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Wine Report

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Report Highlights:

Japan wine imports were stable for the 3rd consecutive year. Overall, the value of wines increased due to marketing efforts of premium priced wines.

Total bottled wine import volumes were 1,273 hectoliters, slightly below 2007 volumes. The total value of imported volume wine increased by 5% compared to 2007.

Includes PSD Changes: No
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I. Introduction

1.1 Summary Highlights

The overall wine market

Total imports for bottled wine slightly decreased 3 percent to 1,273 hectoliters compared to 2007 (1,310 hectoliters). The total value of imported bottled wine increased by 5 percent compared to 2007. The higher value was caused by increased sales of premium wines. Unit value of total imports of bottled wine was up 8 percent with the U.S. leading the way. There was also an increase in consumption of middle level priced wines, which are \$15/bottle or higher. Unit values of imports from France increased by 7 percent and Italy showed a 10 percent increase from the previous year, however, U.S. imports showed a greater increase of 41 percent. The value increase of U.S. wines can be attributed to the “Wine by the Glass” and other marketing programs implemented by The Wine Institute, and the wine associations of the States of Washington and Oregon. Also, during 2008, the yen increasingly grew stronger against other foreign currencies such as the U.S. dollar and the Euro, and this may have helped increase sales as well.

Competition among exporting countries

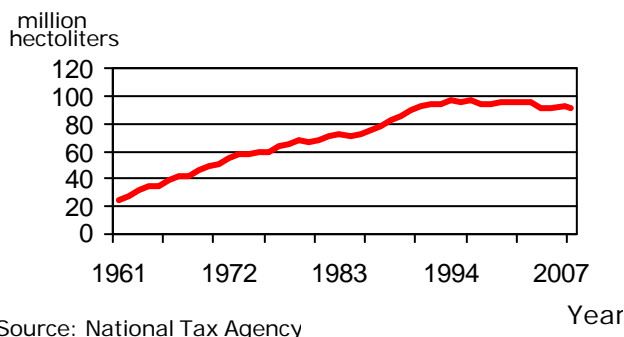
The Japanese wine market continues to be very competitive, with more than 30 countries exporting to Japan, led by France, Italy and the United States. Exports to Japan by these leading countries were stable in 2008. New World wine countries like Australia, Argentina, South Africa and New Zealand increased exports to Japan in 2008. In particular, Chilean wine made a major impact as importers are preparing for the implementation of the Chile-Japan Free Trade Agreement.

II. An Overview of Japan’s Alcoholic Beverage Market

2.1 Japan’s changing alcoholic beverage consumption

Alcohol consumption in Japan increased significantly and steadily for several decades along with Japan’s rapid economic growth. Consumption subsequently leveled off, however, in the early 1990’s as Japan entered a recession (see Fig. 1). As the Japanese economy improved at the beginning of 2008 it was struck with price hikes for most basic food items. Overall, alcoholic beverage consumption remained stable and wine consumption showed an increase in 2008.

**Fig. 1: Japan Alcohol Consumption
1960-2007**



Some of the factors that influence and limit the growth of alcoholic beverage consumption include the country’s negative population growth, lower alcohol consumption by younger consumers, growing health concerns, and broader consumer beverage tastes.

Although wine consumption in Japan has grown significantly since 1960, the wine share in total alcohol consumption is still very small compared to other countries. Currently, Japan is the 13th largest per capita consumer of alcohol at 6.3 liters per adult per year, yet out of this, only 0.4 liters is from wine consumption (2 percent of the total consumption). Compare this to Portugal which comes in 1st, with a total per capita consumption of 16.6 liters per year, and 7.2 liters of that comes from wine (43 percent of consumption) (Source: Alcohol Database, WHO)

Wine: Wine consumption has been trending upwards since the 1960s, although it has experienced several booms and busts. During the “red wine boom” of 1997/98, studies touting red wine’s health benefits created consumer interest, causing consumption to double. After the boom ended, however, consumption suffered and has been hovering around its current level for the past several years. Most market observers remain confident, however, wine long-term remains brighter than the overall alcoholic beverage market.

Beer, Happoshu, and Third Beer: Though beer has traditionally accounted for more than half of Japan’s total alcohol consumption, since 1994 it has faced increasing competition from a cheaper, low-malt beer variety called happoshu. More recently the low taxed “Third Beer”, which contains no malt, and consists of other base ingredients like soybeans or peas, emerged in the market and significantly reduced the market share of traditional beers. Both Happoshu and Third Beers are subject to lower liquor taxes and retail prices, which led to legislative streamlining of the tax structure. Yet the total volume of beer and beer alternatives has been decreasing due to changing drinking habits and consumers’ tastes.

Sake: Consumption of sake, traditional Japanese rice wine, has been steadily declining during the last half century due to greater availability of a variety of other alcoholic beverages, and change in consumers drinking tastes and habits. In particular, sake is consumed less frequently by younger consumers.

Shochu: Shochu, another traditional spirit, enjoyed a massive boom in recent years, brought about by increased attention to its beneficial health effects, and a belief that its after-effects, such as headaches, are less severe than other alcoholic beverages. Stores and restaurants specializing in shochu have gained popularity. Shochu mixes with various fruit juices, which are sold under the category of liquors and fruit wines and are especially popular among younger Japanese, especially female consumers.

