

Guidebook for Export to Japan (Food Articles) 2011

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**Development Cooperation Division
Trade and Economic Cooperation Department
Japan External Trade Organization (JETRO)**

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For the figures contained in this document, the summation of values is not always in agreement in the total or 100% due to rounding.

1. Coffee

This chapter defines coffee according to the H.S. code of the Tariff Schedule (Fig. 1-1), covering green coffee beans, regular coffee, instant coffee, and extracts, etc. Coffee beverages (excluding the products categorized as milk beverages) are discussed in the soft drink chapter instead of this chapter.

Fig. 1-1: Scope of coverage for coffee in this chapter

Item name	Description	H.S. code
Green coffee beans	Seeds prepared by removing the outer and inner skins and pulp from the fruits of coffee tree produce. They are dried in the next processing step.	0901.11-000 0901.12-000
Regular coffee	Roasted coffee beans prepared by roasting green coffee beans from coffee tree fruits. This category also includes coffee products prepared by grinding these roasted beans.	0901.21-000 0901.22-000
Instant coffee	Coffee in soluble powder, granules, and other solid forms prepared by drying extracts of roasted coffee beans.	2101.11-210 2101.12-121
Coffee extracts, essences	Concentrated extracts of coffee beans, which are used for industrial or processing purposes, such as canned coffee, coffee candies and other confectioneries, etc.	2101.11-100 11-290, 12-110 12-122

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of coffee is subject primarily to 1) the Plant Protection Act, 2) the Food Sanitation Act, and 3) the Customs Act.

<Plant Protection Act>

Dried green coffee beans that have not been heat-processed are handled as fresh produce, and undergo quarantine procedures, including screening for contamination by pests or harmful plants, under the Plant Sanitation Act. Quarantine procedures performed at airports and ports are under the authority of the regional Quarantine Stations. Roasted beans and processed products are exempt from the Plant Protection Act, and subject only to food sanitation inspection under the Food Sanitation Act.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, coffee is subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, coffee and products should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

Green coffee beans are subject to monitoring performed by the Ministry of Health, Labour and Welfare Quarantine Station, in accordance with its annual schedule. Should violation of the pesticide residue requirements be detected, screening is conducted more frequently. If violations persist, compulsory testing is imposed, in which all lots are tested at the expense of the importer. As of March 2011, green coffee beans subject to such compulsory testing are those produced in Ethiopia for γ -BHC (lindane), DDT, heptachlor, or chlordane that may potentially be detected; and those produced in Indonesia are tested for carbaryl.

<Customs Act>

Under the Customs Act, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned.

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

There is no specific law applicable to the sale of coffee. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, the sale of products that contain harmful or toxic substances or those with poor hygiene is prohibited. Sales of coffee in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Product Liability Act>

The Product Liability Act stipulates the liability of manufacturers, etc. for damages to consumers in association with product defects, and importers are included in the category of manufacturers, etc. Coffee sold as processed food is subject to the Product Liability Act, and care should be taken for safety management in relation to food-poisoning outbreaks, contents, and containers and packaging.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of purchaser interests in the direct commercial transactions made with consumers. Sales of coffee in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (parts of paper containers and packaging, and plastic containers and packaging) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures

(1) Procedures for Authorization of Importing and Sales

<Plant Inspection>

Because the Plant Protection Act rules that the bulk importing of green coffee beans is handled only at certain seaports and airports that are capable of sufficient plant protection measures for the purpose of preventing diseases and pests from entering the country, care should be taken in selecting the seaport/airport of entry before exporting from the country of origin. (*Note that not all Quarantine Stations perform plant inspection.)

In filing an application for inspection with the Ministry of Agriculture, Forestry and Fisheries Quarantine Station, one must submit the required documents (Figure 1-3) promptly after entry to port. In the event of rejection due to the detection of diseases or pests as a result of quarantine, fumigation or other measures are ordered.

