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Spices

Introduction

Spices are generally derived from dried roots, trunks, buds, seeds and fruits of fragrant plants. They serve many purposes; they aid digestion, improve taste and preserve food as additives.

Though various condiments are used in traditional Japanese dishes, they are used to garnish or augment rather light tasting substances. For example, ginger, “sansho” (a type of pepper) and “wasabi” (green horseradish) are commonly used in Japan.

The considerable changes in eating habits which occurred in Japan after World War II, along with the introduction of many kinds of foreign foods, have resulted in an ongoing and growing diversification of eating habits. This has opened the door for the appreciation of many unique-tasting spices which are not native to Japan. Spices are introduced frequently by cooking magazines and TV programs, and have become an indispensable part of food enjoyment in Japan. There are as many as 300 to 500 types of spices in the world, yet about 100 of them are sold in Japan. The great number of spices not yet introduced translates into a great deal of potential opportunity.

Of the many kinds of spices now imported into Japan, this report focuses on spices imported in significant quantities. These include cardamom, chili pepper, cinnamon, cloves, coriander, curry powder, mustard, nutmeg, pepper, turmeric and vanilla beans. Despite the scale of the Japanese market, the market for spices is still small compared to the world market. However, Japanese consumers are increasingly interested in spices.

Table of Contents

| | |
|----------------------------------------------------------------|----|
| Summary | 1 |
| I. Market Overview | 3 |
| A. Market Trends | 3 |
| B. Production Trends..... | 5 |
| C. Import Trends | 7 |
| II. Import Regulations | 11 |
| A. Import Regulations and Procedures | 11 |
| B. Sales Regulations and Procedures..... | 13 |
| C. Tariffs..... | 14 |
| III. Distribution and Sales Practices..... | 17 |
| A. Distribution Routes | 17 |
| B. Retail Prices..... | 18 |
| C. Sales Practices | 19 |
| IV. Consumption Trends..... | 21 |
| A. Increased Demand for Various Spices..... | 21 |
| B. Increased Demand for the “Third Function” of Spices..... | 22 |
| C. Recent Trends in the Use of Spices for Food Processing..... | 22 |
| D. Current Spice Consumption in Japan..... | 23 |
| V. Market Access Recommendations..... | 24 |
| VI. Events and Related Organizations | 25 |

Summary

This study focuses on spices, which are imported into Japan in significant quantities. This category includes cardamom, capsicum/pimenta (chili pepper), turmeric, cinnamon, coriander, curry powder, mustard, nutmeg, pepper, cloves and vanilla beans.

Despite the drawn out sluggishness of the Japanese economy in recent years, the overall spice product market in Japan has been steadily growing. Total domestic sales of spice products (including Japanese-style spices) reached 76.2 billion yen in 1998. In terms of volume, 34,466 tons of spices were imported into Japan in 1999, an increase of 4.9% over the previous year. Import value, however, declined by 2.1% to 14.8 billion yen, indicating lower unit prices.

The top 3 exporting countries represent over 80% of the import value in each type of nuts. Since large quantities come from just 3 supplying countries, prices vary greatly depending upon weather conditions or political conditions in these particular locales.

As for import regulations and procedures, the Plant Protection Law is applied when spices are considered plants. The Food Sanitation Law is applied when they are regarded as food. For plants, the Plant Protection Law requires that items be checked for the presence of harmful insects that damage useful plants. If imported foods are found in need of sanitation inspection, they are then checked for the existence of aflatoxin (a poisonous mold), additives, residual agricultural chemicals and radioactive contamination in accordance with the Food Sanitation Law. When selling spice products in retail packages, products must be labeled in accordance with the Food Sanitation Law, the Measurement Law and the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products (JAS Law).

From raw material procurement to product sales, distribution routes are very complicated because they involve transactions between companies in the same trade. This means that importers and spice makers both specialize in the import and processing of a particular kind of spice. In many cases, it ends up being cheaper and safer for a company to buy spices or spice products from other companies specializing in that spice rather than to import and process them by themselves.

Looking at consumer trends, food culture in Japan is rapidly diversifying, with cuisines such as Italian and pan-Asian (a category called “ethnic” in Japan, which includes Indian, Thai, Vietnamese and other Asian cuisines) are steadily growing in popularity in a cyclical fashion. While the popularity of a particular cuisine may wax and wane, its absolute popularity steadily grows. As a result, people are becoming increasingly cognizant of spices. In addition to the primary “appetite promotion” function and the secondary “sensory” function of spices, a third set of functions which include “metabolism regulation” for overall immune system enhancement, antioxidant properties and weight regulation is drawing

attention as an important factor in increased spice consumption in Japan. This is a reflection of the growing preference for health-oriented foods in Japan.

When entering the market, it is important that the production system be configured for maximum stability in crude spice supply. The needs of the Japanese consumer for high quality products and health-oriented food should be understood in order to provide them with suitable and distinctive spices, while discovering possibilities for introducing new types of spices, and building close, cooperative relationships with domestic companies.

I. Market Overview

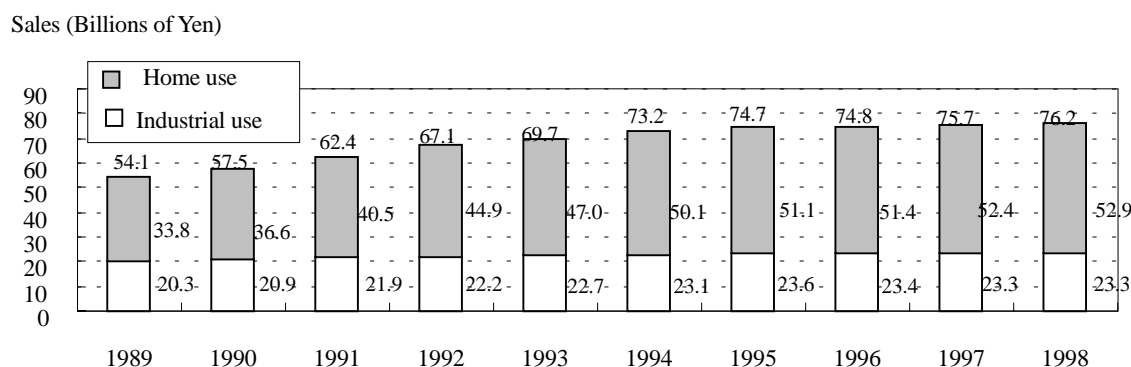
A. Market Trends

Despite the sluggishness of the Japanese economy for nearly a decade, the overall spice product market in Japan (which includes powders and pastes of Japanese and Western spices) grew about 5% every year until 1994, and 1 to 2% after that, reaching 76.2 billion yen in 1998, as shown in Figure 1. Though household spice consumption was limited in the past, many spice products are now being used, reflecting a broadening of eating habits among the Japanese. Since products for home use are more profitable than products for industrial use, home-use sales total 52.9 billion yen compared to 23.3 billion yen for industrial-use products. Accordingly, home-use products account for about 70% of total market value.

Spices for home use are largely divided into two varieties: powders and pastes. Pastes are further subdivided into products packed in tubes and products in other types of containers. The sales ratio by type, shown in Figure 2, reveals that sales of powders and pastes are about equal, while most pastes are sold in tubes.

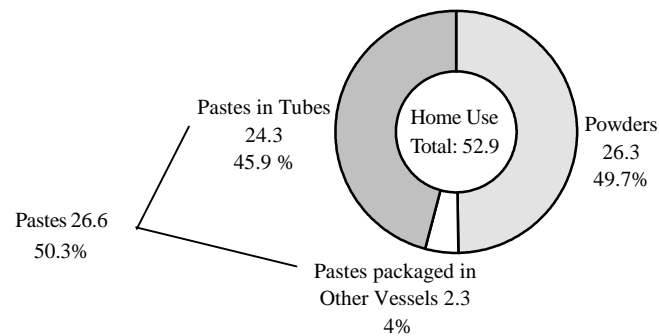
Pastes in tubes were introduced in the 1970s and their popularity quickly grew. Capitalizing on ease-of-use, products of better quality were introduced into the market in succession until products in tubes became a mainstay of the spice product market. In 1998, according to sales figures by type, sales of tube pastes exceeded that of powders for the first time.

