

## 9. Rice Flour Preparations and Rice Confections

### 1. Definition of Category

Rice flour preparations containing a mixture of rice flour, sugar and other ingredients that cannot easily be separated out (with no greater than 85% rice flour content by weight), along with rice confections such as Japanese *arare* and *sembei* crackers.

#### HS Numbers

1901.90-241, -246  
-251, -266  
1901.20-231, -234, -242  
1905.90-311, -321

#### Commodity

Rice flour preparations (added sugar)  
Rice flour preparations (non-added sugar)  
Rice flour preparations (for bakers' ware)  
Rice confections (mainly toasted products)

### 2. Import Trends

#### (1) Recent Trends in Rice Flour Preparation and Rice Confection Imports

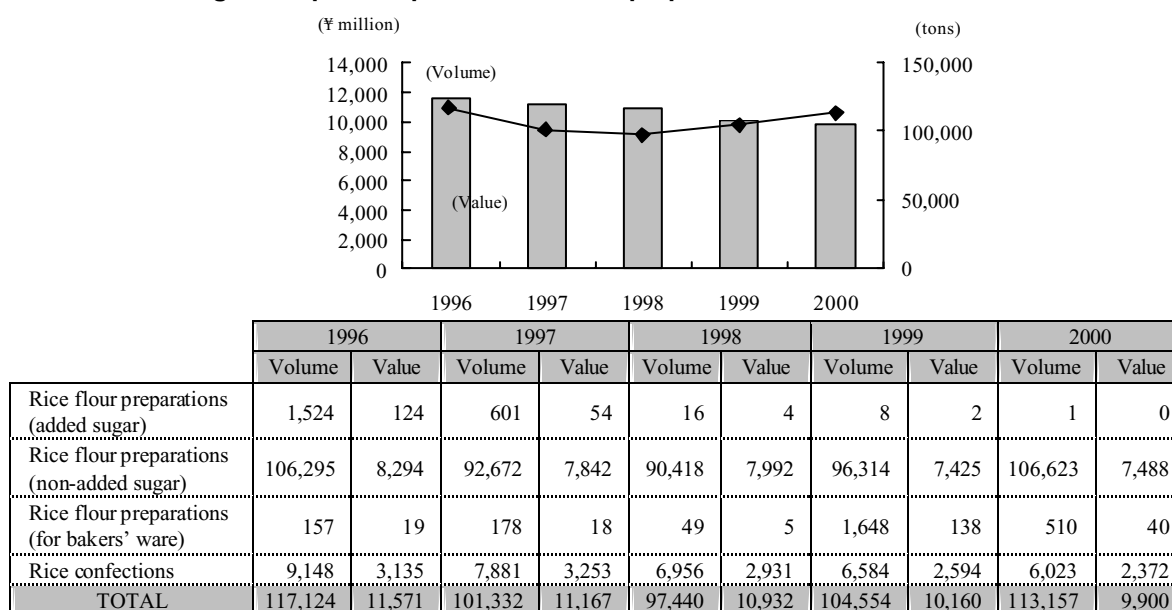
[Rice Flour Preparations]

Imported rice flour products are substitutes for processing rice and rice flour as raw materials in making Japanese rice crackers and other Japanese-style confections. Imports vary greatly on supply and demand for domestically produced processing rice, on exchange rates, and trends in government minimum access rice imports. Imports grew tremendously in 1994, when Japan experienced a rice crop failure, but this increase proved temporary, and imports have been declining since that time. By 1998 imports had dropped to 90,483 tons.

However, rice flour demand soared in 1999 when a hit product came out on the market, and rice flour product imports rose for the first time in several years. In 2000 imports of rice flour preparations recorded 107,134 tons, up 9.4% from the year before.

Nevertheless, it appears likely that rice flour product imports will turn downward again if minimum access imported rice (especially inexpensive broken rice) becomes consistently available for use as processing rice. Currently, about 100% of the imports are of the non-added sugar type, due mainly to higher tariff rates on added sugar type.

**Fig. 1 Japan's imports of rice flour preparations and rice confections**



Units: tons, ¥million

Source: Japan Exports and Imports

[Rice Confections]

Nevertheless, with growth stagnating in the rice confections market in Japan, consumer preference is shifting toward products made from Japanese rice, both well-known varieties of rice and organic rice. As a result, imports of rice confections have been dropping for several years. Imports totaled 6,023 tons in 2000, nearly two-thirds of the 9,148 ton total recorded in 1996.