<Food Sanitation Inspection>

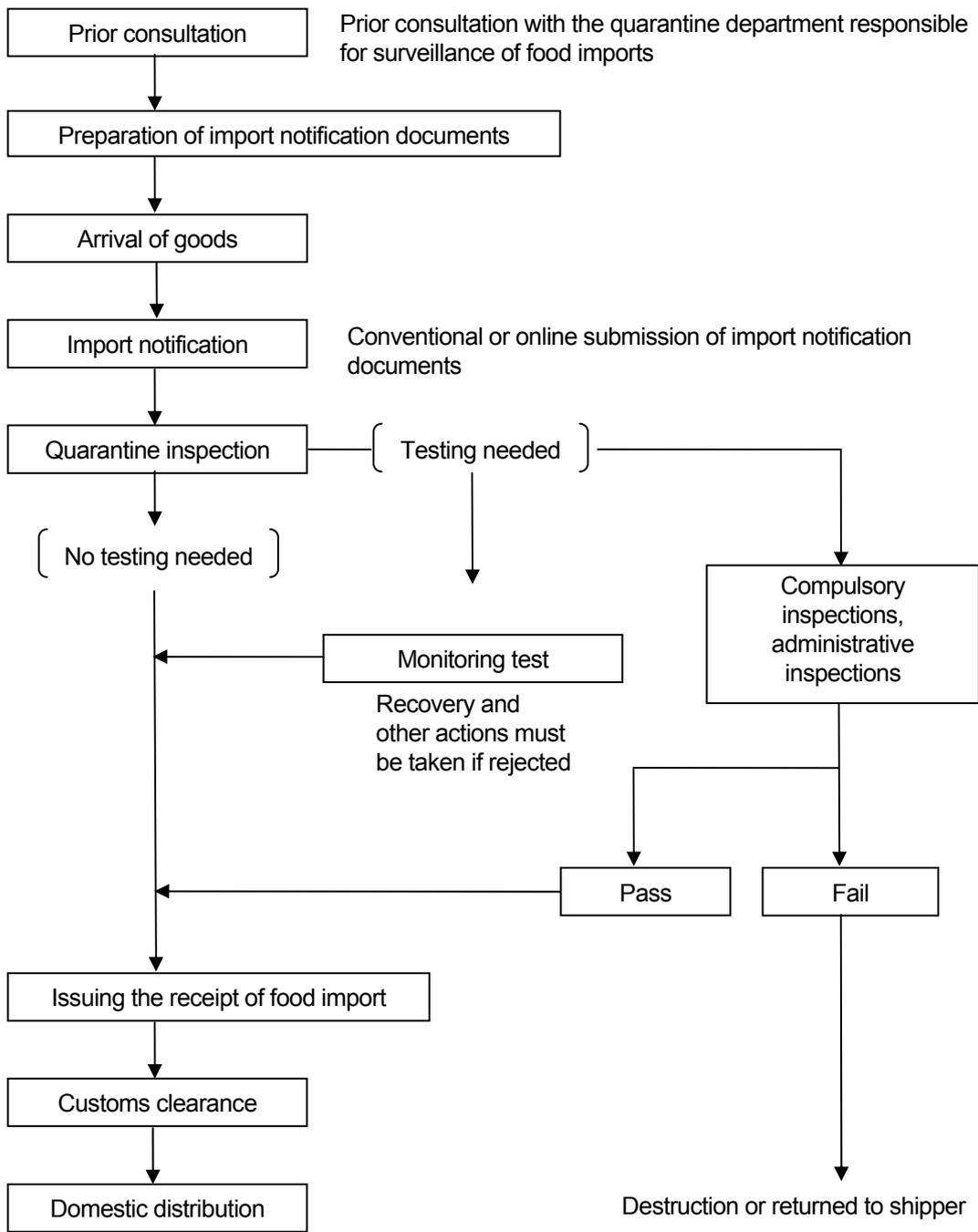
Under the Food Sanitation Act, one must submit required documents (Figure 1-3) when filing an application for inspection with the departments responsible for surveillance of food imports of Quarantine Stations at the Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or returning to the shipper are taken (Figure 1-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry of incoming cargo arriving from a foreign country to Japan, one shall make an import declaration to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, import permit may be given in principle.

Fig. 1-2: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare

(2) Required documents

Documents required for importing are summarized below in Figure 1-3 according to the authorities to which each document is submitted.

Fig. 1-3: Documents required for import clearance

Submitted to	Required documents	Green coffee beans	Processed products
Quarantine Information Office, Ministry of Health, Labour and Welfare (Plant quarantine under the Plant Protection Act)	Application for import inspection	○	—
	Phytosanitary certificate issued by the plant quarantine service of the exporter	○	—
Departments responsible for surveillance of food imports of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	○	○
	Material/ingredient table	—	○
	Production flow chart	—	○
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	—	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○

Source: Ministry of Agriculture, Forestry and Fisheries; Ministry of Health, Labour and Welfare; Ministry of Finance
○: Required —: Not required

As a phytosanitary (inspection) certificate, one should in principle submit the original copy that indicates the absence of pathogen or pest contamination, issued by the plant protection authority of the exporting country in a form in compliance with the International Plant Protection Convention. While the Convention stipulates that the phytosanitary certificate submitted to the authorities of the importing country be the original copy, the following two are deemed valid in Japan, taking into consideration such cases where the original copy is lost or the delivery of the original copy is delayed:

- a) A "carbon copy" of the original produced simultaneously; and
- b) A copy that has been proven as being identical to the original copy by the plant protection authority of the exporting country.

