

1. Wine

1. Definition of Category

Spirits made from fermented grapes or grape juice.

HS Numbers	Commodity
2204.10-000	Sparkling wine
2204.21-010	Sherry, port and other fortified wine
2204.21-020	Bottled wine (in container 2 liters or less)
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."

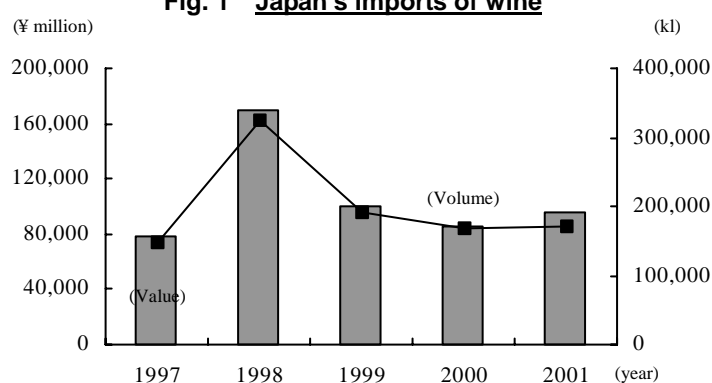
2. Import Trends

(1) Recent Trends in Wine Imports

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, however, rising by 1.7% from the year before to 171,833 kiloliters. Imports of bottled wine (in containers 2 liters or less), the leading category of imported wine product, grew by 5.7% to 130,653 kiloliters, worth a total of ¥73.85 billion. This represents an 11.8% increase on a value basis from the year before, suggesting that the pattern of falling wine prices has come to a halt.

On a volume basis, the fastest-growing imported product is sparkling wine, which grew by 16.2% in 2001 to 12,429 kiloliters. This exceeds even the total of 1999, when Y2k celebrations spurred sales growth in sparkling wines. This result suggests that sparkling wine has established a place for itself in the home user market. In contrast, imports of bulk wine, which are used mainly for blending with domestically produced wine, continued downward in 2001.

Fig. 1 Japan's imports of wine



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Sparkling wine	8,380	12,310	9,938	13,401	11,845	16,483	10,697	14,441	12,429	16,964
Sherry, port wine	931	769	970	793	806	622	853	604	940	682
Bottled wine	100,437	60,505	242,500	143,875	125,259	74,848	123,605	66,044	130,653	73,847
Bulk wine	35,436	4,517	67,984	10,269	50,725	7,065	30,592	3,978	25,121	3,348
Vermouth & others	2,255	738	3,385	1,102	3,780	1,105	3,249	937	2,689	809
Total	147,439	78,839	324,777	169,440	192,414	100,123	168,996	86,004	171,833	95,650

Units: kl, ¥ million

Source: Japan Exports and Imports

(2) Imports by Place of Origin

The leading exporter of wine to Japan is France with 38.1% in 2001 on a volume basis, followed by Italy (20.3%), the United States (10.0%), Chile (6.4%), and Germany (6.0%). These top five exporters together account for about 80% of Japan's wine imports. In particular imports from Italy showed an increase of 18.1% for the year, aided by the "Italy in Japan 2001" project that sponsored events all across the country. On a volume basis, France accounts for 60.2%, indicating their high level of unit price.

In 2001 the top two countries, France and Italy, both recorded double-digit growth, further strengthening their position in the market. For their part, the United States and Germany fell short of previous-year levels. Germany's decline was especially large (down 16.0%). Chile registered a strong showing among the so-called "New World wines." Chile topped its prior-year levels in 2001, allowing it to slide past Germany into fourth place.