Imports of rice confections include both semi-finished products (imported plain baked and then finished in Japan by adding flavoring and dried seaweed strips) and finished products. In the past, semi-finished product imports were more common, but in recent years Japanese confection makers have been expanding into Thailand and other Asian nations where labor and raw material costs are low. They have been forming partnerships with local confections makers and setting up local production facilities for finished products that are then exported back to Japan.

(2) Imports by Place of Origin

[Rice Flour Preparations]

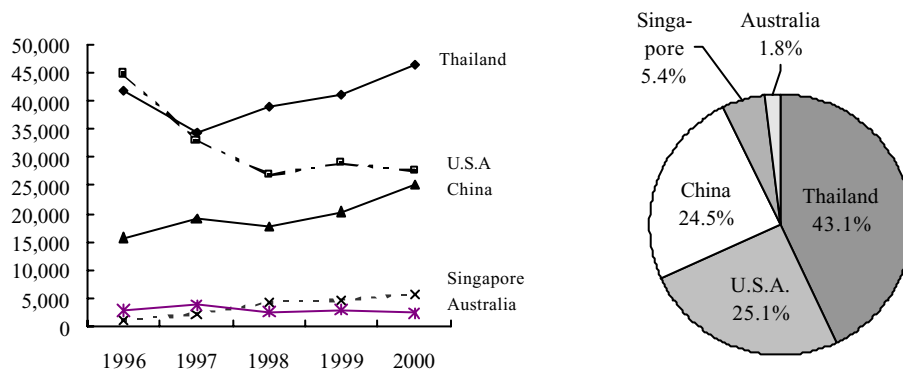
Thailand is one of the world's leading producers of rice and the largest exporter as well. It has been the number one exporter of rice to Japan and holds a 43.2% share on a volume basis in 2000. Imports from China recently have been showing a rapid increase and gains a 23.5% share, resulting the decline of imports from the United States (25.8% share in 2000).

[Rice Confections]

Thailand is also the leading exporter of rice confections to Japan. Thailand has maintained a substantial import share of 86.2% on a volume basis, and 90.7% on a value basis.

**Fig. 2 Principal exporters of rice flour preparations to Japan**

**Trends in import volume by leading exporters**      **Shares of rice flour preparation imports in 2000 (value basis)**



|              | 1996           | 1997          | 1998          | 1999          |              | 2000           |               |              |               |
|--------------|----------------|---------------|---------------|---------------|--------------|----------------|---------------|--------------|---------------|
|              | Volume         | Volume        | Volume        | Volume        | Value        | Volume         | Value         | Volume       | Value         |
| Thailand     | 41,890         | 34,412        | 39,045        | 41,046        | 3,111        | 46,280         | 43.2%         | 3,244        | 43.1%         |
| U.S.A.       | 44,773         | 32,988        | 26,785        | 28,913        | 2,305        | 27,604         | 25.8%         | 1,891        | 25.1%         |
| China        | 15,765         | 19,125        | 17,588        | 20,347        | 1,590        | 25,205         | 23.5%         | 1,844        | 24.5%         |
| Singapore    | 1,041          | 2,211         | 4,216         | 4,709         | 373          | 5,674          | 5.3%          | 410          | 5.4%          |
| Australia    | 2,895          | 3,744         | 2,631         | 2,949         | 185          | 2,346          | 2.2%          | 136          | 1.8%          |
| Other        | 1,612          | 971           | 218           | 6             | 2            | 25             | 0.0%          | 3            | 0.0%          |
| <b>TOTAL</b> | <b>107,976</b> | <b>93,451</b> | <b>90,483</b> | <b>97,970</b> | <b>7,565</b> | <b>107,134</b> | <b>100.0%</b> | <b>7,528</b> | <b>100.0%</b> |