(3) Competent Authorities**Fig. 1-4: Contacts of competent authorities**

Plant Protection Act	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Measurement Act	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Health Promotion Act	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp

Fig. 1-4: Contacts of competent authorities (continued)

Act against Unjustifiable Premiums and Misleading Representations		
	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Product Liability Act		
	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions		
	Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources		
	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp
	Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Unfair Competition Prevention Act / Trademark Act		
	Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3581-1101 http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of coffee products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) intellectual asset-related laws (e.g., Unfair Competition Prevention Act., Trademark Act).

When selling coffee (green coffee beans) as fresh product, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 1) product name, 2) country of origin, 3) content, and 4) name and address of importer.

When selling heat-treated coffee (e.g., processed foods), the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

< Product name >

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

< Ingredients >

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

<Content weight>

When importing and selling coffee (processed product), the importer must weigh the product in accordance with the Measurement Act and indicate the weight in grams on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. As the quality of coffee does not deteriorate easily, the "best by" date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the "best by" date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For coffee products which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin labeling>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of coffee products (processed products) in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat).

Components must be indicated in the following order and unit:

- a) Calories (kcal or kilocalories)
- b) Protein (g or grams)
- c) Fat (g or grams)
- d) Carbohydrate (g or grams)
- e) Sodium
- f) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

Labels for specified health foods must follow the respective standards and be screened for approval.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include coffee, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Figure 1-5) can be labeled as "organic coffee" in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark, to be permitted to have organic labeling.

- a) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- b) Labelling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As

of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 1-5: JAS-certified organic mark



<Containers and packaging>

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When the following two types of containers and packaging are used for coffee products, either or both marks shown in Figure 1-6 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 1-6: Labels for promoting sorted collection



Plastic containers and packaging



Paper containers and packaging

<Description>

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

The Japan Fair Trade Coffee Commission prescribes fair trade rules for the labeling of regular and instant coffee, and authorizes the use of the mark shown in Figure 1-7 on products of Council members that have been certified as bearing appropriate labels. The Council also has guidelines on the setting of “best by” dates for regular coffee and instant coffee which group products according to type and container and summarize rules on the setting of expiration dates.

Fig. 1-7: Membership mark of Japan Fair Trade Coffee Council



Contact:

Japan Fair Trade Coffee Commission TEL:
+81-3-5649-8366

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on coffee are shown in the table below. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin (Form A) issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the prior instruction system in which one can make inquiries and receive replies in person, in writing, or via e-mail.

Fig. 1-8: Tariff duties on coffee (FY2011)

H.S. code			Description	Tariff rate									
				General	Temporary	WTO	GSP	LDC					
0901	11	-000	Coffee, not roasted Not decaffeinated	Free		(Free)							
	12	-000	Coffee, not roasted Decaffeinated	Free		(Free)							
	21	-000	Coffee, roasted Not decaffeinated	20%		12%	10%	Free					
	22	-000	Coffee, roasted Decaffeinated	20%		12%	10%	Free					
	90	-100 -200	Coffee husks and skins Coffee substitutes containing coffee	Free 20%		(Free) 12%	Free						
2101	11	-100	Extracts, essences and concentrates, of coffee and preparations with a basis of these extracts, essences and concentrates or with a basis of coffee	24.0%		(24.0%)	15.0%	Free					
			Extracts, essences and concentrates										
			1. Containing added sugar										
			2. Other										
			1) Instant coffee	12.3%		8.8%		Free	Free				
			2) Other	16.0%		15.0%							
	12			Preparations with a basis of extracts, essences and concentrates or with a basis of coffee									
1. Preparations with a basis of extracts, essences and concentrates													
1) Containing added sugar				24.0%							(24%)	15.0%	Free
2) Other													
		-121	- Instant coffee	12.3%		8.8%		Free					
		-122	- Other	16.0%		15.0%	Free	Free					
			2. Preparations with a basis of coffee										
			1) Not less than 30% of natural milk constituents by weight, calculated on the dry matter	35% + 799 yen/kg				Free					

Source: Ministry of Finance

Note 1) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 2) Special preferential rate is applicable only for the Least Developed Countries.

Note 3) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

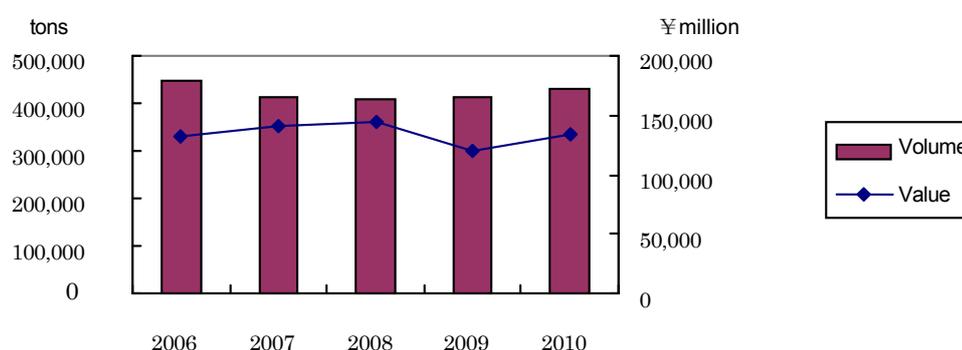
$(\text{CIF} + \text{Tariff duties}) \times 5\%$