Chuhi: Chuhi is a shochu based fruit tasting alcoholic drink that is usually carbonated. The original flavor was lemon, but recently other flavors such as grape, grapefruit, orange, lime, apple, and pineapple have been added. It is offered in restaurants as an alternative to beer and many varieties are sold in retail markets.

Whisky and Brandy: Overall, whisky and brandy consumptions have declined in the last several years. At institutional outlets, Shochu has been replacing whisky and sake.

Spirits and Liquors: Spirit consumption remains flat and in total volume is quite small compared to other categories. Liquors are most frequently used in cocktail drinks. They are popular with women because of their sweet taste, lower alcohol content, and visual appearance.

Fig. 3: Amount of Alcohol Consumption by Variety

(%=percentage share, Vol=Kiloliters)

Year	Wine		Sake		Beer/Happoshu		Shochu		Whiskey/Brandy	
	%	Volume	%	Volume	%	Volume	%	Volume	%	Volume
2004	3.9	28,066	16.7	121,238	40.1	291,508	34	245,768	5.5	39,976
2005	4.2	28,968	16.8	114,800	37.2	253,967	36	248,360	5.5	37,498
2006	4.3	28,597	16.9	111,785	36.3	241,062	38	250,055	4.8	31,856
2007	4.4	28,721	16.4	107,573	35.7	234,388	38.3	251,196	5.2	34,072

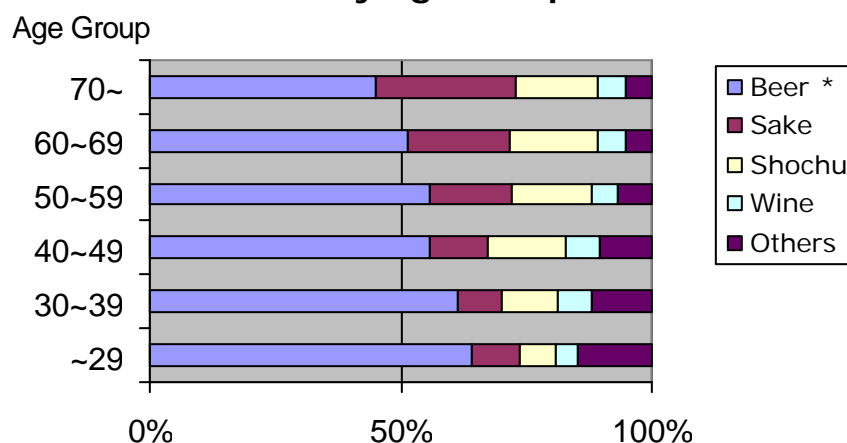
Note: Volume given as 100% alcohol equivalent

Source: Monthly Statistics Journal of Food and Liquor
National Tax Agency

2.2 Demographic breakdown of Japanese alcoholic beverage consumption

Statistics Bureau data of Japan’s household expenditures indicated that beer, including low-malt beer, accounts for nearly 50 percent of total alcoholic beverage consumption among all age groups. Older consumers spend more on sake and shochu, both traditional liquors, while people in the 30-39-year-old range consume more wine than any other age group (see Fig. 4).

Fig. 4: Alcohol Beverage Expenditure Share by Age Group 2005



*Including happoshu (low-malt beer)

Source: Statistics Bureau of Japan

2.3 Geographical breakdown of Japanese alcoholic beverage consumption

Tastes in alcohol vary with location. Most wine in Japan is consumed in major urban areas, with more than 60 percent of premium wines consumed in Tokyo alone. In rural areas, however, beer, sake and shochu remain the alcoholic beverages of choice. 70 percent of the total population lives outside of the Tokyo area. Cultivating those outside areas for wine is

important and effective for further market expansion. Historically, domestic wine in a large glass bottle and a low price was popular in rural areas, but wine markets across the nation continue to progress and become more sophisticated.

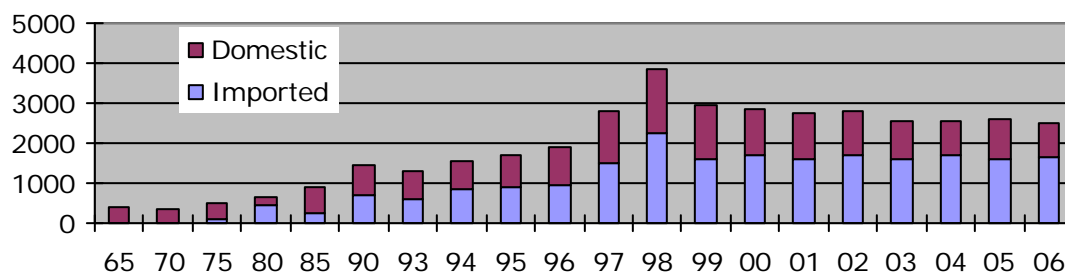
III. Wine Market Overview

3.1 Consumption trends

Throughout its several decades of steady expansion, the Japanese wine market has experienced at least six surges in consumption. One, the Beaujolais Nouveau boom that came in the late 1980s, continues to be an important seasonal event.

The most important boost to the industry came in the 1990s when a series of scientific reports touting the health benefits of red wine suddenly sparked consumer interest in red wine. In 1998, consumption more than doubled compared to 1996. However, this surge led to a buildup of excess inventories that took more than two years to clear, causing a subsequent bust—one that was exacerbated by stagnant to declining consumption. It was in 2005 that the wine market bottomed out and began a recovery. This was confirmed by 2006 trade statistics, which showed increased imports.