Units: tons, ¥million

Source: Japan Exports and Imports

**Fig. 3 Principal exporters of rice confections to Japan**

|              | 1996         | 1997         | 1998         | 1999         |              | 2000         |               |              |               |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|
|              | Volume       | Volume       | Volume       | Volume       | Value        | Volume       | Value         | Volume       | Value         |
| Thailand     | 7,702        | 6,818        | 6,061        | 5,780        | 2,365        | 5,193        | 86.2%         | 2,150        | 90.7%         |
| Taiwan       | 686          | 593          | 537          | 595          | 129          | 533          | 8.8%          | 109          | 4.6%          |
| China        | 81           | 107          | 132          | 147          | 79           | 210          | 3.5%          | 89           | 3.8%          |
| Vietnam      | 0            | 0            | 1            | 24           | 6            | 59           | 1.0%          | 13           | 0.6%          |
| R Korea      | 411          | 90           | 0            | 5            | 2            | 25           | 0.4%          | 9            | 0.4%          |
| Other        | 269          | 274          | 226          | 33           | 14           | 3            | 0.1%          | 1            | 0.1%          |
| <b>TOTAL</b> | <b>9,148</b> | <b>7,881</b> | <b>6,956</b> | <b>6,584</b> | <b>2,594</b> | <b>6,023</b> | <b>100.0%</b> | <b>2,372</b> | <b>100.0%</b> |

Units: tons, ¥million

Source: Japan Exports and Imports

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

[Rice Flour Preparations]

Rice flour preparations are the unique style among imports.

[Rice Confections]

Rice Cracker Manufacturer's Association of Japan estimates that imports have occupied about one-thirds in the market for rice confections. These days, it must be at level because of consumers' taste for products made from domestic rice.

## 3. Key Considerations related to Importing

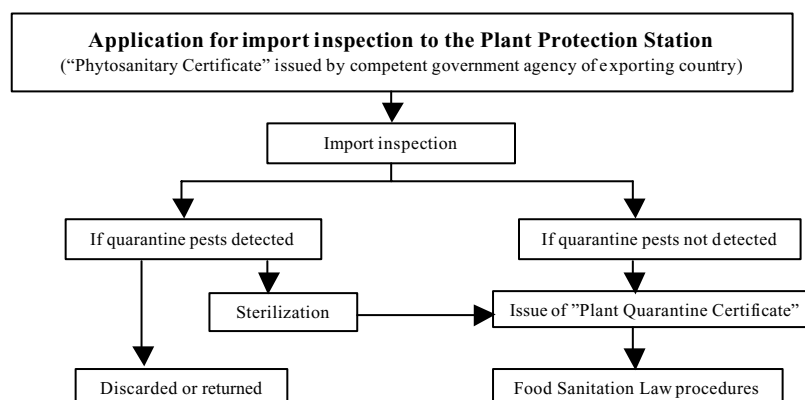
### (1) Regulations and Procedural Requirements at the Time of Importation

The importation in Japan of rice flour preparations is subject to provisions of the Plant Protection Law, the Food Sanitation Law, and the Measurement Law. The importation of rice confections is subject to provisions of the Food Sanitation Law and the Measurement Law.

#### 1) Plant Protection Law

Rice flour preparation imports 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. 4 Plant Protection Law procedures**

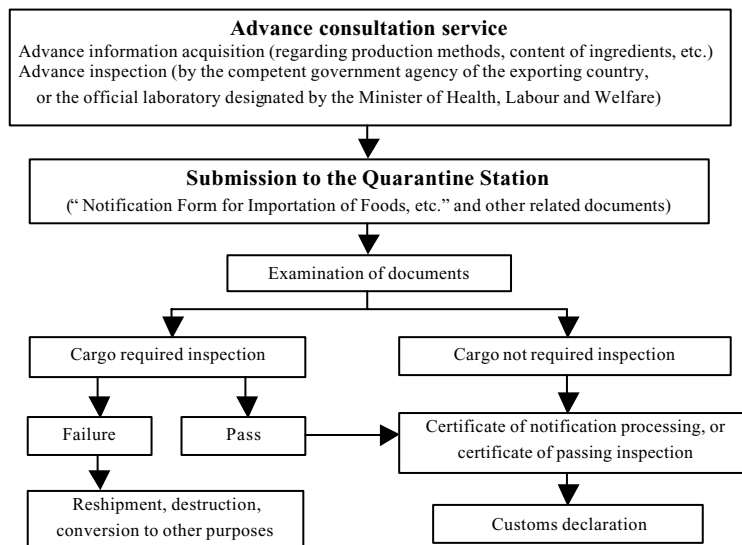


#### 2) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for rice flour preparations and rice confections 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. Rice confections are also checked for the presence of preservatives and food colorings.