IV. Trade Trends

1. Changes in Imports

In the past, trading prices for green coffee beans at the place of origin largely depended on supply and demand as well as weather conditions. However, in recent years, following the sharp rise of commodity prices in 2007, imports exceeded the previous year on a value basis despite the decrease on a volume basis, showing signs of prices continuing to be influenced by factors other than consumption trends. Furthermore, there has been a significant and rapid increase in the number of coffee consumers in emerging countries such as China and Russia. Domestic consumption is also rising in the largest supplier nation Brazil, and the supply situation has become increasingly tight. Consequently, companies are placing more importance on diversifying their suppliers.

Fig. 1-9: Changes in coffee imports



Source: Trade Statistics (MOF)

Fig. 1-10: Changes in coffee imports by item

Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Green coffee beans	422,696	389,818	387,538	390,938	410,530	113,207	117,645	122,284	101,054	116,355
Regular coffee	5,588	5,816	6,652	6,020	6,311	5,605	7,710	8,901	6,484	6,724
Instant coffee	7,444	7,089	7,850	7,400	7,445	7,828	8,230	8,860	6,982	6,909
Coffee extracts, essences	11,269	12,139	8,610	8,938	7,844	5,341	6,599	4,928	4,875	3,802
Total	446,997	414,862	410,651	413,295	432,130	131,981	140,184	144,973	119,394	133,790

Source: Trade Statistics (MOF)

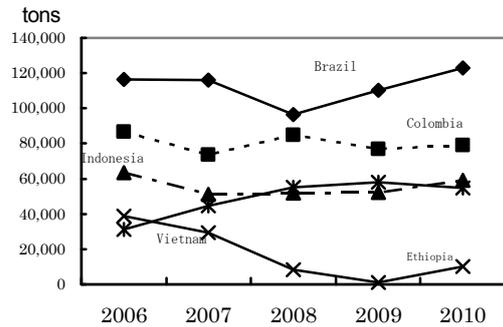
2. Regional breakdown

Places of origin for green coffee beans are distributed within latitude 25 degrees north and south of the equator. The top three exporters to Japan in 2010 were Brazil (123,073 tons), Colombia (79,060 tons), and Indonesia (59,068 tons), and accounted for 60% or more of the total import volume of green coffee beans. Brazil and Colombia mainly export Arabica coffee beans and Indonesia is an exporter of Robusta coffee beans.

Among African nations, Ethiopia, well known for its coffee production, exported a considerable amount to Japan, with 10,245 tons on a volume basis and ¥3,332 million on a value basis in 2010. Tanzania, famous for its Kilimanjaro Coffee, also exported 10,485 tons (75.0% vs. previous year) or ¥3,674 million (93.2% vs. previous year) in 2010. Coffee bean prices have been soaring in recent years. The average unit price for green coffee beans imported from Brazil in 2004 was ¥154/kg, but in 2010 it has risen to ¥266/kg. Brazil is not an exception, and the same situation can also be seen in other countries. In addition to the supply not being able to accommodate the skyrocketing global demand, coffee bean prices have become an object of speculation in financial markets which is another factor for the steep rise in prices.

Regular coffee is produced in Japan using imported green coffee beans, and the import ratio only makes up around 2% of domestic consumption (refer to Fig. 1-17). The United States exports approximately 40% of the regular coffee to Japan, and green coffee bean producers such as Brazil and Colombia follow in line.

Fig. 1-11: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 1-12: Shares of imports in 2010 (value basis)

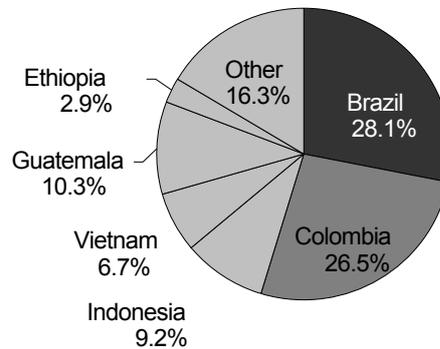


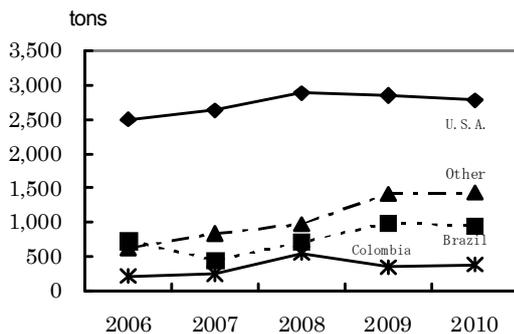
Fig. 1-13: Principal places of origin of green coffee beans