Figure 1. Trends in Domestic Sales of Spice Products (unit: billions of yen)



Source: Compiled by the Japan Research Institute, Limited, from the article "Growth of the Spice Market" in the "Japan Food Journal," January 31, 2000.

Figure 2. Sales of Spices for Home Use by Package Type (unit: Billions of yen, 1998)



Source: Compiled by the Japan Research Institute, Limited, from the article “Sales of Home Use Spices by Type” in the “Japan Food Journal,” January 31, 2000.

The most common Japanese spices are processed wasabi, mustard, various types of pepper, and chili pepper. Curry powder is also taking root in Japanese homes as a basic seasoning.

- Processed wasabi

Since ancient times, wasabi has been one of the most popular spices in Japanese cuisine. Nowadays, it is available in a variety of forms: powdered, grated, paste, and paste in tubes. Presently it enjoys the largest sales share.

- Mustard

As handmade style sausages have become popular, the popularity of coarse-ground paste mustard in jars has grown. The flavor of mustard is being enjoyed as a food ingredient, rather than merely a seasoning.

- Pepper

With the recent popularization of salt and pepper mixtures containing monosodium glutamate and other artificial seasonings, black pepper consumption has increased quickly over the last few years. Sales slogans have promoted “coarse-ground black pepper on steaks” accompanying the import of low-priced beef. This has stimulated sales of coarse-ground black pepper, which has now become a fixture in homes as a readily used seasoning.

- Chili pepper

The one-time rapid growth of chili pepper, an effect of the “Ethnic Boom” has come to a halt. The ingredient capsicum, which makes chili peppers taste hot, has been drawing people’s attention for its efficacy in weight loss, so food products with chili peppers are being introduced into the market in rapid succession, greatly increasing the demand for chili peppers. (*cf.* IV. Consumption Trends).

- Curry powder

A large variety of prepared (ready-to-cook) curry and retort (pouched or ready-to-serve) curry products are available on the market, so curry powder is seldom used in homes these days to make curry. Curry powder, however, is again taking root in homes as a readily available spice to help add variety to everyday foods, taking its place next to traditional Japanese seasonings such as miso (fermented soybean paste), soy sauce, sugar, and salt.

B. Production Trends

The production trends of Japanese spice makers given here are based on the Study on Food Production Activities conducted by the Ministry of Agriculture, Forestry and Fisheries. The yen values in this paragraph are generally lower than those in the previous section (A. Market Trends) because sales statistics are compiled from answers submitted by manufacturers in response to questionnaires, and items covered in the study were limited in number.

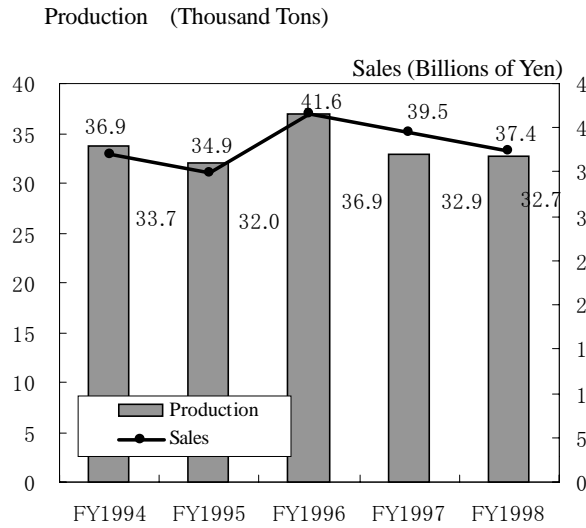
1. Production and Sales

Spice products from spice makers are broadly divided into two categories; processed and semi-processed. Processed products are those in which the final products are created after the raw material is ground or reduced to powder, then processed and filled in retail containers. Semi-processed products are crude spices that are only ground or mixed with other kinds of spices that require further processing.

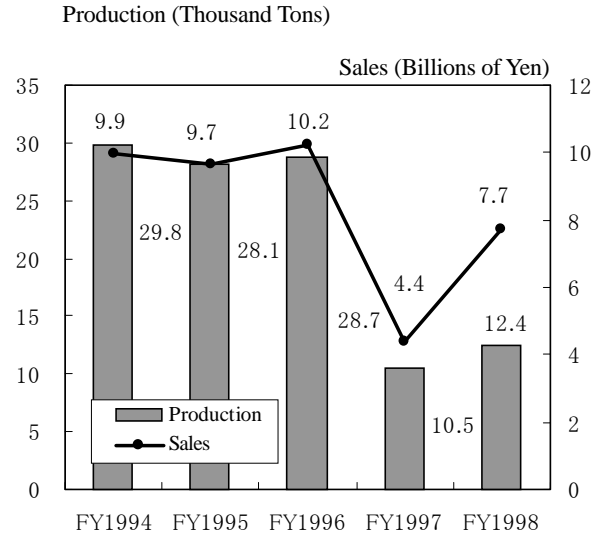
In fiscal 1998, processed products amounted to 32,723 tons (99.3% of the previous year) valued at 37.4 billion yen (94.7%), a slight decrease over the previous year, while semi-processed products totaled 12,441 tons (118.5%) valued at 7.7 billion yen (176.3%), a substantial increase. Total production reached 45,000 tons (104%) and 45.2 billion yen (102.8%), a slight increase. One reason for semi-processed products showing a considerable decrease in both production and sales in fiscal 1997 over the previous year may be attributable to the bankruptcy of a large spice wholesaler, Tokyo Spice Co., Ltd., (*cf.* “2. Spice Product Consumer Trends”).

Figure 3. Trends in Spice Product Production and Sales

(A) Processed products



(B) Semi-processed products

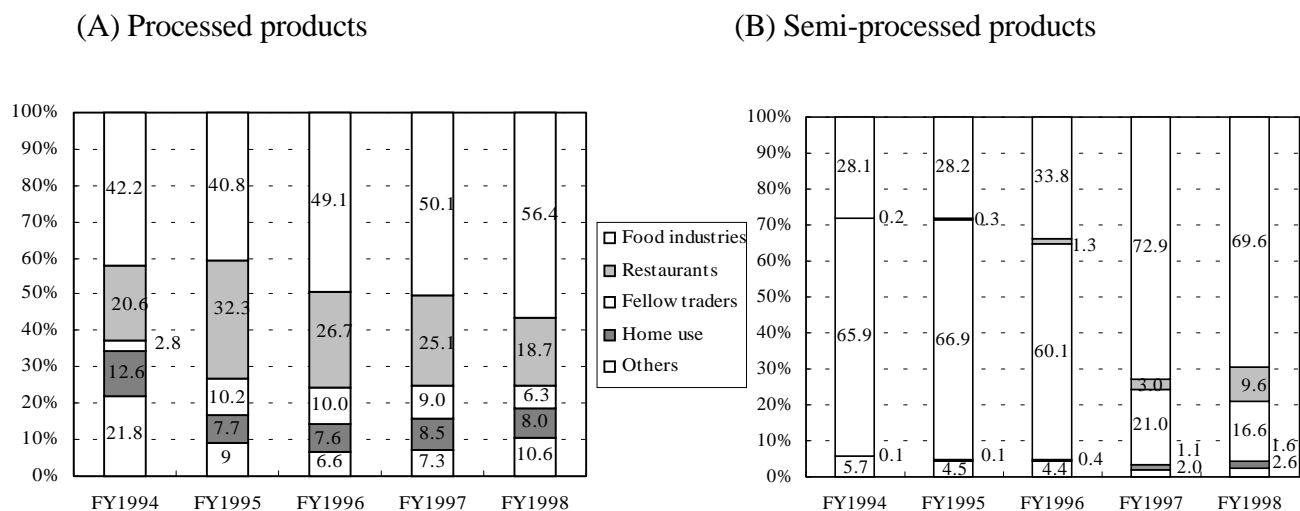


Source: Compiled by the Japan Research Institute, Limited, from the “Food Production Trend Study,” 1995 through 1999, the Ministry of Agriculture, Forestry and Fisheries

2. Consumer Trends

According to the trends of consumers buying processed and semi-processed spice products, shown in Figure 4, food processors were the largest consumers in 1998. For semi-processed products in particular, 70% were sold to the food industry. Since the demand for prepared food, retort (pouched or ready-to-serve) food, and frozen food grew considerably, demand for spice products by food processing industries increased proportionally.