Fig. 2 Leading exporters of wine to Japan

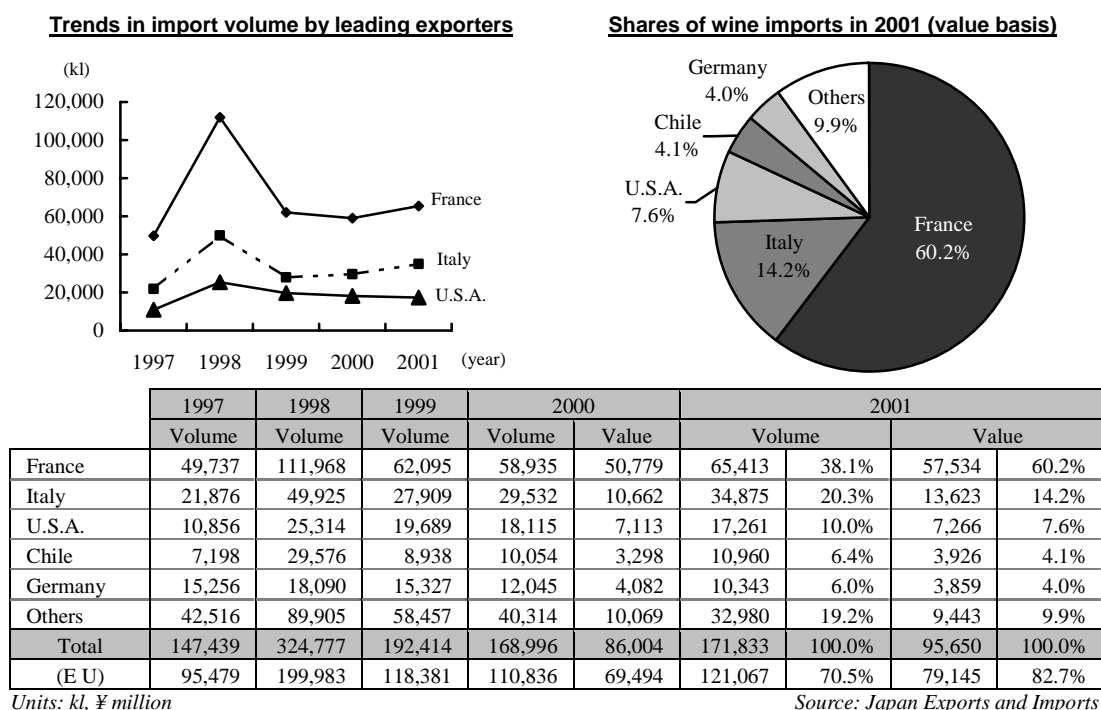


Fig. 3 Leading exporters of each item to Japan (2001)

Item	Country	Volume	Share	Yearly change	Item	Country	Volume	Share	Yearly change
Bottled wine	1. France	58,154	44.5%	111.7	Sparkling wine	1. France	5,281	42.5%	116.3
	2. Italy	29,327	22.4%	116.7		2. Italy	3,565	28.7%	130.4
	3. U.S.A.	11,357	8.7%	91.1		3. Spain	2,042	16.4%	97.1
	4. Germany	9,637	7.4%	84	Fortified wine	1. Portugal	491	52.3%	111.1
	5. Chile	9,085	7.0%	106		2. Spain	280	29.8%	111.4
	6. Spain	5,067	3.9%	107.2		3. Italy	97	10.3%	95.1
	7. Australia	3,625	2.8%	83.5	Aromatized wine	1. Italy	883	32.8%	142.5
Bulk wine	1. Argentine	5,064	20.2%	106.3		2. U.S.A.	501	18.6%	42.8
	2. U.S.A.	4,750	18.9%	121.7		3. China	464	17.2%	95.8
	3. Bulgaria	2,841	11.3%	50.5					
	4. Chile	1,874	7.5%	127.3					
	5. France	1,604	6.4%	86.6					

Unit: kl, Source: Japan Exports and Imports

Most wine is imported bottled in containers 2 liters or less, and in this subcategory France (44.5%) and Italy (22.4%) retain a strong lead over all other countries. This is also true in sparkling wine, where all the sales growth is going to France (42.5% combined share for *champagne* and *vins mousseux*) and Italian *spumante* (28.7%), while Spanish *cava* (16.4%) actually ended 2001 down from a year earlier.

