law mandates or recommends ingredient labeling for 24 items that contain allergens. Processed foods containing the food items listed in the following table, and processed foods containing additives derived from these food items are either required or advised to bear labeling to the effect that they contain allergenic foods.

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

Sale as pharmaceuticals or cosmetics

When bee products sold as pharmaceuticals, products must display certain information as specified in the Pharmaceutical Affairs Law. This information includes the name and address of the manufacturer or importer, the name of the product, the manufacturing number or symbol, product weight, net contents, the number of pills, etc. contained in the package, and so on. From a standpoint of health and hygiene, the display of false or potentially misleading information on the container or in the attached instructions is prohibited.

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

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >

External packaging **Individual packaging**

(2) Voluntary Labeling Based on Provisions of Law

1) 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 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

There are Fair Competition Codes voluntarily established under provision of the Act Against Unjustifiable Premiums and Misleading Representations for sale of honey and royal jelly, which set certain labeling rules.

<Fair Competition Code Concerning Representation of Honey>

The National Honey Fair Trade Conference has established the Fair Competition Code Concerning Representation of Honey, which set information to be labeled and standards for labeling, and prohibits mislabeling.

Products that are deemed to be labeled in accordance with these rules are allowed to be sold with the fair trade mark of the conference on their containers or wrapping.

Honey fair trade mark

Contact:

- National Honey Fair Trade Conference TEL: 03-3279-0893

< Fair Competition Code Concerning Representation of Royal Jelly>

The National Royal Jelly Fair Trade Conference has established similar Fair Competition Code regarding the labeling of royal jelly, which set information to be labeled and standards for labeling, and prohibits mislabeling. Products that are deemed to be labeled in accordance with these rules are allowed to be sold with the certificate of the conference on their containers or wrapping.

Royal jelly certificate

Contact:

- National Royal Jelly Fair Trade Conference TEL:03-3561-5556 http://www.rjkoutori.or.jp

<Other voluntary standards>

The Japan Health Food & Nutrition Food Association and the Japan Propolis Conference have set their own standards for manufacturing processes and ingredients and their own labeling requirements for propolis. These organizations allow the following marks or certificates of approval to be attached to the containers or wrapping of products which are deemed to meet their standards.

JHFA Mark

Propolis

Contacts:

- Japan Health Food & Nutrition Food Association
  TEL: 03-3268-3131 http://www.health-station.com/jhnfa
- National Honey Fair Trade Conference
  TEL: 03-3384-8964 http://www.propolis.or.jp

Note that some honey is sold with voluntary warnings not to feed it to children less than one year of age due to the fact that honey sometimes causes infantile botulism.

5. Taxes

(1) Customs Duties

Customs duties on bee products are as follows. Other bee products are duty free.

Fig. 6 Customs duties on bee products

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
0409.00	Natural honey	30%	25.5%		
2106.90-299	Food preparations excluding protein concentrates and textured protein substances (Propolis, refined by ethanol)	25%	15%	10% *Free	

*Note 1: "*Free" in Preferential Rate is applicable only for Least Less Developed Countries.*
Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

<Natural honey>

Natural honey means honey free from added sugar or other substances. Honey differs in flavor, color, etc. according to the flowers from which the honey was made. There are reportedly as many as 300 species of flowers used for producing honey. The preferred species differ by country. The Japanese prefer relatively light color mild flavor honey such as Chinese milk vetch, false acacia, Japanese horse chestnut, and clover honey, while the Germans and Russians consider honey with strong fragrance to be the best quality. The French on the other hand prefer the brown colored buckwheat honey. In general, black colored honey tends to be strong both in smell and flavor, but the black color is due to the mineral content and therefore supposedly means the honey is that much more nutritious.

In view of the recent health and nature boom in Japan, interest in honey is rising as well. Honey is being increasingly used for industrial applications such as confectionery, bread, beverages, and other processed foods, pharmaceuticals, and cosmetics. Further, in recent years, comb honey, that is, honey packed in the natural comb state, has been gradually finding acceptance among the consumers and has been growing in sales. Comb honey from New Zealand and Canada is particularly famous. Chinese honey, which constitutes the majority of the honey being imported, is almost all imported in the raw form and is filtered and refined in Japan to make the final product.

<Royal jelly>

Royal jelly, the food for queen bees, is the whitish sticky fluid secreted from the pharyngeal glands of young worker bees. It has a distinctive aroma and a tangy acidic taste and is also known in Japan as the "milk of kings". Royal jelly is sold in three types: raw, dried, and prepared. There are standards for the properties and composition for each of these. Royal jelly is said to contain protein, minerals, vitamins, panthotenic acid, etc. and is being marketed as a nutritional enriched or other pharmaceutical and as an enriched food. Recently, various products have been developed containing royal jelly such as beverages, honey, and cosmetics.