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Brazil	116,507	116,074	96,406	110,214	123,073	31,291	33,645	28,944	27,376	32,678
Colombia	86,725	73,698	84,809	76,911	79,060	26,223	24,842	29,291	23,788	30,847
Indonesia	63,419	51,100	52,030	52,350	59,068	11,141	12,470	13,546	9,831	10,751
Vietnam	31,325	44,484	55,055	57,865	54,737	4,643	9,010	12,948	9,009	7,807
Guatemala	27,596	24,762	34,826	33,329	34,180	8,728	9,114	12,993	10,277	12,005
Ethiopia	38,753	29,327	8,413	1,114	10,245	10,479	8,950	2,758	452	3,332
Other	58,371	50,374	55,999	59,156	50,167	20,702	19,614	21,804	20,321	18,935
Total	422,696	389,818	387,538	390,938	410,530	113,207	117,645	122,284	101,054	116,355
(African countries)	50,417	36,579	18,085	17,498	22,093	14,128	11,460	6,129	5,244	7,639

Source: Trade Statistics (MOF)

Fig. 1-14: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 1-15: Shares of imports in 2010 (value basis)

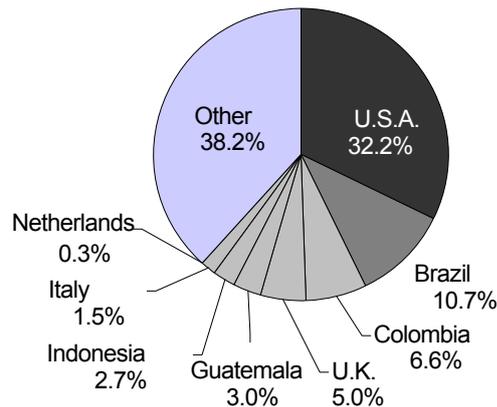


Fig. 1-16: Principal places of origin of regular coffee

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	2,502	2,633	2,886	2,848	2,784	2,425	2,575	2,630	2,392	2,163
Brazil	730	451	713	990	956	527	516	719	827	717
Colombia	213	251	551	350	388	167	217	784	403	446
Guatemala	179	207	196	113	232	175	213	208	110	199
Indonesia	160	181	187	125	218	168	194	194	153	179
U.K.	209	369	641	95	212	405	736	1,296	173	333
Italy	454	538	477	77	82	471	552	473	102	102
Netherlands	519	350	28	1	13	515	382	32	1	17
Other	621	837	973	1,421	1,427	750	2,326	2,566	2,323	2,569
Total	5,588	5,816	6,652	6,020	6,311	5,605	7,710	8,901	6,484	6,724
African countries	120	297	273	267	214	153	318	277	304	267

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

Green coffee beans are rarely produced in Japan. Hence, almost all of the domestic demand relies on imports. However, most of the regular coffee is manufactured domestically using imported green coffee beans, and the ratio of imported products in the market is small.

Fig. 1-17: Import market share in Japan

Unit: tons

	Statistics	2004	2005	2006	2007	2008
	Instant coffee	Domestic production	35,794	35,189	36,668	34,239
Import volume		7,633	7,778	7,444	7,089	7,850
Export volume		1,779	1,193	756	1,708	3,777
Domestic consumption		41,648	41,774	43,356	39,620	41,200
Share of imports		18.3%	18.6%	17.2%	17.9%	19.1%
Regular coffee	Statistics	2004	2005	2006	2007	2008
	Domestic production	236,000	240,500	257,020	269,275	254,019
	Import volume	4,150	4,776	5,588	5,816	6,652
	Export volume	311	311	426	364	486
	Domestic consumption	239,839	244,965	262,182	274,727	260,185
Share of imports	1.7%	1.9%	2.1%	2.1%	2.6%	

Sources: Trade Statistics for imports and exports; Food Industry Promotion Division, Ministry of Agriculture, Forestry and Fisheries for the domestic production of instant coffee; Estimates produced by Nikkan Keizai Tsushin for the domestic production of regular coffee (excluding industrial coffee)

4. Background of Changes in Volume of Imports and Other Trends

Imported coffee products have generally been on an increasing trend, and Japan is the third largest coffee consumer in the world (according to research by ICO: International Coffee Organization, import volume up to September 2010). However, the cost of raw ingredients is seeing a sharp rise in 2011 due to the recent development of emerging countries and the influx of speculative money into the market.

Therefore, companies have been busy dealing with this situation, announcing price hikes one after another. It appears that the present situation will affect domestic consumption trends in the future. Since the growth of products for industrial use and processing remains stagnant, new areas of production for commercial use must be sought or a new brand must be built. However, there is no doubt that cost will be the most important factor in the years to come.