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

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

**Fig. 5 Procedures required under the Food Sanitation Law****(2) Regulations and Procedural Requirements at the Time of Sale**

The sale of rice flour preparations and rice confections is subject to provisions of the Food Sanitation Law, the JAS Law, the Measurements Law, the Nutrition Improvement Law, and the Containers and Packaging Recycling Law.

**1) Food Sanitation Law**

When selling packaged rice flour preparations and rice confections, 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 former JAS Law imposed separate product quality labeling standards for each product specified by Cabinet Ordinance. But the JAS Law was amended in 1999 to establish quality labeling standard for all food and beverage products sold to ordinary consumers. (see 4. Labeling)

**3) Measurement Law**

Rice flour preparations and rice confections sealed in wrapping or containers are required the labeling of the net content to certain accuracy (range of error specified by Cabinet Ordinance).

**4) Nutrition Improvement Law**

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

**5) 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. These legal obligations went into effect for glass bottles and PET bottles in April 1997, and for paper and plastic containers and packaging as of April 2000.

Consequently, importers and resellers of rice flour preparations and rice confections 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

- 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>
- 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 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

All processed food products (sealed in wrapping or containers) manufactured, processed or imported on or after April 1, 2001 must be labeled in accordance with the Processed Food Product Quality Labeling Standards under provisions of the amended JAS Law. When selling rice flour preparations and rice confections sealed in wrapping or containers, following items must be listed all together on the label. Products that comply with this new labeling standards meet the labeling requirements of the Food Sanitation Law and the Measurement Law.

<Labeling items to be listed all together>

- 1) Product name
- 2) Net content
- 3) Date of minimum durability (best-before date)
- 4) Indication of food additives present (if any)
- 5) Standard usage and preservation methods (if specified)
- 6) Name and address of importer

*Note: Labeling for the date of minimum durability (best-before date) may be abbreviated on the container label for both rice flour preparations and rice confections; otherwise it may be omitted. Additional labeling may be required at the point of sale for rice confections by local government ordinance.*

### (2) Voluntary Labeling based on Provisions of Law

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

Guidelines were established in 1992 for labeling of organic agricultural products. However, these guidelines were not legally binding, and producers followed their own labeling standards, which caused confusion among consumers. The amended JAS Law established 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 JAS Mark



Contact:

- Japan Agricultural Standards Association TEL:03-3249-7120 <http://www.jasnet.or.jp>

### (3) Voluntary Industry Labeling

There is no voluntary industry labeling for rice flour preparations and rice confections.

## 5. Taxes

### (1) Customs Duties

Following table presents tariff rates on rice flour preparations and rice confections.

**Fig. 6 Customs duties on rice flour preparations and rice confections**

| HS No.  | Description   | Rate of Duty (%) |       |              |           |
|---------|---|------------------|-------|--------------|-----------|
|         |   | General          | WTO   | Preferential | Temporary |
| 1901.20 | Mixes and dough for the preparation of baker's wares of heading No. 19.05 |                  |       |              |           |
|         | 1. Preparations of rice flour, containing added sugar                     |                  |       |              |           |
| -231    | (1) Containing not more than 15% by weight of sucrose                     | 24%              | (24%) |              |           |
| -234    | (2) Other   | 28%              | 23.8% |              |           |
| -242    | 2. Preparations of rice flour, not containing added sugar                 | 16%              | (16%) |              |           |
| 1901.90 | Mixes of starch except No.1901.20   |                  |       |              |           |
|         | 1. Preparations of rice flour, containing added sugar                     |                  |       |              |           |
| -241    | (1) Containing not more than 15% by weight of sucrose                     | 24%              | (24%) |              |           |
|         | (2) Other   | 28%              |       |              |           |
| -246    | (a) Foods, the largest single ingredient of which is sugar by weight      |                  | (28%) |              |           |
| -251    | (b) Other   |                  | 23.8% |              |           |
| -266    | 2. Preparations of rice flour, not containing added sugar                 | 16%              | (16%) |              |           |
| 1905.90 | <i>Arare, Senbei</i> and other similar rice products                      |                  |       |              |           |
| -311    | 1. Containing added sugar   | 40%              | 34%   |              |           |
| -321    | 2. Not containing added sugar   | 35%              | 29.8% |              |           |