Bulk wine imports are mainly used in blends with domestic wine. In 2000 the leading exporter of bulk wine to Japan was Bulgaria, but in 2001 Bulgaria saw its exports tumble to just half the year before, leaving it in third place (11.3%). On the other hand, Argentina (20.2%) and the United States (18.9%) saw its bulk wine exports rise. In the area of fortified wines, the leading imports in Japan are port from Portugal (52.3%) and sherry from Spain (29.8%). In the area of aromatized wines, Italy (32.8%) saw growth in its vermouth exports vault it into the lead over the United States (18.0%).

(3) Imports' Market Share in Japan

Statistics on shipments of domestic and imported wine (fruit wines only, not including sweetened fruit wines) calculated on a taxable volume basis, indicate that imported wine shipments have exceeded domestic wine shipments since 1995. In 2000, shipments of domestic wine fell 18.1% to 102,632 kl, while imported wine shipments rose by 0.4%. As a result, imports' share of the market increased to 60.7%.

Fig. 4 Imports' market share of fruit wines in Japan

	1996	1997	1998	1999	2000
Domestic wine	80,212	106,599	151,950	125,245	102,632
Imported wine	86,615	114,009	249,191	157,865	158,654
Total	166,827	220,608	401,141	283,110	261,286
Imports' share	51.9%	51.7%	62.1%	55.8%	60.7%

Unit: kl Source: National Tax Administration

Note: Based on taxable figures of fruit wine (calendar year).

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 wine represents a critical element of the wine market in Japan.

3. Key Considerations related to Importing

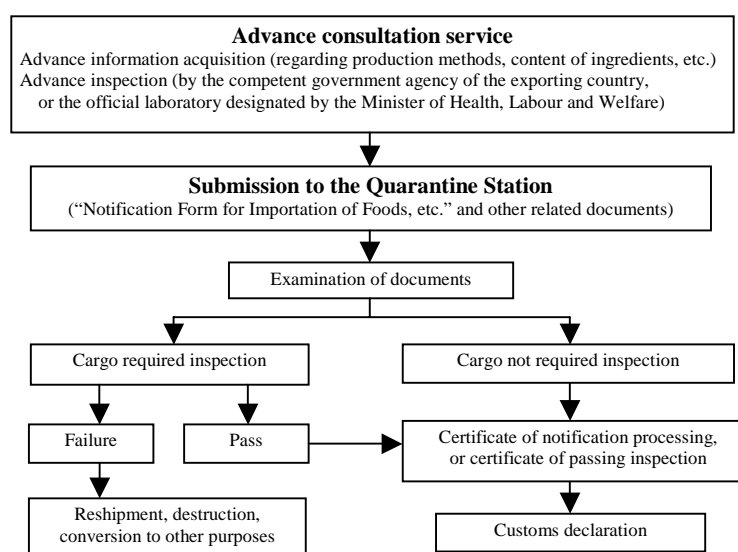
(1) Regulations and Procedural Requirements at the Time of Importation

Wine 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 wine 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.

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 | | |

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

2) 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 wines without restriction, but without a liquor vendor's license, it is not permitted to ship imported wine out of the bonded area. Therefore, it is essential to first obtain a liquor vendor's license to sell imported wine.

In addition to customs duties, liquor taxes are collected when the wine is 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 (see 5-(2)). Wine is classified under the Liquor Tax Law into the categories of fruit wines and sweetened fruit wines.

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

The domestic sale of wine is subject to the Liquor Tax Law, the Liquor Business Association Law, the Food Sanitation Law, the Measurement Law, the Containers and Packaging Recycling Law, and Law for Promotion of Effective Utilization of Resources.