Figure 4. Spice Product Consumer Trends (in volume)



Source: Same as Figure 3

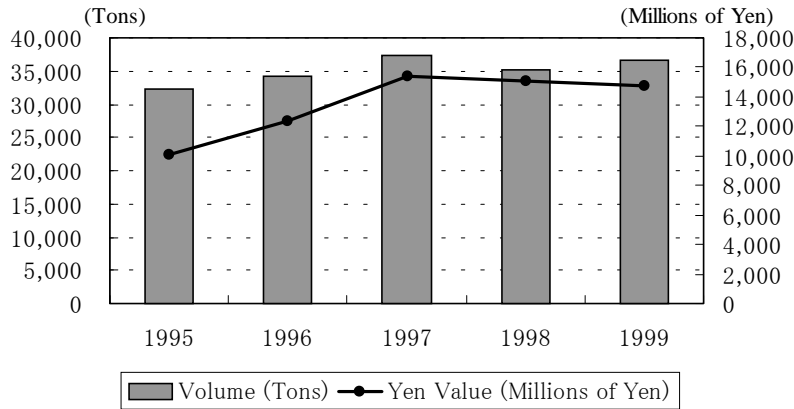
With the bankruptcy of Tokyo Spice Co., Ltd. in 1997, the distribution of semi-processed products saw a marked decrease. The route where distribution decreased tremendously was in transactions among “fellow traders,” (i.e. spice is processed further after it is sold) so the total sales of processed products does not reflect any notable change. Procurement of spices by spice makers and the processed food industries is now done without going through wholesalers. This indicates that distribution routes for spices have been simplified to some extent (*cf.* “III. Distribution and Sales Practices”).

C. Import Trends

1. Volume and Value

The Western spices covered here are cardamom, chili pepper, cinnamon, cloves, coriander, curry powder, mustard, nutmeg, pepper, turmeric and vanilla beans. These are hereafter collectively referred to as “spices” unless otherwise noted.

Figure 5. Import Trends of Spices



(tons, millions of yen)

| Item | HS Code | 1995 | | 1996 | | 1997 | | 1998 | | 1999 | |
|----------------------------------|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Volume | Value | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Pepper | 0904.11-12 | 7,539 | 2,518 | 7,115 | 2,679 | 8,221 | 4,885 | 7,186 | 6,028 | 8,023 | 5,329 |
| Capsicum, Pimenta (Chili pepper) | 0904.20 | 8,079 | 2,212 | 9,236 | 3,775 | 11,301 | 4,068 | 9,881 | 3,027 | 10,335 | 3,231 |
| Vanilla | 0905 | 84 | 462 | 79 | 474 | 96 | 515 | 69 | 387 | 90 | 459 |
| Cinnamon | 0906.10-20 | 2,356 | 518 | 2,361 | 583 | 1,809 | 478 | 1,797 | 510 | 1,480 | 359 |
| Cloves | 0907 | 308 | 39 | 237 | 39 | 339 | 62 | 339 | 72 | 301 | 122 |
| Nutmeg | 0908.10-20 | 447 | 130 | 573 | 194 | 532 | 235 | 416 | 293 | 684 | 552 |
| Cardamoms | 0908.30 | 241 | 221 | 364 | 295 | 304 | 350 | 227 | 248 | 348 | 599 |
| Coriander | 0909.20 | 3,396 | 296 | 3,268 | 402 | 3,448 | 480 | 3,148 | 661 | 3,422 | 590 |
| Turmeric | 0910.30 | 3,223 | 206 | 3,907 | 371 | 3,643 | 460 | 4,404 | 759 | 3,948 | 551 |
| Curry | 0910.50 | 170 | 81 | 84 | 45 | 91 | 59 | 70 | 47 | 84 | 51 |
| Mustard | 2103.30 | 906 | 377 | 1,221 | 480 | 1,680 | 606 | 1,888 | 572 | 2,327 | 629 |
| Others | * | 5,522 | 3,064 | 5,860 | 3,029 | 5,832 | 3,243 | 5,790 | 2,477 | 5,536 | 2,299 |
| Total | | 32,271 | 10,124 | 34,305 | 12,366 | 37,296 | 15,441 | 35,215 | 15,081 | 36,578 | 14,771 |

Source: Compiled by the Japan Research Institute, Limited, from the Japan Tariff Association, "Monthly Statistics of Japan Exports and Imports," 1996-2000

Note : HS Codes for others are 0909.10, 30, 40, 50; 0910.20, 40, 91, 99

Japan depends on imports for almost all crude spices; domestically produced spices are limited to a few items such as chili pepper, garlic, sansho and wasabi.

Almost all spices for home use, food processing, and industrial use are processed and packed domestically. Final products are rarely imported. Spices imported in 1999 amounted to 34,466 tons, a 4.9% increase over the previous year, with a value of 14.8 billion yen, a 2.1% decrease (*cf.* Figure 5).

2. Breakdown by Country and Item

Japan imports many kinds of spices from all over the world. Sources include Asia, the Mediterranean coasts, the Middle and Near East, Africa, North America, Central and South America. The main sources of all spices Japan imports are shown in Figure 6, indicating Malaysia as the largest supplier of spice to Japan with 3.7 billion yen worth of spices imported in 1999, representing about 25% of total market value. Items imported in 1999 from China, India, and Indonesia represent another 37%. Imports from these four countries make up just over 60% of the value of all spices imported. Among imported spices, the largest in volume and value are pepper (8,023 tons, 5.33 billion yen) and chili pepper (10,335 tons, 3.23 billion yen). (*cf.* Figure 5.)

Table 1. Main Countries Exporting Spices to Japan (Millions of Yen)

| Country | 1995 | 1996 | 1997 | 1998 | 1999 |
|-----------|--------|--------|--------|--------|--------|
| | Value | Value | Value | Value | Value |
| Malaysia | 2,518 | 2,679 | 4,885 | 6,028 | 3,674 |
| China | 2,212 | 3,775 | 4,068 | 3,027 | 2,679 |
| India | 462 | 474 | 515 | 387 | 1,690 |
| Indonesia | 518 | 583 | 478 | 510 | 1,230 |
| Others | 4,414 | 4,855 | 5,495 | 5,129 | 5,498 |
| Total | 10,124 | 12,366 | 15,441 | 15,081 | 14,771 |

Source: Same as Figure 5

The top three nations exporting spices to Japan, listed by type of spice in Table 1, account for 80% of the total yen value for imported spices. Accordingly, these countries tend to take precedence over other nations exporting the same item. Each of the top exporting countries for cardamom, coriander, nutmeg and vanilla beans accounts for over 80% in yen value for that item.