<Propolis>

Propolis is the reddish sticky substance produced by honeybees by mixing their salivary secretions with the resin collected from the bark and young buds of the eucalyptus, pine, oak, beech, poplar, and other trees. They use it to fill crevices in their hives and strengthen the cells and to sterilize and decontaminate the hive. Propolis has created a stir in Japan as well due to this antibacterial action. In 1991 the Japan Cancer Society published results showing that quercetin in flavonoids that represent the main constituent of propolis has anticancer properties. This attracted more consumer attention.

Propolis is harvested from the hives of honeybees. The harder it is dried, the better the quality is considered. The propolis produced from the state of Minas Gerais of Brazil is particularly highly regarded. It is also being imported from China, Australia, and New Zealand. Most of the propolis sold in Japan is imported in the raw mass form and then refined by extraction to make the final powder, liquid, or capsule product that is shipped to the market.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

<Natural honey>

Consumption of honey may be divided into consumption in the home (so-called table honey) and industrial consumption. The current ratio is about 60 to 40. Demand for table honey is believed to be generally stable, but at one time is estimated by the industry to have dipped to 40 percent of total demand. The per capita consumption of honey in Japan is said to be about 300 grams. This is much smaller than 800 to 100 grams of the US. and 1500 to 2000 grams of Germany.

The industry, however, believes that demand for industrial use honey can be expected to grow in the future due to the greater number of applications for which it is being used in the recent health boom. The current honey boom was sparked by the Winnie the Pooh Honey Hunt at Disneyland, and now department stores and confection shops are rushing to add more foods, cakes and other products made with honey. Honey specialty stores have even appeared in the major metropolitan areas, and these stores carry many different types of honey from nations all over the world.

<Royal jelly>

Royal jelly has been used for a long time now for its nutritional qualities. Recently, however, cosmetics, beverages, and a variety of other products including royal jelly have been developed as well. The market has reportedly grown in size along with this. The National Royal Jelly Fair Trade Conference currently counts 337 member firms.

<Propolis>

Propolis contains some 30-40 types of dense and high-quality flavonoids, which remove harmful enzymes and thereby enhance natural homeostasis and auto-immune functions. Propolis has ceased to be merely a fad. It has firmly established itself as a mainstream health food with a high level of health benefits. Some 250 companies belong to the Japan Propolis Conference, and when non-member firms are factored in, there are probably several hundred companies involved in processing and selling propolis products.

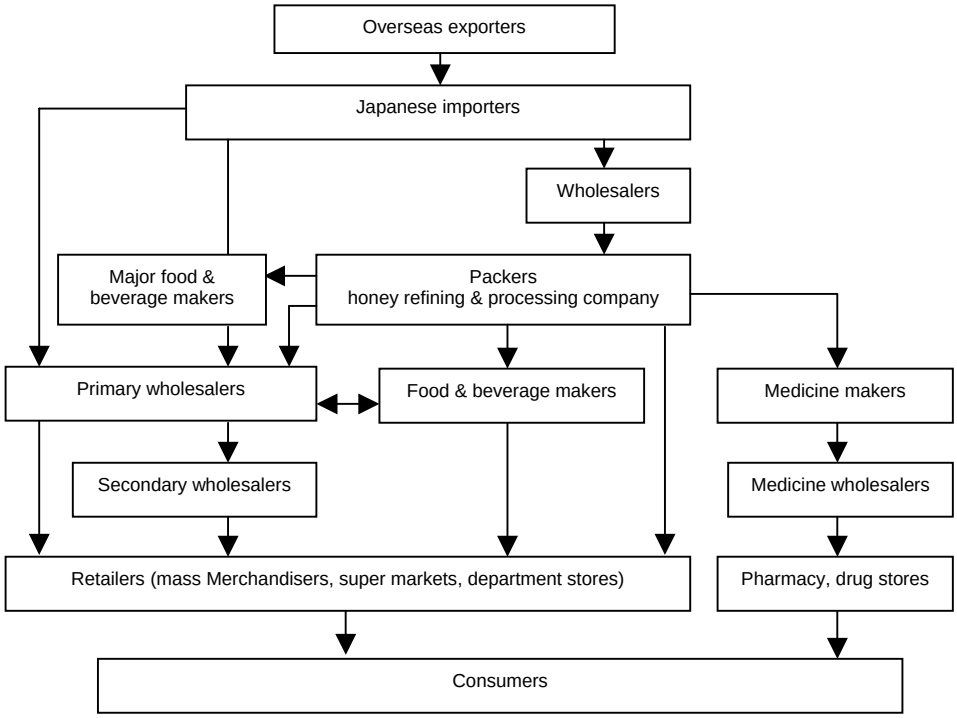
Many firms from other fields of business are entering the propolis business, meaning that propolis products are more widely available. At the same time, competition has intensified, and a number of companies have also pulled out of the field. Some companies have won considerable praise from consumers and medical people, but the market also has many poor quality products and knock-offs. The market is expected to continue posting steady growth. If makers maintain consumer confidence by sustaining a high level of product quality, setting reasonable prices and developing new food products, they can expect the user base to expand further. Propolis is sometimes used in the western countries as a folk cure, but has not been recognized yet as a medicine in Japan.