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 wine at their restaurants and do not sell to other restaurants or to customers. 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 wine 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, whiskey, 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) 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.
- d) 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 wine 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.
- e) 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.

<Deregulation of liquor retailer's license qualification>

The 3-Year Deregulation Plan (1999) relaxed qualifications for obtaining a general liquor retailer's license. Minimum distance between outlets criteria was abolished as of January 1, 2001, and population criteria is due to be abolished in September 1, 2003.

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

When wine is 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 wine is sold, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

4) Measurement Law

Wine sealed in wrapping or containers is required to indicate the net content to certain accuracy. (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 for glass bottles, PET bottles, paper and plastic containers and packaging. Consequently, wine 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. In 1999 the Japan Wines and Spirits Importers Association issued an official "Request for use of clear bottling in *Beaujolais Nouveau* containers" as part of efforts to promote the adoption of clear uncolored bottles.

6) Law for Promotion of Effective Utilization of Resources

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

(3) Competent Agencies

- Liquor Tax Law / Liquor Business Association Law
Consumption Tax Policy Division, Tax Bureau, 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>
- 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

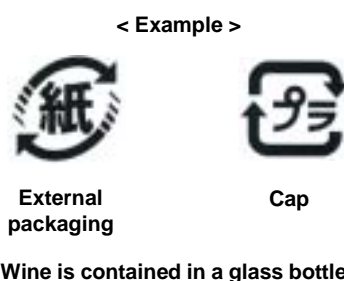
(1) Legally Required Labeling

The Liquor Business Association Law, the Food Sanitation Law, and the Measurement Law specify the following label items for wine. Wine must bear 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. In the case of imported wine, the labeling obligation falls upon the importers and vendors.

- 1) Product name (the phrases “fruit wine” or “sweetened fruit wine”)
- 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) Country of origin
- 7) Importer name and address
- 8) Distributor (rebotling plant) address
(In case of imports, address of distributor or rebotling plant receiving wine from bonded area. May be omitted if it is the same as importer address.)
- 9) 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.”)
- 10) Geographic labeling
(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.)

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

As of April of 2001, new identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials, in addition to previously existing labeling requirements for steel and aluminum cans. Accordingly, for example, bottled wine with plastic caps shipped in paper containers for resale must use the labeling shown here on the external packaging.



(2) Voluntary Labeling based on Provisions of Law

The laws do not set out any particular items for labeling on a voluntary basis.

(3) Voluntary Industry Labeling

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, the variety of grape, the vintage, the 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.

5. Taxes

(1) Customs Duties

Tariff rates are applied as a selective assessment to wines depending either on volume or value. In addition, differential tariff rates are applied based on product category and country of origin. (see Fig. 6)

Fig. 6 Customs duties on wine

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, sub- ject to a minimum customs duty of ¥93/liter	15% or ¥125/liter, whichever is the less, sub- ject 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	

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) 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. Wine is classified under the Liquor Tax Law into the categories of fruit wines and sweetened fruit wines. Wines are subject to the liquor tax rates shown in Fig. 7. Sparkling wines with an alcohol content of fewer than 13% are taxed separately at a tax rate based on the standard tax rate shown in Fig. 7.

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. 7 Liquor tax rates on wine

Fruit wines	¥ 56.50 /liter
Sweetened fruit wines (under 13% alcohol content)	¥ 98.60 /liter
Sweet fruit wines (over 13% alcohol content)	¥ 98.60 /liter +¥ 8.22 /liter for each 1% over 12% alcohol content

(3) Consumption Tax

$(\text{CIF} + \text{Customs duty} + \text{Liquor tax}) \times 5\%$

6. Product Characteristics

(1) 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, sangria, and kir.

(2) 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.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

The wine market in Japan was particularly vibrant in 1998. The following reasons may be cited this very rapid growth.

- 1) The introduction of low-priced domestic wines at ¥500 or less per bottle has expanded the number of people who routinely drink with their meals, and thus has increased the sheer number of times wine is consumed.
- 2) 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. These reports have expanded the market for wine among people who had never before considered drinking wine, including people concerned about health and non-drinkers.