Table 2. Main Exporting Countries by Type of Spice (2000)

| tem | HS code | Yen value of imports (millions of yen) | Top in yen value (Ratio to total yen value) | Second in yen value (Ratio to total yen value) | Third in yen value (Ratio to total yen value) | Total of the top three (Ratio to total yen value) |
|----------------------------------|------------|----------------------------------------|---------------------------------------------|------------------------------------------------|-----------------------------------------------|---------------------------------------------------|
| Pepper | 0904.11-12 | 5,329 | Malaysia (67.7%) | Indonesia (12.5%) | India (10.8%) | 91.1% |
| Capsicum, Pimenta (Chili pepper) | 0904.20 | 3,231 | China (62.8%) | Chili (9.9%) | Spain (8.4%) | 81.2% |
| Vanilla | 0905 | 459 | Madagascar (85.1%) | France (5.7%) | Tonga (2.6%) | 93.5% |
| Cinnamon | 0906.10-20 | 359 | China (61.1%) | Vietnam (21.5%) | Sri Lanka (9.1%) | 91.7% |
| Cloves | 0907 | 122 | Madagascar (63.6%) | Tanzania (20.0%) | Malaysia (10.8%) | 94.3% |
| Nutmeg | 0908.10-20 | 552 | Indonesia (95.0%) | India (1.6%) | Granada (1.4%) | 98.1% |
| Cardamoms | 0908.30 | 599 | India (83.0%) | Guatemala (14.1%) | Vietnam (1.5%) | 98.6% |
| Coriander | 0909.20 | 590 | Morocco (87.1%) | Canada (5.5%) | Australia (5.2%) | 97.8% |
| Turmeric | 0910.30 | 551 | India (56.2%) | China (33.4%) | Indonesia (3.7%) | 93.3% |
| Curry | 0910.50 | 51 | Malaysia (29.1%) | England (27.9%) | Singapore (23.1%) | 80.1% |
| Mustard | 2103.30 | 629 | France (59.4%) | Canada (22.2%) | USA (10.5%) | 92.1% |

Source: Compiled by the Japan Research Institute, Limited, from the Japan Tariff Association, "Monthly Statistics of Japan Exports and Imports," 1996 to 2000

II. Import Regulations

A. Import Regulations and Procedures

Regulations and procedures applicable to spice imports are the Plant Protection Law and the Food Sanitation Law since spices are plants as well as food.

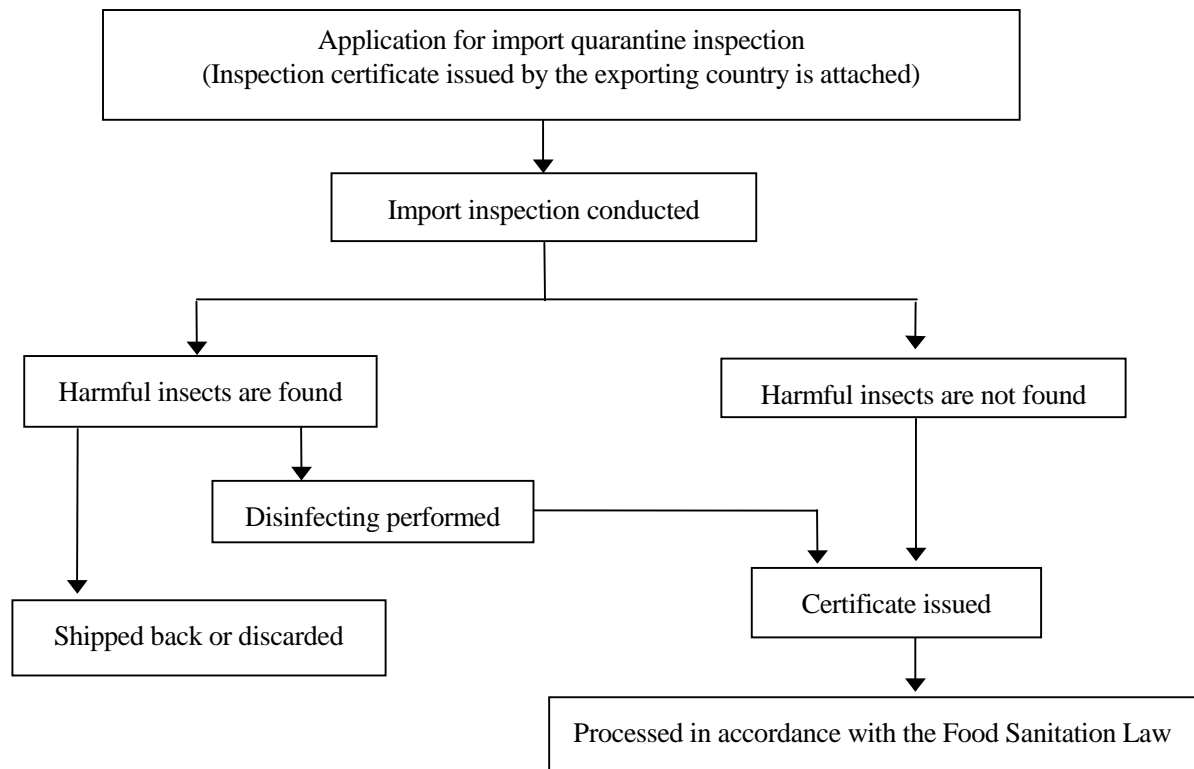
1. Plant Protection Law

The purpose of the law is for imported and exported plants, as well as domestic plants to be inspected for pests harmful to plants and to exterminate them and prevent the spread of disease for both safety sake and the promotion of agricultural production. Spices imported from overseas are legally obligated to undergo import inspection, (plant quarantine) as prescribed by the Law.

When spices are imported, an Application for Import Quarantine Inspection with an inspection certificate issued by the government of the exporting country attached must be submitted to the plant quarantine station immediately after arrival at the port. Seaports and airports where appropriate plant quarantine can be performed are designated as places of importation. If harmful insects are found during inspection, the goods are ordered to be disinfected, discarded or shipped back.

However, “dried turmeric and ulmoides” and “dried pepper seeds” are exempt from the Plant Protection Law, as are spices dried and packed in retail containers.

Figure 6. Import Inspection Procedures in Compliance with the Plant Protection Law