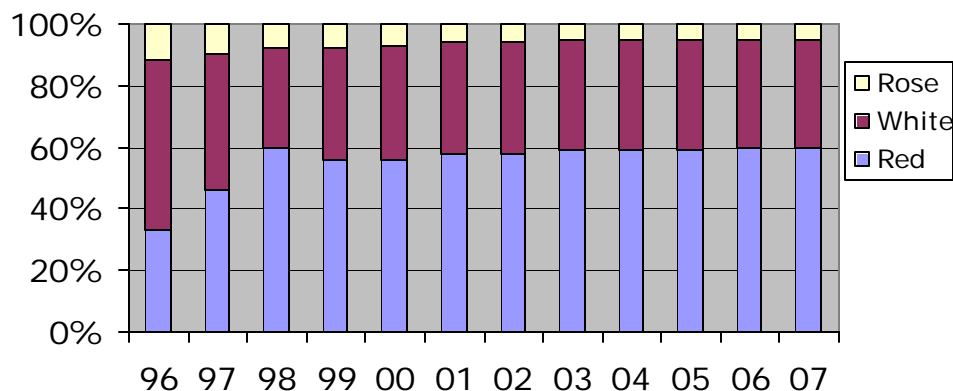
**Fig. 5: Japanese Wine Consumption
1965-2006**



Source: National Tax Agency

Currently, about 40 percent of Japanese women drink wine once a month compared with 31 percent of men (Japan Times). Sparkling wine was trendy in 2008, especially for women and at Christmas time. Restaurants are offering more varieties and reasonable prices, and some offer them by the glass.

**Fig. 6: Wine Consumption by Type
1994-2007**



Source: California Wine Institute

Since the 1990's, the average cost per liter has fluctuated, with prices that were sliding downwards, but are now increasing. Due to the strong yen, the cost per liter rose in 2007. This reflects both deflations in the Japanese economy as a whole, and increasing sales of more moderately priced New World wines, as well as premium California wines.

Please note that while total spending on alcohol declined significantly over the last decade or so, wine consumption nearly doubled, expenditures on wine rose by close to 70 percent, and wine's share of the total alcoholic beverage market doubled - from 3.0 percent in 1994, to 6.4 percent as of 2003.

3.2 Domestic wine

Domestic wines maintain a significant presence by targeting the low-end of the market, where average prices are lower than ¥500 per 750ml bottle. In the less than ¥1,000 per 750ml bottle wine segment wines that touted "no food additives" fared well in 2008. However, there has been a stronger marketing effort to promote premium domestic wines as well. The largest wine company in Japan, Mercian, has employed European wine makers to produce wines using Koshu grapes, which proved very successful in 2008. Its high brand Koshu (Yamanashi prefecture) wines sold well in 2008.

Competition has grown in intensity since the introduction of several low-priced brands from major California wineries, many of which are handled by Japan's major liquor/beer producers and distributors. Mercian began bottling California wine at their Japanese plant in December 2007 that it had previously imported in small packages. Mercian placed a high degree of marketing efforts for this product, which resulted in a successful campaign. Wine importers have started to import tremendous amounts of Chilean wine as they prepare for the implementation of the Free Trade Agreement with Japan.

Sales of non-wine beverages classified in the same category as wine have continuously increased as well. This can lead to misleading information, such as in the first half of 2005, when taxed delivery of domestic wine showed an increase of more than 10 percent, when it was due to the sales of fruit wines and chuhi beverages

Fig. 8: Domestic Wine Shipments 1999-2006*

Year	Volume (000 hectoliter)	Increase or (Decrease) from Previous Year (%)
1999	1,252	(17.6)
2000	1,153	(7.9)
2001	1,101	(4.5)
2002	1,110	0.8
2003	975	(12.2)
2004	863	(11.5)
2005	1,004	16.3
2006	888	(11.6)

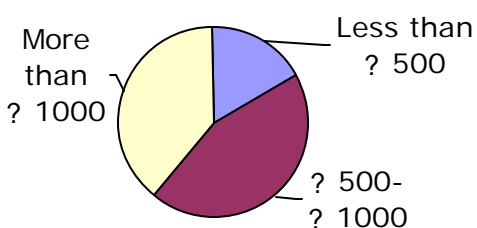
*Includes some non-wine beverages; wine made from grape is estimated to account for two thirds of these shipments.

Source: National Tax Agency

The domestic wine market is dominated by a few large companies, with the top three accounting for nearly three-fourths of all sales. Recently, the large domestic producers such as Mercian (with about a 20 percent market share), Suntory (18 percent), Sapporo (8 percent), and Kikkoman (7 percent) have been attempting to differentiate their products based on quality or other value-added attributes such as health orientation and a variety of fruit bases, as well as promoting organic and additive-free wines, with less focus on pricing.

Fig. 10 shows wine sales of three price ranges. As previously noted, domestic wines generally target the less than ¥500 price zone, while imported wines traditionally targeted the two other higher price zones. However, recent penetration of the low price zone by imported wines (mostly from New World producers) has led domestic producers to give more attention to the moderate and premium price zones, which cost ¥1500 and above per bottle. The market in 2008 was not very good for lower end wines in comparison to 2007, however wines that were additive free did very well.