- 3) After they have some experience with low-priced domestic wines, consumers are ready to take a step up to the next rank. Imported wines represent a good match with this impulse when it arises. Chilean wines in particular have attracted much attention as one of the new world wines, which have served to expand demand for wine.
- 4) Wine makers, importers, wholesalers, and liquor stores alike have worked to expand consumer awareness of and interest in wine.

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.

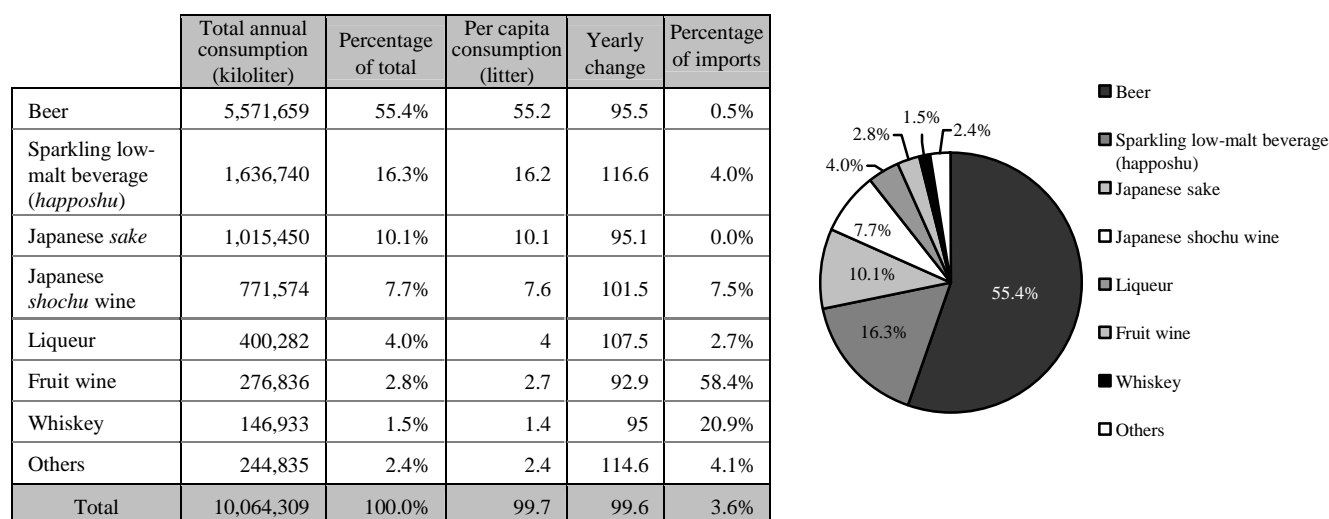
The Japanese market as a whole is marked by a strong deflationary trend, and the best-selling wine products are low-priced wines selling at around ¥500 per bottle. Consumers increasingly are choosing imported wines over domestic wines if they are priced similarly, and this is significantly undermining the position of domestic wines. 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.

Liquor sales licensing is due to be deregulated in 2003. This will increase the number of retail outlets for wine, which is expected to lead to growth in the home use market. At the same time, observers are concerned about the impact of price competition.

[Japanese consumption of alcoholic beverages]

Figure 8 presents the Japanese consumption of alcoholic beverages on a volume basis. The favorite alcoholic beverage of the Japanese is beer. Average annual consumption of beer plus beer-taste malt drinks (*happoshu*) per capita is about 71 liters, putting them far ahead of any other alcoholic beverages. The chronic recession in Japan, combined with more diverse life styles, means that per capita alcoholic beverage consumption has been on the decline. The overall trend is toward lower-priced beverages with lower alcohol content, and there has been growth in *happoshu*, in liqueurs and in white spirits. Annual per capita wine consumption in 2000 is 2.7 liters. Still, this represents solid growth compared to the 1.8 liters recorded in 1996.