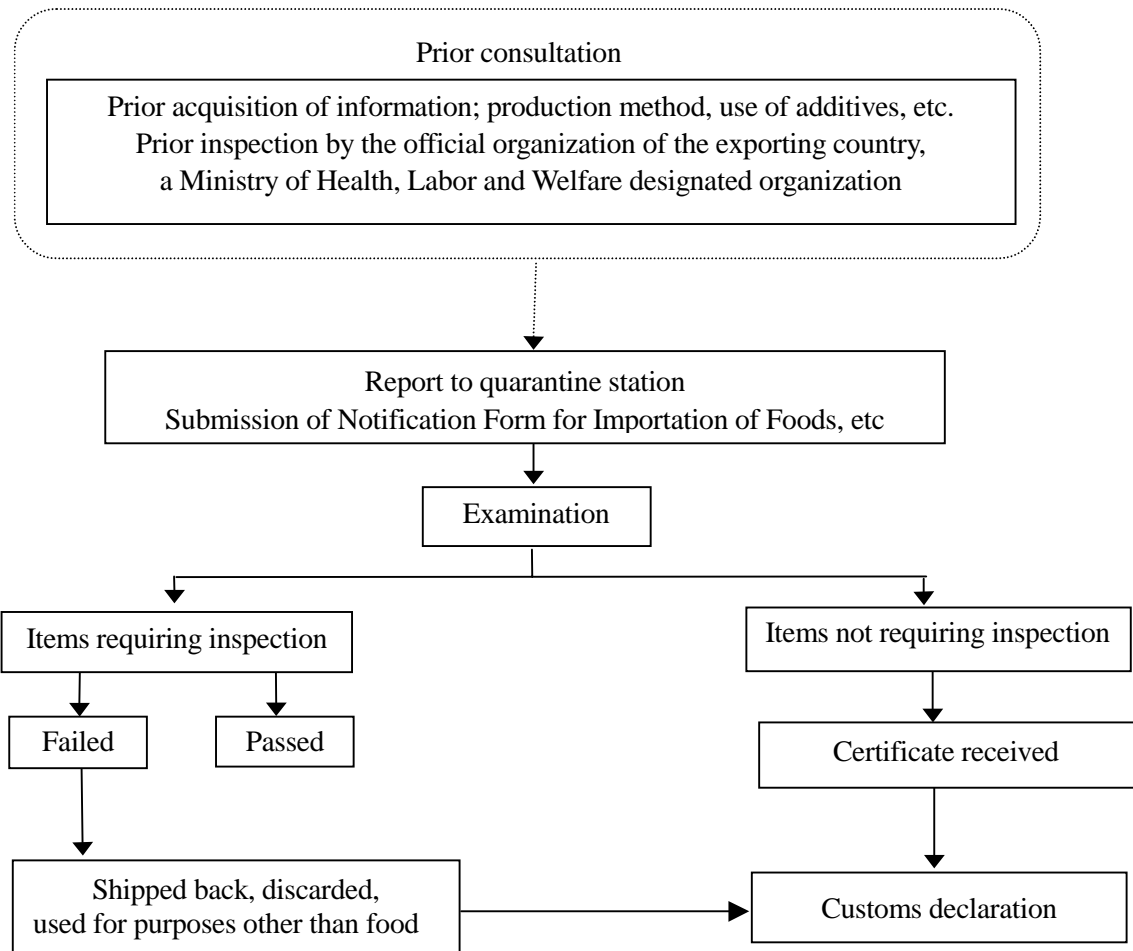


2. Food Sanitation Law

The purpose of the law is to prevent dangerous unsanitary conditions that may arise from food and drink, and to improve and promote public sanitation. When spices are imported, they are presented to the quarantine station at the seaport or airport where they are to go through customs with a Notification Form for Importation of Foods, etc. attached.

If sanitary inspection is deemed necessary as a result of examining the Notification Form for Importation of Foods, etc., they are inspected in a bonded area and importation of the spices is allowed only if they pass. Sanitary inspection may be exempted if spices have been inspected voluntarily by a designated domestic inspecting organization and the public inspecting organization of the exporting country (i.e., a foreign inspecting organization registered as an organization with the required capability to inspect spices by the Ministry of Health, Labor and Welfare through the government of the exporting country). The government has already strengthened and enhanced systems which detect Aflatoxin (a poisonous mold), additives, residual agricultural chemicals, and radioactive contamination.

Figure 7. Import Inspection Procedures in Compliance with the Food Sanitation Law



B. Sales Regulations and Procedures

Whether spices are packaged in retail containers abroad or in Japan, the following information is required on labels for all products in accordance with the Food Sanitary Law the Measurement Law and the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products.

- 1) Name of product
- 2) Raw material (If only one material is used, this may be omitted)
- 3) Net Weight
- 4) Best before date
- 5) Additives (if used)
- 6) Storage method (If special storage apart from storing at room temperature is not required, this item may be omitted)

7) Name and address of importer/seller or maker

8) Country of origin (If the imported spices are sold without processing)

Labels must be attached to containers or packages where they can be seen without opening the containers or packages.

A revised Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products went into effect on April 1, 2000 and will be applied to products produced, processed or imported after April 1, 2001 following a one-year grace period.

C. Tariffs

Tariff rates for spices are listed in the following table. It should be noted that the tariff rates differ by the type of the spice.

Table 3. Spice Tariff Rates

| HS Code | Item | Tariff rate | | | |
|-------------|-------------------------------------------------------------------------------------------------------------|-------------|-----------|--------------|-----------|
| | | General | Agreement | Preferential | Tentative |
| 09.04 | Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta: | | | | |
| 0904.11 | Pepper: | | | | |
| -100 | Neither crushed nor ground: | | | | |
| -200 | 1. Put up in containers for retail sale | 4.2% | 3% | * | |
| | 2. Other | * | | | |
| 0904.12 | Crushed or ground: | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3% | * | |
| -200 | 2. Other | * | * | | |
| 0904.20 | Fruit of the genus Capsicum or of the genus pimenta, dried or crushed or ground: | | | | |
| -100 | 1. Put up in containers for retail sale | 7% | 6% | * | |
| -210 | 2. Other | * | (*) | | |
| -220 | - Neither crushed nor ground | | (*) | | |
| | - Crushed or ground | | (*) | | |
| 09.05 | | | | | |
| 0905.00-000 | Vanilla | * | (*) | | |
| 09.06 | Cinnamon and cinnamon-tree flowers: | | | | |
| 0906.00-000 | Neither crushed nor ground | * | (*) | | |
| 0906.20-000 | Crushed or ground | * | (*) | | |
| 09.07 | | | | | |
| 0907.00 | Cloves (whole fruit, cloves and stems): | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | | (*) | | |
| | - Crushed or ground | | (*) | | |

| | | | | | |
|---------|-------------------------------------------------------------------------------|------|------|---|--|
| 09.08 | Nutmeg, mace and cardamoms: | | | | |
| 0908.10 | Nutmeg: | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | | (*) | | |
| | - Crushed or ground | | (*) | | |
| 0908.20 | Mace: | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | | (*) | | |
| | - Crushed or ground | | (*) | | |
| 0908.30 | Cardamoms: | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | | (*) | | |
| | - Crushed or ground | | (*) | | |
| 09.09 | Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries: | | | | |
| 0909.10 | Seeds of anise or badian: | | | | |
| -100 | 1. Put up in containers for retail sale | 7% | 6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | 3.5% | 3% | * | |
| | - Crushed or ground | | | | |
| 0909.20 | Seeds of coriander: | | | | |
| -100 | 1. Put up in containers for retail sale | 7% | 6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | 3.5% | 3% | * | |
| | - Crushed or ground | | | | |
| 0909.30 | Seeds of cumin: | | | | |
| -100 | 1. Put up in containers for retail sale | 7% | 6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | 3.5% | 3% | * | |
| | - Crushed or ground | | | | |
| 0909.40 | Seeds of caraway: | | | | |
| -100 | 1. Put up in containers for retail sale | 7% | 6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | 3.5% | 3% | * | |
| | - Crushed or ground | | | | |
| 0909.50 | Seeds of fennel; juniper berries | | | | |
| -100 | 1. In retail containers | 7% | 6% | * | |
| -210 | 2. Other than retail containers | * | (*) | | |
| -220 | - Neither crushed nor ground | 3.5% | 3% | * | |
| | - Crushed or ground | | | | |
| 09.10 | Ginger, saffron, turmeric, thyme, bay leaves, curry and other spices: | | | | |
| 0910.20 | Saffron: | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | | (*) | | |
| | - Crushed or ground | | (*) | | |
| 0910.30 | Turmeric: | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| -210 | 2. Other: | * | (*) | | |
| -220 | - Neither crushed nor ground | | (*) | | |
| | - Crushed or ground | | (*) | | |

| | | | | | |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|---|--|
| 0910.40 | Thyme; bay leaves: | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| | 2. Other: | * | | | |
| -210 | - Neither crushed nor ground | | (*) | | |
| -220 | - Crushed or ground | | (*) | | |
| 0910.50 | Curry | 12% | 7.2% | | |
| 0910.91 | Other spices: | | | | |
| | Mixtures | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| -200 | 2. Other | * | (*) | | |
| 0910.99 | Other : | | | | |
| -100 | 1. Put up in containers for retail sale | 4.2% | 3.6% | * | |
| | 2. Other: | * | | | |
| -210 | - Neither crushed nor ground | | (*) | | |
| -220 | - Crushed or ground | | (*) | | |
| 21.03 | Sauces and preparations therefor; mixed condiments and mixed seasonings; condiments and mixed seasonings; mustard flour and meal and prepared mustard: | | | | |
| 2103.30 | Mustard flour and meal and prepared mustard: | | | | |
| -100 | 1. In retail containers | 12.2% | 9% | | |
| -200 | 2. In other than retail containers | 10.3% | 7.5% | | |

Note: *cf.* “Customs Tariff Schedules of Japan,” published by the Japan Tariff

Association, for explanation of schedules.