(2) Distribution Channels

<Natural honey>

In Japan, the majority of the honey is first imported in drums and other large containers both for household use and industrial use, and then repacked domestically by local packers (honey refiners/processors). Honey for household consumption is mainly sold at retailers, supermarkets, and department stores. Honey is not a high turnover product, so while also sold at convenience stores etc., the volume of sales appears to be small. Small brands of honey, much of which may be found at health food stores etc., account for about 30 percent of the market.

Fig. 7 Distribution channels for natural honey



<Royal jelly>

Royal jelly is mainly imported by trading companies in the raw form, though some is freeze-dried as well. The imported royal jelly is then prepared or processed into the final product by domestic manufacturers. Some manufacturers and processors have created their own sales companies and are engaged in mail order sales or door to door sales. (see Fig. 8)

<Propolis>

Most propolis is imported in crude form, and then is extracted and refined by Japanese manufacturers and processors, after which it is made into finished products and distributed into the market in liquid, tablet or powdered form. Some propolis is imported from the United States and Europe in finished product form, but only in very small quantities.

Propolis distribution channels may be broadly classified into non-storefront sales (door-to-door and mail order) and storefront sales. The overall proportion is roughly six-to-four in favor of non-storefront sales. Door-to-door sales was the most common mode in the past, but mail order sales by catalog and over the Internet are faring well and drawing more repeat customers. The growth of the Internet has led to more sites where makers and distributors describe in detail the unique characteristics of their products. Health food shopping malls carry nearly 100 different propolis products, making it easier to do comparison shopping. Storefront sales channels include health food specialty stores, pharmacies, department stores and convenience stores. (see Fig. 8)

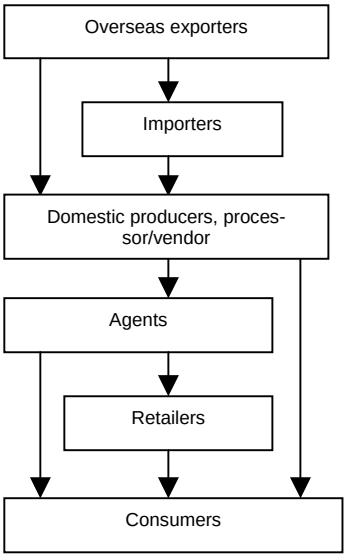
(3) Key Considerations for entering the Japanese Market

The importation and sale of bee products as a foodstuff are regulated under the Food Sanitation Law, etc., while the importation and sale of bee products as pharmaceuticals are regulated under the Pharmaceutical Affairs Law. Therefore, full knowledge of these laws is required. Note further that the enforcement of the Product Liability Law in Japan means that importers, vendors, etc. are liable for detrimental effects on the health caused by defective products, so full care is required in quality control.

8. After-Sales Service

In general, there is no equivalent to after-sales service. Manufacturers and importers are, however, obliged to take speedy action if there is a potential problem in the pharmaceutical or other product such as notification to the Ministry of Health, Labour and Welfare, determination of the cause, and remedial measures

Fig. 8 Distribution channels for royal jelly and propolis



9. Related Product Categories

Two of the related products of bee products are honeybees and pollen. Imported honeybees are subject to animal quarantine under the Domestic Animal Infectious Diseases Control Law due to the existence of American foulbrood and other contagious diseases of bees. Imports of pollen are subject to the restrictions under the Plant Quarantine Law and the Food Sanitation Law.

10. Direct Imports by Individuals

There are no special legal regulations governing individual imports. The restrictions under the Food Sanitation Law are also waived for imports of a scope deemed for personal use not intended for sale. When importing bee products as pharmaceuticals, however, there are restrictions on quantities under the Pharmaceutical Affairs Law. Further, anyone advertising products falling under the Pharmaceutical Affairs Law, taking orders for them, and importing them for a fee will be deemed to be importing as a business and violating the Pharmaceutical Affairs Law.

11. Related Organizations

- National Honey Fair Trade Conference TEL: 03-3279-0893
- Japan Beekeeping Association TEL: 03-3291-8628 http://group.lin.go.jp/bee
- Japan Honey Cooperative Association TEL: 03-3934-1604
- Japan Honey Importer's Association TEL: 03-3219-3040
- Member of the JAPAN Royal Jelly Fair Trade Council
  TEL: 03-3561-5556 http://www.rjkoutori.or.jp
- Japan Health Food & Nutrition Food Association
  TEL: 03-3268-3131 http://www.health-station.com/jhnfa
- Japan Propolis Conference TEL: 03-3384-8964 http://www.propolis.or.jp