Fig. 8 Japanese consumption of alcoholic beverages (FY 2000)



Source: National Tax Administration Agency

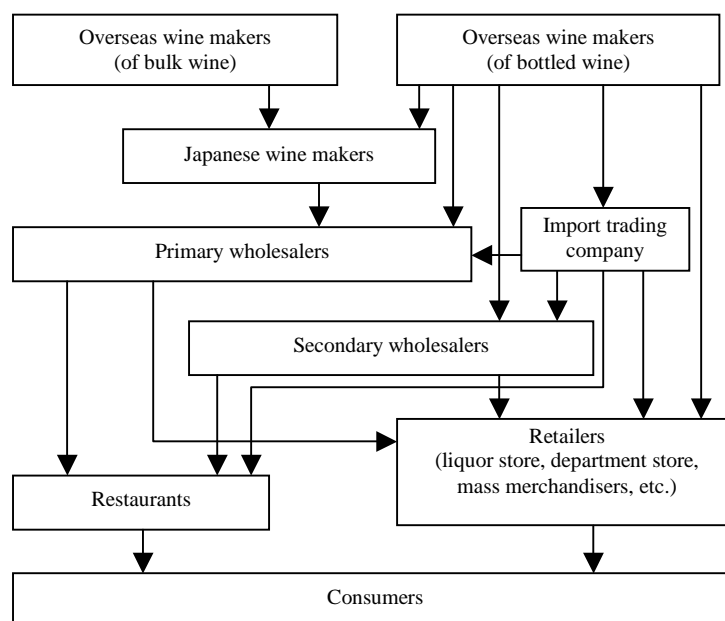
(2) Distribution Channels

Liquor business license holders issued under provisions of the Liquor Tax Law may only distribute wine in Japan. The principal distribution channels are illustrated on figure below. Japanese wines are normally distributed from the wine maker through primary wholesalers, secondary wholesalers, and retailers to the consumers and restaurants.

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.

Fig. 9 Imported wine distribution channels



It is estimated that about 9,000 of all liquor wholesalers have wine wholesaler's licenses. Nearly all of those are small and medium-sized businesses, many of which are now facing severe financial difficulties in today's harsh market climate. A variety of factors have combined to create these difficult conditions, including the post-bubble economic recession, the changing structure of demand for liquors, and intensified price competition caused by liquor discount stores (especially in beer).

One turnaround strategy for small and medium-sized liquor wholesalers is to reduce the volume of beer, which turns almost no profit, and place more emphasis on wine instead. More and more liquor wholesalers are learning about wine and increasing the amount and variety of wines they carry.

There are about 13,000 holders of liquor retailer's licenses in Japan. Deregulation has prompted leading supermarkets to become a presence in liquor sales, and low-price competition from liquor discount stores has put many small and medium-sized liquor stores under financial pressure. Many liquor stores are transforming themselves into convenience stores. Deregulation of liquor sales licensing in 2003 will further increase the number of retail outlets for wine. Observers are concerned about the impact of price competition. More and more liquor stores are putting more effort and resources into wine sales. 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.

(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 wine, coloring agents and preservatives are sometimes used as additives. Wine 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 wine 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.

Furthermore, 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.

8. After-Sales Service

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

9. Related Product Categories

Other forms of imported alcoholic beverages include whiskey, brandy, beer and other distilled spirits. Under the law these beverages are treated much the same as wine. However, prospective importers should note that different beverages are subject to different types of inspection under the Food Sanitation Law. Please also 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.

10. Direct Imports by Individuals

Individuals may import quantities of wine deemed appropriate for personal consumption without business license of liquor seller and/or being subject to the Food Sanitation Law requirements. However, imports of wine 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.

11. Related Organizations

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| • Nippon Wine Importers Association | TEL: 03-3445-6853 | |
| • 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 |