*: Free

Sales tax is calculated as follows:

$(\text{CIF price} + \text{customs tariff}) \times 0.05$

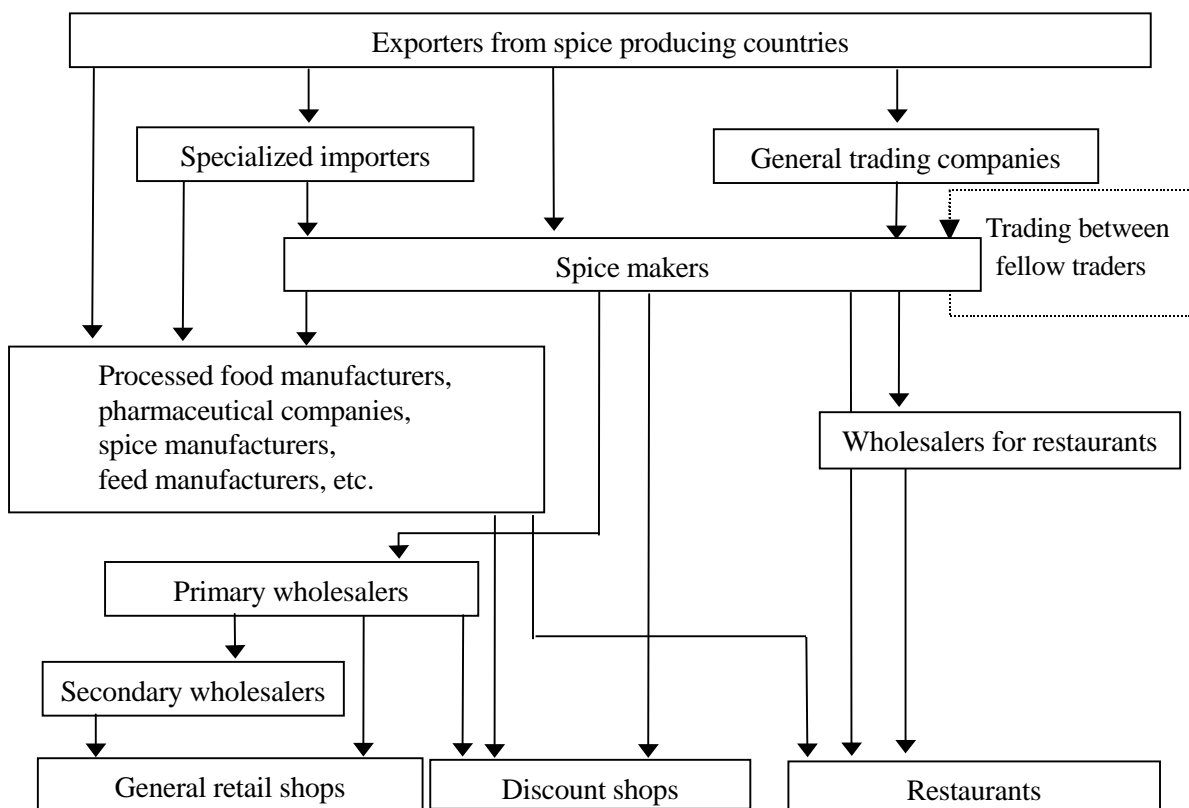
III. Distribution and Sales Practices

A. Distribution Routes

The distribution routes of spices from crude spice procurement to final product sales, as shown in Figure 9, are complicated. Though crude spices are imported mainly by specialized importers and partly by general trading companies, spice makers and processed food makers also import directly from overseas sources. Final products ready for retail sale account for a very small portion of all spices imported, the majority of imported spices go to spice makers and processed food makers for blending, packaging, and seasoning.

According to the “Food Production Trend Study” conducted by the Ministry of Agriculture, Forestry and Fisheries in 1998, roughly 50% of crude spices procured by major spice manufacturers are directly imported by the spice manufacturers themselves and the remainder is domestically procured (through importers, from fellow spice makers, and as domestic products). Crude spices totaled 49,803 tons (*cf.* Figure 10).

Figure 8. Distribution Routes

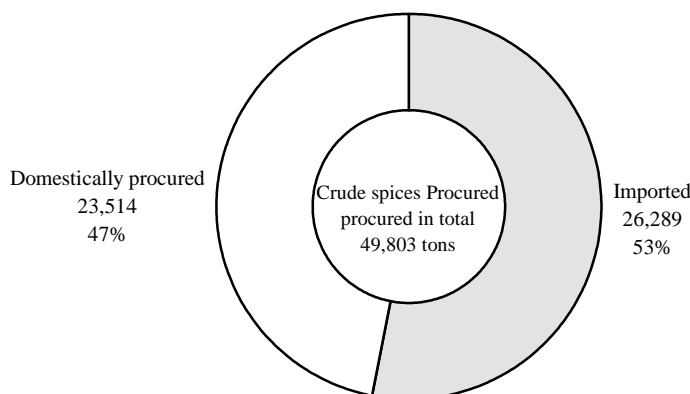


Source: Compiled by the Japan Research Institute, Limited, from the Japan Food Journal, “Food Trends in 2000”

Note : Bold arrows indicate large volume distribution routes.

One reason that spice distribution routes are complicated is because spice manufacturers buy unprocessed and processed spices from fellow spice companies. The sales ratio (in volume) by type of business (consumers) based on the study shows 6.3% of processed spices and 16.6% of unprocessed spices are traded between fellow spice companies (*cf.* Figure 4).

Figure 9. Ratio of Crude Spice Suppliers



Source: Compiled by the Japan Research Institute, Limited, from by the Ministry of Agriculture, Forestry and Fisheries, a “Food Production Trend Study”

Note : Domestically procured crude spices include those which are imported by importers, supplied by domestic spice makers, and produced domestically.

Domestic production accounts for a very minor portion of the total.

The price of crude spices varies by volume and purchasing frequency. Crude spices can be procured at lower prices if purchased by the container load (15 tons), so importers and spice makers often specialize in importing and processing certain kinds of spices. The number of spice exporting countries is limited and supply is affected greatly by the weather and political conditions in the exporting country. Difficulty in ensuring stable supplies and prices are another cause of price variation. Differences in processing for the type of spice in methods such as spice grinding may be a factor causing importers to specialize in specific kinds of spices.

B. Retail Prices

Suggested retail prices by spice product manufacturers for their products for home use in the most popular small containers (bottles or packages) are shown in the following table.

Table 3 Retail Prices of Home Use Spice Products

| Item | HS code | Net weight (g) | Suggested price by manufacturer (Yen) | |
|----------------------------------|------------|----------------|---------------------------------------|-----------|
| Pepper | 0904.11-12 | 15 - 20 | Black, ground | 160 - 200 |
| | | 20 - 35 | Black, whole | 150 - 330 |
| | | 16 - 21 | White, ground | 200 - 240 |
| | | 20 - 39 | White, whole | 200 - 365 |
| Capsicum, Pimenta (Chili pepper) | 0904.20 | 19 - 33 | Ground | 180 - 240 |
| Vanilla | 0905 | 2 pieces | Whole | 400 - 550 |
| Cinnamon | 0906.10-20 | 14.5 - 23 | Ground | 180 - 240 |
| | | 15 - 21 | Whole | 180 - 365 |
| Cloves | 0907 | 16 - 19 | Ground | 200 - 250 |
| | | 12 - 23 | Whole | 270 - 365 |
| Nutmeg | 0908.10-20 | 16 - 20 | Ground | 220 - 250 |
| Cardamoms | 0908.30 | 13 - 17.5 | Ground | 320 - 420 |
| Coriander | 0909.20 | 13 - 16 | Ground | 160 - 185 |
| Turmeric | 0910.30 | 17 - 18 | Ground | 180 - 220 |
| Curry | 0910.50 | 17 - 20 | Ground | 180 - 210 |
| Mustard | 2103.30 | 40 | Mustard with seeds | 130 - 150 |

Source: Compiled by the Japan Research Institute, Limited, from catalogs of major spice manufacturers.