Fig. 10: Wine Sales by Price Range
2007



*Includes some (1/3) non-white products

Source: WANDS

3.3 Imported wine

Imported wine accounts for more than 60 percent of all wine. Even in domestic wine, imported bulk wine and grape must are commonly used as raw materials. In terms of both

volume and value, bottled wines represent roughly 65 percent of imports, which is the main part of the trade discussed in this report.

3.3.1 United States

In 2008, the United States held a 10.4 percent share of the Japanese bottled wine import market, which would seem like a dramatic decrease from 2007's share of 14.6 percent if there wasn't the following explanation. The largest Japanese importer of wine had switched from importing approximately 5.4 million hectoliters of bottled wine to importing the same amount in bulk for bottling in Japan. Thus, the actual U.S. share of bottled wine hasn't changed. The overall value of U.S. wine imports rose during the same period to \$69 million, which suggests a movement towards premium California wines, supported by promotional campaigns. Several major California brands, e.g. Carlo Rossi, River Crest, Franzia, Almaden, Beringer and Papio, and are being distributed by major Japanese liquor companies. Wines from other states, especially Washington and Oregon, are growing even more rapidly from a small base. Inquiries for New York wines have increased in the past year as well.

U.S. wines have predominantly targeted the lower end of the market. Although wines costing ¥1000 or less makeup 55 percent of the Japanese wine market, they account for 80 percent of U.S. wine imports. There is a growing movement towards high-range products (¥2,000 and up) for U.S. wines as importers anticipate the impact of the Chile-Japan Free Trade Agreement. U.S. wine in this price range faces particularly tough competition from French and Italian wines.

The "California Wine by the Glass" campaign, in which over 400 restaurants serve California wines, along with other U.S. promotional efforts, continue to build awareness of more premium products and help to encourage consumers to move upscale in their wine selections. Washington wine, in particular, made significant progress for placement in Tokyo area hotel and restaurant wine lists.

3.3.2 France

For many Japanese wine drinkers, France is synonymous with wine. It offers a broad range of products and is strong in all price segments. Though France currently has about 40 percent of the bottled wine market, overall market share is declining as competition increases and emerging markets attract some attention away from Japan. One of the wine categories that have been steadily growing is Beaujolais Nouveau. The wine's annual November release has grown to be a highly anticipated event. Champagne sales increased in 2007 and 2008. Yet sparkling wines from other countries are growing at much faster rates.

3.3.3 Italy

Exports from Italy have remained roughly the same since 2006, yet their value increased by about 10 percent, again showing the trend towards more expensive products. Italian wines have been squeezed by price competition at the lower and midrange areas of the market. Stricter enforcement of alcohol and driving laws also had a relatively stronger impact on Italian wine, which depends heavily on restaurant sales.

3.3.4 Chile

Chile, one of the most successful New World producers, emerged in Japan around 1998 as a maker of reasonably priced, good quality wine. Excess inventories in subsequent years led to steep price discounts and a "cheapening" of the country's brand image. However, after the March 2007 Free Trade Agreement between Chile and Japan was signed, Chilean imports have significantly increased, even though the agreement won't go into effect for 6 years. Chile is now the 3rd largest importer in terms of volume, and the 4th largest in terms of value. They are becoming increasingly competitive with the United States, and without an FTA, competing in the lower price range will become extremely difficult.

3.3.5 Germany

German wine exports to Japan, which are predominantly white wines, continue to fall since the red wine boom in 1998. German wines declined only slightly in 2008 to 35,000 hectoliters compared with 36,000 hectoliters in 2007.

3.3.6 Australia

While globally Australian wine exports suffered, in Japan, there was very little change in both value and volume from 2007 to 2008.

3.3.7 Argentina and South Africa

Both Argentina and South Africa have experienced tremendous growth in the last year, in particular Argentina grew by 59 percent in both volume and value. Yet these markets seem to have limited production capacities to export.

3.4 Distribution channels

Nearly three-fourths of all wine consumed in Japan is sold at retail; the remainder moves through restaurants, food service outlets, bars, and others.

3.4.1 Retail

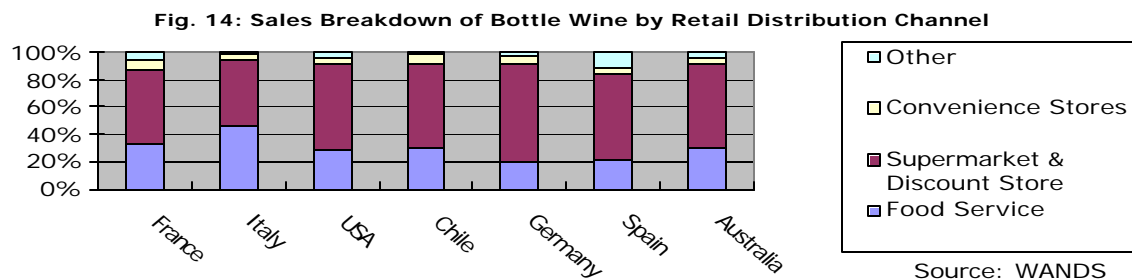
Distribution of wine and all other alcohol beverages are regulated under the Liquor Tax Law, which is applied to retailers that hold liquor licenses. Domestic wine distribution is generally a three- or four-tiered system from manufacturer to retailer, with one or two wholesalers in between.