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

Rice flour includes flour made from untreated rice, as well as flour made after the rice is heated to agglutinate the starch in the rice. Both are used to make Japanese rice crackers such as *senbei* and *arare*, and other Japanese-style confections. The taste and overall quality of processed rice products depends largely on the quality and characteristics of the rice used as raw material, and consumer preference for products made from Japanese rice remains very strong. However, since improved processing technology can compensate for the quality weaknesses of various type of rice, imported rice flour preparations are increasingly used to make rice confections, especially those sold in lower mass-merchandise price ranges.

Rice may be broadly classified into glutinous and non-glutinous rice, and rice flour made from each type of rice has different uses. Non-glutinous rice flour is used primarily to make *senbei* crackers, although it is also used to make certain other kinds of traditional Japanese confections. Glutinous rice flour is primarily used to make *arare*, *mochi* and *mochi* candies. Almost all glutinous rice imports come from Thailand, which produces high-quality processing rice that yields products barely distinguishable from those made from Japanese rice.

Most rice confections produced abroad are either low-priced products intended for mass merchandise outlets, or are imported as semi-finished products that are flavored and wrapped in dried seaweed strips after reaching Japan. It is difficult to sell imported rice confections on their taste, but their low cost gives them quite an advantage. Some imported rice confections are sold under private label brands of supermarkets and other mass merchandisers.

The characteristics of products from different countries may be generally described as follows.

#### [Rice Flour Preparations]

##### • Thailand

Most Thai rice flour preparations are made from glutinous rice. Sometimes, though preparations contain a certain amount of non-glutinous rice or lower-quality glutinous rice. Producers who use proper quality control methods can produce preparations that are not significantly different in quality from Japanese preparations. Thai rice is mostly long-grain rice that is less sticky and has lower water content than Japanese short-grain rice. Because the water content of rice can greatly affect the quality of *arare* and other rice confections, producers need processing technology and equipment that is adapted to the lower water content of Thai rice.

- United States

Nearly 70% of American rice is long-grain rice, and it is imported into Japan mainly by general bidding under the minimum access program. Rice flour preparations made from California short-grain rice have a level of quality at or near that of preparations made from Japanese rice.

- China

China is the world's leading rice grower, with nearly 40% of world production. 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. Imports of rice flour preparations from China recently have been showing a rapid increase.

[Rice Confections]

Rice confection production has become widespread in Thailand and other Asian countries/areas, and some production comes from the United States. Much of this production takes place under the supervision of technical specialists from Japan. Overseas producers are just starting to learn how to make high-quality products that appeal to Japanese tastes.

## 7. Domestic Distribution System and Business Practices

### (1) Domestic Market Conditions

[Rice Flour Preparations]

Domestic rice production has been at about 10 million tons, although actual production varies from year to year. 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).

Domestic production of rice flour rose 22.8% in 1999 on a volume basis, to an all-time record of 131,604 tons. There was a song that became a big hit on a children's TV show about rice flour dumplings that are served on skewers ("*dango*" in Japanese). Sales exploded as a result, which was a major factor underlying the production increase.

Since rice flour preparations from abroad are less expensive than domestically produced rice flour, demand tends to vary according to pricing related factors. A rice crop failures or production adjustment can cause a supply shortage of processing rice. This drives up prices of domestic rice flour above the cost of imported rice flour preparations combined with the cost of importation. Under these circumstances, it becomes advantageous to use imports as a substitute. Also, farmers are steadily turning to name-brand varieties of rice, which yield better earnings, and they are cutting back production of less-lucrative processing rice.

Recent years have witnessed a surge in consumer preference for authentic products, and products have gained popularity when they can use as a selling point the fact that they are made from some prominent variety of rice grown in Japan. They are tending to avoid varieties of rice that do not taste good, even if they are inexpensive. Although demand for imported rice flour preparations is expected to remain, import volume may be affected import volume, price and product quality of minimum access imported rice (especially inexpensive broken rice).