Though prices of crude spices fluctuate widely, as explained above, it is impossible to raise prices of products for home use, which consumers buy directly from stores. Therefore, when crude spices soar in price, it is difficult to secure stable profits in the home market despite the premium that can be added at the industrial level.

S & B Foods, Inc., House Food Industrial Co., Ltd., and Lion Corporation, which is affiliated with McCormick & Company, Inc., are the three leading companies in the domestic home use market.

C. Sales Practices

As described in “A. Distribution Routes,” business transactions between companies in the same industry due to specialization in types of spices imported and handled is considered a practice unique to the Japanese spice industry.

Business transactions among fellow companies is carried out even among companies handling the same kind of spice. If sales of spice are stopped temporarily due to natural disasters or political unrest in the country of origin, a company importing spices from that country will buy spices from another company, which handles the same spice, to meet sales requirements.

While products for home use are sold at retail prices, products for industrial use vary in price depending on volume. In some cases, several kinds of spices are mixed for

industrial use (seasoning) according to the specifications of customers. This is generally more profitable than selling a single kind of spice because it amounts to selling custom-made products.

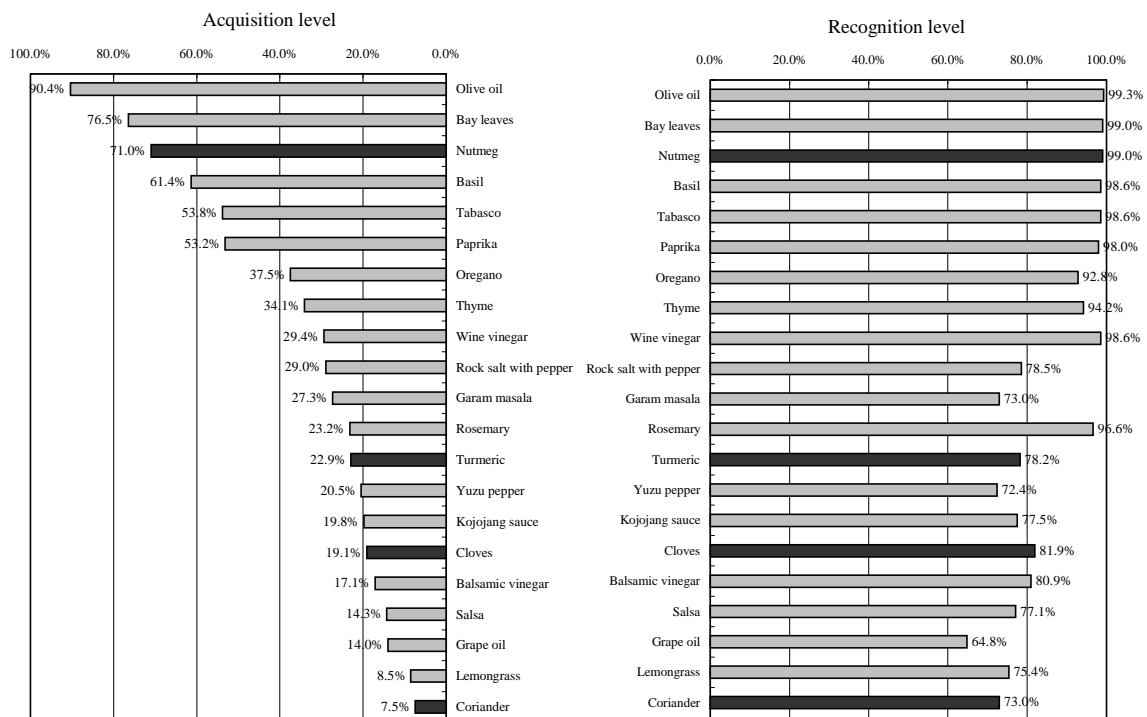
IV. Consumption Trends

A. Increased Demand for Various Spices

As the eating culture in Japan has diversified, people are becoming accustomed to and feel more at home with stronger foreign flavors. Italian and various Asian foods are not transitory fashion, rather they cycle from time to time and people are more aware of spices than ever. While people want stronger, more powerful flavors, they prefer low-salt foods owing to health considerations. Spices like chili pepper are becoming popular because they provide a strong and complicated flavor to food.

Western spices such as rough ground black pepper, saffron and garam masala are now a few of the wide variety of spices readily used in homes and restaurants. Herbs such as basil and oregano are also popular items contributing to the demand for spices.

Table 4: Consumer Acquisition and Recognition Levels for Seasonings



Source: Compiled by the Japan Research Institute, Limited, from Life and Merchandise Research Institute "Recognition and Acquisition Levels of 30 Kinds of Recently Popular Seasonings," April 1999

B. Increased Demand for the “Third Function” of Spices

Starting about three years ago in Japan, in addition to the primary function of appetite promotion and secondary function of sensory appeal function aroused by taste, smell, and the color, a third function of metabolism regulation, which includes immune system enhancement, anti-oxidant properties and weight regulation have been drawing attention and receiving publicity in the mass media. This is one factor contributing to increased demand for spices.

For instance, the capsicum in chili peppers became known for its weight regulating effect in 1997. As a result, there was increased demand for food products containing chili pepper. Then, in 1998, cinnamon was recognized as a substance which improves the functioning of the pancreas and accelerates secretion of insulin. In 1999, the coloring element in turmeric, “curcumin,” was lauded for its liver fortification and antioxidant properties. Each of these were introduced on TV variety programs and sales increased tremendously soon after the programs were broadcast.

Chili pepper consumption has maintained a stable level, despite the fact that demand that increases due to a fad is usually momentary until interest fades and sales return to previous levels. In the case of spices, however, the instant popularity increases its recognition value among consumers, and steady demand can be expected. One company saw sales of turmeric increase in November 1999 to about twenty times that in November of the previous year. While sales decreased after the boom was over, an overall increase in 5% over sales before the boom has been noted.

Unless approved as “officially designated health food,” advertising the health effects and benefits of spices is prohibited, so manufacturers cannot actively promote them.

C. Recent Trends in the Use of Spices for Food Processing

Recent trends in the use of spices for processing foods are such that the lifecycles of snack type foods are shortened. Conventionally, the development of a product scheduled for sales in the fall used to be started somewhere around February. Nowadays, products must be placed on sale much earlier.

A number of regular products have reduced lifecycles and the lifespan of products with new seasonings, or seasonal products, is often as short as about four months. The main reason for this is that selection of good sellers and poor sellers is conducted in short intervals by supermarkets and convenience stores. Textures and shapes vary, and seasoning suitable to each product must be developed.

D. Current Spice Consumption in Japan

There are as many as 300 to 500 kinds of spices in the world and about 100 of them are sold in Japan. There are about ten kinds of spice products with notable sales values, and differences in sales between higher ranking and lower ranking products is significant. Because of this, spice makers tend to give priority to current lines of products instead of promoting new products.

V. Market Access Recommendations

When foreign exporters consider introducing new products into Japan, it is necessary to establish a cooperative system with Japanese importers or spice manufacturers who understand well the Japanese spice market, the needs of consumers, the distribution system, and related regulations. Through close communication with domestic importers and spice manufacturers, exporters will be able to grasp the requirements of Japanese consumers and get good clues as to the most effective ways to introduce their products.

When planning to sell a spice which has little recognition in Japan, the country or region where the spice is used in large quantities should serve as a reference. If the reasons why the spice is accepted there are applicable to Japan, market introduction is worthy of further study. If the spice is used for maintaining health in that market, exporters stand a chance to introduce spice to the Japanese market, where consumers are becoming increasingly health-oriented.

VI. Events and Related Organizations

A. Fairs and Exhibitions

Spice related fairs and exhibitions with a large number of visitors are listed here.