There are many types of retail distribution channels:

- Direct imports by Japanese domestic manufacturers (e.g. Suntory, Mercian)
- Imports through specialist trading companies.
- Direct imports by department store alliances or large discount stores that sell through their own channels.
- Imports by specialist wine importers who sell products directly to consumers including mail order and online sales.

As more and more low-priced wines appear on the market, the sales share of supermarkets and convenience stores will continue to grow. Online retailers dominated by a handful of companies have also increased sales as they focus on small-lot shipments and other methods of lowering logistics costs.

The sales breakdown by retail distribution channel differs according to country of origin. U.S. wines have a fairly high proportion (57 percent) of sales at supermarket and discount stores. This tendency reflects the rapid growth of lower-priced California wines that are mainly sold by these kinds of retailers. Italian wine, on the other hand, depends heavily on in-restaurant consumption (49 percent).



Deregulation of liquor retail licensing

In September 2003, the Japanese government abolished restrictions that had limited the distribution of retail liquor licenses.

The following table shows the change in the number of liquor wholesalers and retailers since 2003. With the establishment of direct import channels, wholesalers have begun to play a less important role, and their numbers are declining. In addition, more than 25,000 small and medium-scale liquor retailers have closed down their shops in the run-up to deregulation. This has also led to an increase in the number of convenience stores and super-markets that sell liquor.

Fig. 15: Annual Change in Number of Liquor License-holders

	Wholesale	Retail	Total
2003	15,755	184,567	200,412
2004	15,099	193,226	208,325
2005	14,417	197,411	211,828
2006	13,922	196,460	210,452
2007	13,632	201,874	215,506

Source: National Tax Agency

IV. Key Issues Affecting the Wine Market

4.1 Implementation and Impact of liquor tax reform and rate increases

The LDP liquor tax reform package reduced the number of liquor tax categories from ten to four; to eliminate loopholes of much lower taxes for so-called third (non-malt) beer and to increase or decrease taxes on other products. This was implemented in May 2006.

The tax rate for wine is now at 80 yen a liter, and the rate on sake is 120 yen per liter. However, wine is disadvantaged vis-à-vis sake, particularly given that nearly all sake is domestically produced and therefore faces no import tariff as is the case for the majority of

wine consumed in Japan. Meanwhile, the tax rate on products with lower alcohol, such as the Third Beer and chuhi beverages is at 80 yen per liter. Third beer in a 350ml can now sells for around 125 yen, much lower than regular beer or happoshu, for which taxes were increased a few years earlier.

4.2 Organic wine

The average rate of growth is 18 percent world wide for the organic wine market. Unlike many organic products, organic wine is priced very competitively, although the availability of such products remains very limited.

Foods and beverages must meet the requirements of the Japan Agricultural Standards (JAS) law to be certified organic in Japan. U.S. producers can arrange to be certified in the United States under the USDA's organic program, which is recognized by JAS. The Japanese government recognizes the organic standards of certain countries, including the United States. Despite the new JAS organic standards, some importers complain that the rules are ambiguous and fail to meet consumer needs. A lot of the imported organic wine comes from the EU due in part to the extremely strict classification of 100 percent organic wine in the United States, which allows for no sulfites in organic products, unlike many other countries. Organic grapes however are a good niche for U.S. exporters.

The domestic market is also focusing on organic, or *yuuki*, wines, particularly with red wines. Due to their popularity, it is a useful market tool. A number of brands are available, many at lower end prices.

4.3 Sparkling Wine

Sparkling wine is becoming more popular among women and younger consumers. The value market share has grown to 28.95 percent of the import market. The long standing trend to have a glass of beer as the first drink now includes sparkling wine to quench the thirst. Also, the growing sophistication of wine drinkers has given rise to the bubbly and cute wine.

4.4 Screw Caps

Screw caps are becoming more common in lower priced items to mid range priced wines sold in retail markets, and also in chain restaurants.

Appendix I: Legal Regulations Related to the Wine Trade

1. Food Sanitation Law requirements

Under the Food Sanitation Law, the Japanese Ministry of Health, Labor and Welfare (MHLW) outlines the permissible quantities of wine coloring agents and preservatives used as additives. All wines imported as gifts or for sale and other commercial purposes are subject to the Food Sanitation Law. Import notification is also required. Importers must submit a "Notification Form for Importation of Foods, etc." to the quarantine station with jurisdiction over the port of entry. Depending on the content of this notification form and the import history of the wine, inspection may be required.

2. Labeling requirements

Fig. 16 lists labeling requirements for wine. Labeling must be in Japanese and must be attached to the container in a visible location. Wine without required labeling may not be sold, displayed with intent to sell, or used for other commercial purposes.