V. Domestic Distribution

1. Trade Practice, Etc.

Almost all green coffee beans are imported, and then distributed to instant coffee manufacturers, regular coffee manufacturers, roasters, and major retailers through import firms. The distribution channel for green coffee beans is straightforward, and the margin tends to differ according to the transaction volume. Furthermore, since the degree of processing is low, domestic sales prices tend to be susceptible to the rise and fall of the cost of raw materials.

2. Domestic Market Situations

The Japanese climate is not suitable for growing coffee beans. Accordingly, coffee is not grown in Japan except for an area of Okinawa Prefecture, and most of the coffee consumed domestically relies on imports.

The number of regular cups of coffee consumed per week is 4.51, ranking first, followed by instant coffee at 3.21 cups per week. The Japanese drink an average of 6.52 cups at home, and 2.77 cups at the workplace, showing a strong trend to consume instant coffee and regular coffee at home and at the workplace. Although there has been much attention placed on the health benefits of polyphenols in coffee, interest in this effect has passed and sales of coffee on the whole have levelled out.

Sales by types of coffee have been influenced by the trend to eat at home, triggered by the recent economic slump and the rise in coffee prices. Instant coffee and portion coffee packs, which are more convenient and reasonably-priced compared to regular coffee, have increased sales. Portion coffee packs refer to one-cup coffee products that can serve coffee or café au lait just by adding water or milk. Nestlé Japan and Ajinomoto General Foods together account for around 80% or more of the market share.

Fig. 1-18: Cups of coffee consumed by a drinker per week (2008)

Type of coffee	Cups
Canned coffee	2.05
Liquid coffee	0.82
Instant coffee	3.21
Regular coffee	4.51
Total	10.60

Source: All Japan Coffee Association

* Subjects ranged from junior high school students to adults aged 79 or less.

Fig. 1-19: Cups of coffee consumed by a drinker per week by place of consumption (2008)

Place of consumption	Cups
Home	6.52
Cafe, coffee shop	0.22
Restaurant, fast-food restaurant	0.10
Workplace, school	2.77
Other	0.91
Total	10.60

Source: All Japan Coffee Association

* Subjects ranged from junior high school students to adults aged 79 or less.

Fig. 1-20: Changes in sales by coffee type

Item	2006	2007	2008	2009	Unit: tons
					2010 (forecast)
Regular coffee	177,500	178,000	178,400	178,600	177,000
Instant coffee	45,700	43,000	43,800	44,900	46,100
Portion coffee pack	—	—	2,850	3,300	3,050

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(1) Instant coffee

Instant coffee is coffee in the form of powder or granules produced by drying the extract made from roasted beans, and prepared by adding hot or cold water. Thanks to its convenience and reasonable pricing, it is well established in the market as a beverage that can be easily enjoyed. Due to its nature as an item of taste, lower-priced private labels (PLs) have a very small share of the market, which is dominated instead by national brands (NBs). With increasingly intense price competition, there is a growing trend of premix instant coffee products, or instant coffee blended with sugar, milk, etc. in advance. They typically come in a packet that contains one serving, saving consumers the time of adding these themselves. In addition, there are a variety of types and flavors available, including reduced-calorie or -fat varieties and flavors such as espresso, café au lait, and café mocha. In 2010, one hot issue in this increasingly price-competitive instant coffee market was the launch of a high-end product under the Starbucks brand. On the other hand, organic instant coffee products are often available by mail order. One

leading instant coffee manufacturer, for example, offers four kinds of instant coffee made from coffee beans organically grown in Ethiopia, Columbia, Brazil, and Jamaica, under the brand of Organically Grown Coffee.

In the instant coffee market, Nestlé Japan occupies a share of close to 60%, followed by Ajinomoto General Foods with an approximate 30% share, together commanding about 90% of the market. Major brands produced by Nestlé Japan include Nescafé Gold Blend and Nescafé Excella, and the Maxim and Blendy product lines by Ajinomoto General Foods. Both manufacturers offer their coffee in jars or in the refillable form of plastic bags or paper pouches.

* Private label (PL) products are those for which a retail company or wholesaler is involved in product development and labels under its own brand. Advertising or handling by a wholesaler is not required, and items can thus be priced lower than manufacturer brands.

National brand (NB) products, meanwhile, are those that are developed and marketed by manufacturers.

(2) Regular coffee

Regular coffee is coffee made by grinding roasted coffee beans or roasted beans. As in the case of instant coffee, national brand (NB) products make up most of the market share.

The share according to usage showed around 60% for consumption at home, 20% for commercial use such as in cafes, and another 20% for industrial use or processing, such as for canned coffee. For home use, the spread of simple-extract type drip coffee packages which include ground coffee beans (powder) and a filter for one cup, and coffee brewers or espresso machines have contributed in expanding consumption of regular coffee at home. Coffee is also sent as gifts during the midsummer and year-end gift giving seasons.