FOODEX JAPAN 2001 (The 26th International Food and Beverage Exhibition)

Date: March 13 (Tue) – 16 (Fri), 2001 (held annually)

Venue: Makuhari Messe (Nippon Convention Center)

Host Organizations:

Japan Management Association, Japan Hotel Association, Japan Ryokan Association, Japan Tourist Hotel Association, Japan Restaurant Association, Japan Tourist Accommodation Association

Main Exhibited Items:

Commercial-use foods, home-use foods (agricultural products, livestock products, marine products, frozen cooked foods, spices, and others), health-oriented foods, organic and natural foods, beverages, food materials, and others

Number of Exhibitors:

2,379 companies (domestic: 664, overseas: 1,715), 3,198 booths (last exhibition)

Number of Visitors: 94,054 (last exhibition)

For information: The secretariat of FOODEX Japan, Japan Management Association

Phone: 03-3434-8116 Fax: 03-3434-8076

URL: <http://www.jma.or.jp/FOODEX/>

JAPAN FOOD 2000

Date: October 23 (Wed) – 26 (Sat), 2000 (held once every 2 years)

Venue: INTEX OSAKA (Osaka)

Host Organization: Osaka International Trade Fair Commission

Main Exhibited Items:

Frozen foods/confectionery/baked foods, alcoholic and refreshing beverages, other processed foods, processed livestock/marine foods, organic foods, chemical-free foods and food materials, traditional foods, cooked foods, seasonings, spices and additives

Number of Exhibitors: 77 companies (domestic: 40, overseas 37) (last exhibition)

Number of Visitors: 80,947 (domestic: 80,438, overseas: 509) (last exhibition)

For information: Osaka International Trade Fair Commission

Phone: 06-6612-1212 Fax: 06-6612-8585

URL: <http://oitfc.fair.or.jp>

Caterex Japan

Date: November 6 (Tue) –9 (Fri), 2001 (held annually)

Venue: Tokyo Big Sight (Tokyo International Exhibition Center, Ariake)

Host Organizations:

Japan Industrial Food Service Association, Japan Lunch Food Service Association, Japan Food Service For Patients Association, Japan Management Association

Main Exhibited Items:

Tableware, utensils, fixtures, dining room environmental equipment, materials, school lunch support management (automatic equipment systems, management systems, engineering), commercial-use food materials and beverages (frozen retort foods, agricultural marine livestock foods, seasoning spices, edible oil and fat, confectionery, desserts, refreshing beverages, alcoholic beverages, functional foods, nursing foods and others)

Number of Exhibitors: 166 companies (all domestic), 625 booths (last exhibition)

Number of Visitors: 55,165 (last exhibition)

For information:

The secretariat of Caterex Japan Convention Division, Japan Management Association

Tel: 03-3434-1377 Fax: 03-3434-8076

URL: <http://www.jma.or.jp/CATEREX/>

FOODEX KANSAI 2001

Date: October 2001 (planned), held annually

Venue: INTEX OSAKA (planned)

Host Organizations:

Japan Management Association, Japan Hotel Association, Japan Ryokan (Inns) Association, Japan Tourist Hotel Association, Japan Restaurant Association, Japan Tourist Accommodation Association

Main Exhibited Items:

Commercial-use foods, home-use foods (agricultural products, livestock products, marine products, bread, noodles, dairy products, bottled and canned foods, delicatessen items, prepared foods for home use, health-oriented foods, functional foods, seasonings, spices, edible oil and fat, confectionery, desserts and others), beverages (alcoholic beverages, refreshing beverages, fruit juices, coffee, tea, mineral water and others)

Number of Exhibitors: 268 companies, 624 booths (last exhibition)

Number of Visitors: 45,095 (last exhibition)

For information: Japan Management Association (Kansai Area Headquarters)

Phone: 06-6261-7151 Fax: 06-6261-5852

URL: <http://www.jma.or.jp/CONVENTION/>

B. Related Organizations

<Related Ministries>

Food Industry Promotion Division
General Food Policy Bureau
Ministry of Agriculture, Forestry and Fisheries
1-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013
Phone: 03-3502-8111

Plant Protection Division
Agricultural Production Bureau
Ministry of Agriculture, Forestry and Fisheries
1-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013
Phone: 03-3502-8111

Policy Planning Division
Department of Food Sanitation
Ministry of Health, Labor and Welfare
1-2-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013
Phone: 03-5253-1111

Weights and Measures Administration Council
Industrial Science and Technology Policy and Environment Bureau
Ministry of Economy, Trade and Industry
1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013
Phone: 03-3501-1511

<Trade Organizations>

Japan Flavor & Fragrance Manufacturers' Association (JFFMA)
Ninjin Bldg. 6F, 4-7-1 Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023
Phone: 03-3663-2471

All Nippon Spice Association (ANSA)
c/o Tokyo Sales Office, K. Kobayashi & Co., Ltd.
2-13-1 Nishigahara, Kita-ku, Tokyo 114-0024
Phone: 03-3940-2791

Japan Mustard Co-operative
c/o Nihon Shokuryo Shinbun Co., Ltd.
1-9-9 Yaesu, Chuo-ku, Tokyo 103-0028
Phone: 03-3271-4815 (Nihon Shokuryo Shinbun Co., Ltd.)

Japan Processing Wasabi Association
3-25-35 Nishi-Shimbashi, Minato-ku, Tokyo 105-0003
Phone: 03-3432-3103

All Japan Curry Manufacturers Association
Yamagishi Bldg 502, 3-20-1 Kuramae, Taito-ku, Tokyo 111-0051
Phone: 03-5687-1793

Japan Dried Vegetables Association (JDVA)
M-1 Bldg. 3F, 3 - 4-1 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo 103-0025
Phone: 03-3669-0286

<Major Spice Makers and Importers>
House Food Industrial Co., Ltd.
6-3 Kioi-cho, Chiyoda-ku, Tokyo 102-8560
Phone: 03-4364-1231

S & B Foods, Inc.
18-6 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo 103-0026
Phone: 03-3668-0551

Lion Corporation
1-3-7 Honjo, Sumida-ku, Tokyo 130-8644
Phone: 03-3621-6207
Stange (Japan) K.K.
3-38 Kanda Sakuma-cho, Chiyoda-ku, Tokyo 101-0025
Phone: 03-5820-1311

Yasuma Co., Ltd.
5-23-2 Nishi-Gotanda, Shinagawa-ku, Tokyo 141-0031
Phone: 03-3490-5211

Kaneka Sun Spice Co., Ltd.

1-10-19 Juso-Higashi, Yodogawa-ku, Osaka-shi, Osaka 532-0023

Phone: 06-6306-0311

Griffith Laboratories Co., Ltd.

NSS Bldg., 2-13-31 Konan, Minato-ku, Tokyo 108-0075

Phone: 03-3450-1231

Gaban Spice Co., Ltd.

Tsukiji Shimizu Bldg. 3F, 3-7-10 Tsukiji, Chuo-ku, Tokyo 104-0045

Phone: 03-3545-6741

Asaoka Spice Co., Ltd.

2-13-16 Higashi Sakashita, Itabashi-ku, Tokyo 174-0042

Phone: 03-3969-5106

Takasago International Corporation

3-19-22 Takanawa, Minato-ku, Tokyo 108-0074

Phone: 03-3442-1211

T. Hasegawa Co., Ltd.

4-4-14 Nihonbashi Honcho, Chuo-ku, Tokyo 103-0023

Phone: 03-3241-1151

Saneigen F.F.I. Co., Ltd.

1-4-9 Hirano-machi, Chuo-ku, Osaka-shi, Osaka 541-0046

Phone: 06-6202-3751

Amari Koshin Shokuhin Co., Ltd.

13-295 Shin-machi, Fushimi-ku, Kyoto-shi, Kyoto Pref., 612-8081

Phone: 075-621-2447