Fig. 16: Labeling Requirements For Wine		
Label Item	Requirement	Name of Statute*
Product Name	Wine, fruit wine, or sweetened fruit wine	FSL
Food Additives	Name of substance (and usage category) of anti-oxidants or synthetic preservatives, etc. Genetically modified substances must be identified.	FSL
Alcohol Content	Label must list the ethyl alcohol content at 15°C as a percentage of total volume rounded to the nearest percentage point. (Example: "14%" or "Over 14% and less than 15%")	LBA/MSR/LT
Container Volume	Listed in milliliters (<i>ml</i>) or liters (<i>l</i>)	LBA/MSR/LT, ML
Type	Sparkling wine labels must state, "Contains carbonation," or, "carbon dioxide gas mixture."	LBA/MSR/LT
Country of Origin	The country of origin	AUPRMR
Name and Address of Importer and Distributor	Wines must list the name and address of the importer and distributor	FSL, LBA/MSR/LT
Destination	Label must list the destination after removal from the bonded area or the location of the bottler or packager. However, a symbol may be used with the permission of the Ministry of Finance	LBA/MSR/LT
Other Requirements	(1) Blends of imported and domestic wine	Voluntary industry standard
	Wines made from mixtures of domestic and imported wines must list the wines in order of quantity. For example, "Made from domestic and imported wine."	
	(2) Geographic labeling	Labeling standard based on LBA/MSR/LT and ML
Labeling Requirements For Wine: Other Requirements Continued		
Label Item	Requirement	Name of Statute*
	(3) Labeling to prevent consumption by minors	Labeling standard based on t LBA/MSR/LT and ML
	All liquor containers must clearly state that "Consumption of alcohol by minors is prohibited," or "Alcohol may only be consumed by those who are 20 years or older."	
Other Requirements	(4) Promotion of recycling of liquor containers	Law for Promotion of Utilization of

	Products packed in steel cans, aluminum cans, and PET bottles must have a mark on the container identifying the packaging material type.	Recycled Resources
	(5) Warning of risks to pregnant and breast-feeding women	Voluntary Industry Standard
	Pregnant and nursing mothers are advised that consumption of alcohol may adversely affect their infant's health. For example, "Drinking alcohol while pregnant or breast-feeding may harm the fetus or infant."	
* · Food Sanitation Law: FSL (http://www.jetro.go.jp/en/market/regulations/pdf/food-e.pdf)		
· Measurement Law: ML (http://www.jetro.go.jp/en/market/regulations/pdf/keiryoy2003jan-e.pdf)		
· Law Concerning Liquor Business Association and Measures for Securing Revenue from Liquor Tax:		
LBA/MSR/LT		
· Act against Unjustifiable Premiums and Misleading Representation: AUPRMR		
Source: JETRO Marketing Guidebook for Major Imported Products 2004/Food		

3. Requirements under the new packaging recycling law

The Japanese government began full implementation of the Packaging Recycling Law in April 2000, which requires the industry to identify and recycle all paper and plastic packaging, glass bottles, steel and aluminum cans, PET bottles, and other plastic and paper containers. Manufacturers, distributors, and retailers who manufacture and/or use the materials are responsible for recycling costs. For imported products, importers are likely to be held responsible for such costs.

In the case of wine, according to industry sources, some importers have requested that exporters use colorless glass bottles if possible and a number of wines in clear bottles have appeared on the market. However, this is only appropriate for less-expensive or early drinking wines that will be consumed within two to three weeks after purchase. For premium wines, the industry continues to generally use colored bottles despite added recycling costs. Green bottles pose the biggest problem since there is very limited use for them as a recycled product.

Current recycling charges by type of container, effective through FY2009 (April-March), to be paid to the Japan Containers and Packaging Recycling Association are as follows:

Colorless glass	¥4,100/metric ton
Brown glass	¥5,500/metric ton
Green/other colored glass	¥9,200/metric ton
PET bottles	¥1,700/metric ton
Paper containers	¥13,300/metric ton
Plastic containers	¥65,700/metric ton

4. Tariff and tax

WTO Uruguay Round tariff reductions

The tariff rate on bottled wine is 15 percent (or ¥125/l, whichever is less with a minimum of ¥67/l)

Tariff Rates on Wine (as of January 2009)

Bottled Wine	
-HS220421020 (2L or less)	15% or ¥125/l, whichever is less with a minimum of ¥67/l
-HS220429010 (2L to 150L)	15% or ¥125/l, whichever is less with a minimum of ¥67/l
Sparkling Wine	
-HS220410000	¥182/l
Wine Coolers	
-HS220600221 (Other fermented beverage mixtures)	¥27/l
Bulk Wine	
- HS220429090 (>150L)	¥45/l
Grape Must	
-HS220430191 (1%+ alcohol, less than 10% sucrose by weight)	19.10%
-HS220430200 (1% + alcohol – other)	¥45/l
Vermouth	
-HS220510000 (2L or less)	¥69.3/l
-HS220590200 (1%+ alcohol)	¥69.3/l
Sherry/Fortified Wine	
-HS220421010	¥112/l

Source: Customs Tariff Schedules of Japan 2009, Japan Tariff Association

Liquor Tax Law regulations

The liquor tax rate was increased by 13.5 percent for wine and 15.7 percent for sweetened wine in May 2006. (See Section 4.2 above for details)

Tax rate on wine after the tax increase

	Per kiloliter	Per 750ml bottle
Wine	80,000 yen/k	60 yen/bottle
Sweetened Wine	120,000 yen/kl*	90 yen/bottle