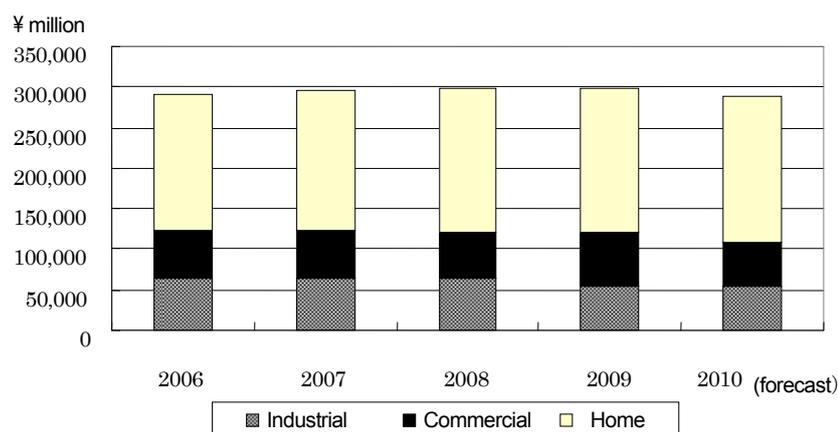
Top-manufacturer-produced regular coffees sold at mass merchandisers include the comparatively low-priced Original Blend, which makes up the largest share, followed by the Mocha Blend, the Kilimanjaro Blend, and the Blue Mountain Blend. Top exporters of coffee beans (green coffee beans) to Japan are Brazil, Colombia, Indonesia, Ethiopia, and Vietnam (refer to Fig. 1-13). These top supplier countries except for Vietnam are well known as producers of coffee beans. Therefore, regular coffee sold in stores is usually displayed according to the country of origin, and consumers select beans from the country of their preference. Since most of the coffee beans from Vietnam are Robusta beans, they are rarely used for regular coffee and instead used as processing material for instant coffee or canned coffee. The same can be said for Indonesian coffee beans, of which Arabica beans are distributed for regular coffee, and Robusta beans are mainly used for processing. Furthermore, organic or pesticide-free regular coffees are sold mainly through mail-order channels or organic grocery stores as premium products.

Coffee for commercial use is seeing a declining trend, due to consumers becoming hesitant to stop by cafes or coffee shops because of the stagnant economic conditions.

Coffee for industrial use is mainly used in canned coffee and liquid coffee. Since sales of these products have remained flat, sales of coffee for processing have also generally remained unchanged.

The regular coffee market has not become as oligopolistic as the instant coffee market with UCC having the top share, and Key Coffee second in line. These companies account for around 30% of the market share.

Fig. 1-21: Changes in coffee sales by use



Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

Fig. 1-22: Changes in sales by use and ratio

Unit: ¥ million

Use	2006	2007	2008	2009	2010 (forecast)	Ratio
Home	168,800	173,000	177,800	178,800	179,300	62.1%
Commercial	58,200	57,500	56,000	65,600	54,300	18.8%
Industrial	64,700	65,200	64,800	55,000	55,000	19.1%
Total	291,700	295,700	298,600	299,400	288,600	100.0%

Sources: 2008 Food Marketing Handbook No. 5, 2009 Food Marketing Handbook No. 5, 2010 Food Marketing Handbook No. 6, 2011 Food Marketing Handbook No. 6, Fuji Keizai

(3) Cafes, coffee shops

94% of eateries that serve coffee are full-service type cafes. Many of the cafes are operated independently, and some of them sell home-roasted coffee beans retail. The number of cafes has been dwindling due to the spread of self-service coffee shop chains such as Starbucks Coffee or Doutor.

Self-service type coffee shops have been able to serve coffee at a lower price compared to cafes, precisely by adopting the self-service system. These coffee shops have been increasing the number of stores by taking up the demand from cafes. Furthermore, Seattle-based coffee shop chains such as Starbucks Coffee and Tully's Coffee have opened outlets in Japan, taking into consideration the demands of female customers by serving new espresso-based coffees such as café lattes despite expensive pricing. This has led to an increase in the number of branches. "Diverse-crop type" coffee shops are services that serve coffee during the daytime and turn into bars that serve alcoholic beverages in the evenings.