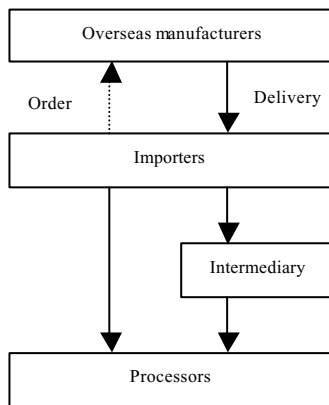
[Rice Confections]

Rice confections are a traditional part of Japanese culinary culture, and there are more than 1,000 producers in Japan, although the two biggest producers command about 40% of the market. More standardized supermarket type products account for a larger portion of sales than in the past, but there remain a huge number of small *sembei* and *arare* makers all across the country. Typically these small confectioners differentiate themselves by producing highly distinctive varieties of products.

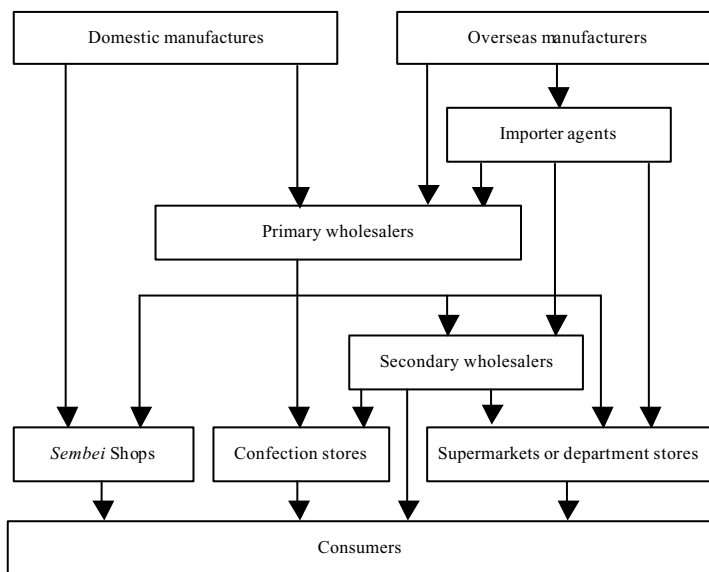
### (2) Distribution Channels

Rice flour preparations and rice confections are distributed through completely different distribution channels. The increased demands of rice flour preparations in recent years has given rise to new distribution patterns and increased the level of uncertainty in the channels. The most typical distribution channels are illustrated below.

**Fig. 7 Distribution channels for rice flour preparations**



**Fig. 8 Distribution channels for rice confections**



**(3) Key Considerations for entering the Japanese Market**

Prospective importers of rice flour preparations need to be fully knowledgeable about product quality issues, and they should select an exporter who has a good quality control program in place. Rice flour is a form of fresh food, and as such it cannot be stored indefinitely. This makes it important to secure reliable distribution routes. Prospective importers need to be aware that they are responsible for the cost of storage of rice for preparations and rice confections awaiting inspections or procedural clearance after physically reaching Japan. They must also factor in the cost of freight and other associated costs.

**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**

Imports of rice and rice flour were liberalized in 1999. Outside of the framework of the minimum access program, entities other than the government can now import rice and rice flour, with being subject to payment of a stipulated secondary tariff.

Individuals may import quantities of rice and rice flour deemed appropriate to personal consumption (in the case of rice: 100 kg per person per year). Individual imports for personal consumption are exempt from payment for importation of rice, etc. For more detailed information, see “I-8 Rice” in this guidebook.



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).

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).

## 10. Direct Imports by Individuals

Individuals may import without restriction quantities of rice flour preparations and rice confections deemed appropriate to personal consumption. Individual imports for personal consumption are exempt from procedural requirements of the Food Sanitation Law, although they must still undergo plant quarantine under the Plant Protection Law. Imports for the purpose of distribution to a multiple non-specific persons are subject to provisions of the Food Sanitation.

## 11. Related Organizations

### [Rice Flour Preparations]

- All Japan Rice Flour Makers' Association

TEL: 03-3845-0881

<http://www4.ocn.ne.jp/~komeko>

### [Rice Confections]

- Rice Cracker Manufacturer's Association of Japan

TEL: 03-5777-1616