Appendix II. Statistical Tables

Table 1: Wine imports by type

Volume (000 hectoliters)				
	2006	2007	2008	2008/2007 % Change
Bottled Wine	1,307.0	1,310.0	1,273.4	-0.3
HS220421020 (2L or less)	1,194.0	1,191.0	1,189.4	-0.09
HS220429010 (2L to 150L)	113.0	119.0	84.0	-29.61
Sparkling Wine	198.0	207.0	230.4	11.24
HS220410000				
Wine Coolers	98.0	35.0	30.1	-15.14
HS220600221				
Bulk Wine	148.8	141	205.9	46.27
HS220429090 (>150L)				
Grape Must	71.6	77.8	80.4	3.36
HS220430191 (1%+ alcohol, <10% sucrose by weight)	0.0	0.0	0.0	0.0
HS220430200 (1%+ alcohol - other)	71.6	77.8	80.4	3.36
Vermouth	18.7	21.3	22.9	7.51
HS220510000 (2L or less)	18.2	20.9	22.1	5.95
HS220590200 (1%+ alcohol)	0.5	0.4	.8	81.38
Sherry/Fortified Wine	8.2	9.0	7.9	-12.26
HS220421010				

Source: World Trade Atlas, based on Japan Customs data (CY January – December).

(Table 1 continued)

	Value (US\$ mill)			2008/2007 % Change
	2006	2007	2008	
Bottled Wine	798.7	855.2	899.0	5.1
HS220421020 (2L or less)	781.5	836.6	883.1	5.6
HS220429010 (2L to 150L)	17.2	18.6	15.8	-15.0
Sparkling Wine	335.4	366.0	395.9	7.6
HS220410000				
Wine Coolers	30.0	20.2	18.4	-8.6
HS220600221				
Bulk Wine	14.5	13.1	19.8	50.9
HS220429090 (>150L)				
Grape Must	15.3	16.5	18.3	10.4
HS220430191 (1%+ alcohol, <10% sucrose by weight)	1.0	0.0	0.0	0.0
HS220430200 (1%+ alcohol - other)	14.3	16.5	18.3	10.4
Vermouth	5.7	7.1	7.1	24.6
HS220510000 (2L or less)	5.6	7.0	8.3	18.0
HS220590200 (1%+ alcohol)	0.08	0.08	0.14	89.4
Sherry/Fortified Wine	7.9	8.0	7.8	-2.2
HS220421010				

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

Table 2: Bottled Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Volume	Share (%)	
1	France	560.2	535.3	510.0	40.7	-4.7
2	Italy	232.9	233.9	234.5	18.4	0.3
3	Chile	80.1	105.2	133.5	10.5	26.9
4	United States	201.9	191.3	132.4	10.4	-30.8
5	Spain	73.4	85.7	91.5	7.2	6.8
6	Australia	68.1	80.4	80.7	6.3	.3
7	Germany	50.5	36.5	34.8	2.7	-4.7
8	Argentina	12.0	13.9	22.1	1.7	59.0
9	South Africa	10.5	12.1	15.5	1.2	28.1
10	New Zealand	4.8	5.0	5.6	0.4	12
	Others	14.9	10.7	12.7	1.0	19.0
	Total	1309.2	1309.9	1273.4	100.0	2.8

Value (\$ mill)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Value	Share (%)	
1	France	491.7	516.3	524.4	58.3	1.6
2	Italy	109.9	122.1	134.3	14.9	10.0
3	United States	64.6	70.8	69.0	7.7	2.5
4	Chile	27.9	35.3	46.2	5.1	30.9
5	Australia	29.6	37.4	38.1	4.2	1.9
6	Spain	25.3	30.0	36.1	4.0	20.3
7	Germany	26.4	20.7	21.7	2.4	4.8
8	Argentina	4.5	5.3	8.4	0.9	58.5
9	New Zealand	4.7	5.5	6.1	0.7	10.9
10	South Africa	3.9	4.6	5.7	0.6	23.9
	Others	10.2	7.2	9.0	1.0	25
	Total	798.7	855.2	899.0	100.0	5.1

Source: World Trade Atlas, based on Japan Customs data (CY Jan - Dec).

Table 3: Sparkling Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Volume	Share (%)	
1	France	91.7	99.0	102.8	44.6	3.9
2	Spain	38.2	41.3	51.9	22.5	25.6
3	Italy	43.5	41.3	44.4	19.3	7.7
4	United States	7.1	7.9	10.2	4.4	28.2
5	Australia	9.1	8.5	10.1	4.3	18.0
6	Germany	6.4	5.2	5.1	2.2	-4.2
	Others	1.9	3.7	5.9	2.6	59.5
	Total	198.0	207.0	230.4	100.0	11.24

Value (\$ mill)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Value	Share (%)	
1	France	279.6	304.6	316.2	79.9	7.6
2	Italy	23.3	24.5	29.4	7.4	19.8
3	Spain	20.2	23.5	32.5	8.2	38.3
4	Australia	5.2	5.3	7.0	1.7	32.3
5	United States	2.3	3.1	4.5	0.8	47.3
6	Germany	3.3	3.2	3.3	0.9	1.9
	Others	1.4	1.8	3.1	0.8	72
	Total	335.4	366.0	396.0	100.0	7.6

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

Table 4: Wine Cooler Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Volume	Share (%)	
1	France	30.5	20.8	15.8	52.7	-23.8
2	United States	10.5	5.3	2.5	8.4	-51.8
3	Spain	3.6	4.6	6.7	22.3	45.8
4	Germany	4.2	3.3	2.9	9.6	-13.5
5	South Korea	.2	0.09	0.6	2.1	560.79
	Others	49.0	0.9	1.5	4.9	66.7
	Total	98.0	35.4	30.0	100.0	-15.1

Value (\$ mill)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Value	Share (%)	
1	France	21.3	16.2	14.0	75.6	-14.0
2	Spain	1.1	1.7	2.4	12.9	38.0
3	Germany	1.1	1.0	.9	5.1	-10.2
4	United States	0.9	0.6	0.4	3.0	-25.6
5	South Korea	.1	0.05	0.2	1.0	275.3
	Others	5.5	0.7	2.3	2.4	328.6
	Total	30.0	20.2	20.2	100.0	-8.6

Source: World Trade Atlas, based on Japan Customs data (CY January-December)

Table 5: Bulk Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2006	2007	2008		2008/2007
				Volume	Share (%)	% Change
1	Chile	36.0	45.5	62.0	30.1	36.3
2	United States	3.8	5.2	53.8	26.1	935.6
3	Argentina	54.1	50.4	47.5	23.1	-5.7
4	Spain	7.4	12.2	11.6	5.7	-4.7
5	Italy	7.6	6.0	8.7	4.2	44.0
6	France	11.0	8.9	7.8	3.8	-12.5
7	Hungary	2.0	.5	3.2	1.6	454.61
8	Bulgaria	13.1	2.3	3.0	1.5	28.0
9	South Africa	2.7	1.8	2.7	1.3	51.0
10	Macedonia	3.5	3.0	2.3	1.1	-21.8
	Others	7.6	5.0	3.4	1.5	-32.0
	Total	148.8	140.8	206.0	100.0	46.27

Value (\$ mill)						
Rank	Country	2006	2007	2008		2008/2007
				Value	Share (%)	% Change
1	Chile	3.7	4.1	6.4	32.3	54.2
2	United States	0.5	0.6	3.9	19.8	603.8
3	Argentina	4.2	3.7	3.8	19.4	4.3
4	France	1.8	1.6	1.5	7.4	-7.4
5	Spain	0.5	1.1	1.3	6.3	15.3
6	Italy	0.8	0.7	1.1	5.7	68.7
7	Hungary	0.2	0.1	0.5	2.5	272.0
8	Bulgaria	1.4	0.3	0.4	1.9	34.2
9	Macedonia	0.3	0.3	0.3	1.4	-3.5
10	South Africa	0.2	0.1	0.2	1.2	66.9
	Others	0.9	0.5	0.4	2.1	-20.0
	Total	14.5	13.1	19.8	100.0	50.9

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

Table 6: Grape Must Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Volume	Share (%)	
1	Argentina	53.7	51.8	54.7	68.1	5.5
2	Chile	13.6	23.0	22.7	28.2	-1.5
3	South Africa	4.3	2.9	3.0	3.8	5.7
4	Portugal	0.0	0.0	0.001	0.0	--
	Others	0.0	0.1	0.0	0.0	0.0
	Total	71.6	59.6	80.3	100.1	3.36

Value (\$ mill)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Value	Share %	
1	Argentina	9.9	9.8	11.1	60.5	13.3
2	Chile	3.6	6.2	6.6	36.3	6.4
3	South Africa	0.7	0.5	0.6	3.2	8.84
4	France	0.0	0.0	0.05	0.03	--
	Others	0.0	0.0	0.0	0.0	0.0
	Total	14.3	16.5	18.3	100.0	10.4

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

Table 7: Vermouth Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Volume	Share (%)	
1	Spain	7.5	9.4	10.1	44.1	7.5
2	Italy	4.5	4.7	5.1	22.3	8.5
3	France	3.8	4.2	4.2	18.3	0
4	China	1.9	1.9	1.5	6.6	21
5	Germany	0.5	0.8	1.1	4.8	37.5
	Others	(0.0)	0.4	0.9	3.9	225
	Total	18.2	21.3	22.9	100.0	7.5

Value (\$ mill)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Value	Share (%)	
1	Spain	1.8	2.8	3.4	41.0	21.4
2	France	1.7	1.8	2.1	25.0	16.7
3	Italy	1.4	1.7	2.1	25.0	23.5
4	China	0.4	0.4	0.3	3.6	-25.0
5	Germany	0.1	0.1	0.2	2.4	200.0
	Others	0.1	0.2	0.3	3.6	150.0
	Total	5.6	2.8	8.4	100.6	300.0

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

Table 8: Sherry/Fortified Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Volume	Share (%)	
1	Portugal	3.9	4.8	4.2	53.4	-12.1
2	Spain	2.6	3.0	2.4	30.5	-19.7
3	Italy	0.9	0.7	0.7	8.5	-4.6
4	United States	0.4	0.2	0.2	3.0	2.5
5	France	0.3	0.2	0.2	3.0	4.6
	Others	0.1	0.0	0.2	1.6	100.0
	Total	8.3	9.0	7.9	100.0	-12.26

Value (\$ mill)						
Rank	Country	2006	2007	2008		2008/2007 % Change
				Value	Share (%)	
1	Portugal	3.7	4.5	4.4	56.5	-2.6
2	Spain	2.1	2.5	2.2	28.0	-13.4
3	France	0.5	0.4	0.7	8.9	57.1
4	Italy	0.4	0.3	0.4	4.7	6.1
5	United States	0.1	0.1	0.1	0.9	-.4
	Others	1.2	0.1	0.1	1.0	0
	Total	7.9	8.0	8.0	100.0	-2.2

Source: World Trade Atlas, based on Japan Customs data (CY January - December).