Fig. 1-23: Changes in the number of coffee shops

Unit: shops

Category	2006	2007	2008	2009	2010 (forecast)	Ratio (forecast for 2010)
Cafe	73,100	72,000	71,100	70,200	69,400	94.3%
Coffee shop	3,510	3,630	3,780	3,840	3,930	5.3%
Diverse-crop type	200	230	260	260	265	0.4%
Total	76,810	75,860	75,140	74,300	73,595	100.0%

Source: 2010 Restaurant Industry Marketing Handbook Vol. 2/2, Fuji Keizai

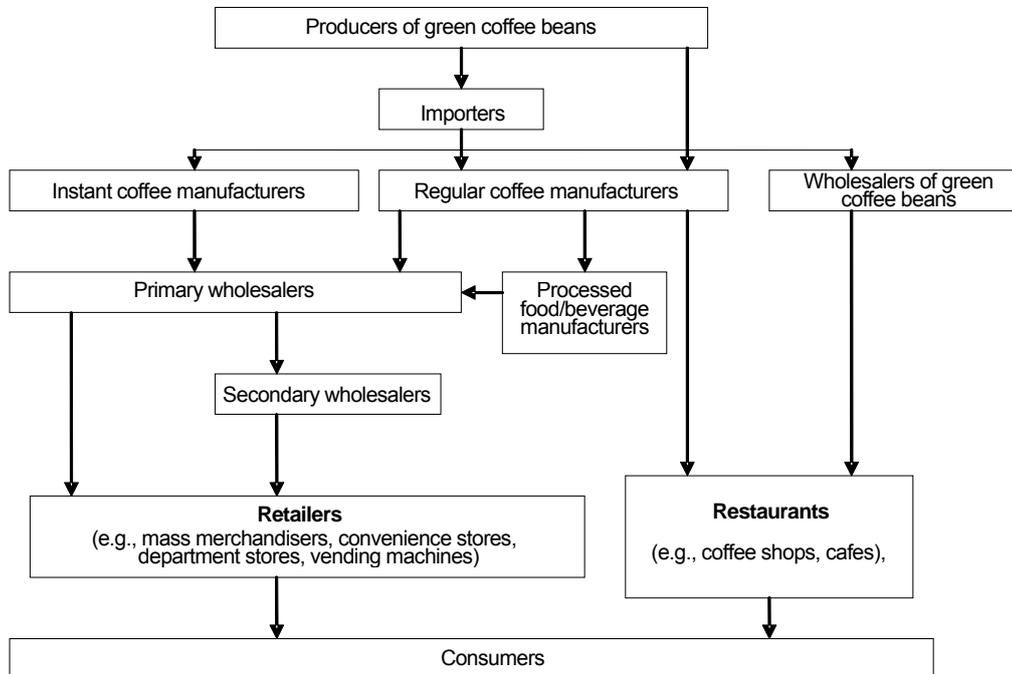
(4) Other

For offices, OCS (Office Coffee Service), has been popular with coffee services using rental espresso machines or coffee servers. Since continuous sales of coffee beans leads to the company's profits, the quality of coffee beans has become an important aspect and companies are showing keen interest in organic coffee beans etc.

3. Distribution Channels

The general distribution channels for coffee are as illustrated below in Fig. 1-24.

Fig. 1-24: Distribution channels for coffee



Source: Fuji Keizai research data

Green coffee beans are delivered to domestic manufacturers, wholesalers specializing in green coffee beans, and roaster companies etc. through importers. Some major regular coffee manufacturers even have contract farms.

Regular coffee consumed in the household is delivered from leading regular coffee manufacturers to food product wholesalers. Wholesalers then deliver the products to retail stores such as supermarkets, and finally it reaches the consumer. Regarding cafes and coffee shop chains, it is generally the case that coffee beans are delivered through wholesalers specializing in green coffee beans for independently-operated cafes. However, coffee shop chains also sometimes receive coffee beans from import firms or regular coffee manufacturers. Furthermore, some cafes managed individually sell roasted coffee beans retail. Recently, there has been a growing trend for fair trade coffee. Leading restaurant chains, coffee shop chains, and retail chain stores also have started to carry fair trade coffee. Major restaurant chains have paid a direct visit to the coffee bean producers and conducted research etc. on the farmland environment and the state of cultivation. These restaurant chains buy the coffee beans directly from the producers and sell fair trade coffee beans through mail order. Also, a large retail chain sells Mexican fair trade coffee beans grown strictly without pesticides and chemical fertilizers.

Instant coffee is distributed from instant coffee manufacturers to retail stores, via wholesalers.

4. Issues and Considerations for Entering the Japanese Market

Exports of green coffee beans to Japan must meet the requirements specified under the Food Sanitation Act, and also must pass the standards set for pesticide residues according to the Japanese positive list system. Since the year 2000, Japan has seen continuous food product scandals such as the issue regarding pesticide residue in frozen vegetables from China. Therefore, there is a high level of interest in issues such as pesticide residue in imported products, which may lead to reluctance in purchasing products depending on how the issue is handled upon the time of occurrence. Pesticides used in growing coffee beans must be managed in a consistent manner in terms of cultivation, storage, and transport.

<Exhibitions>

Fig. 1-25: Exhibitions for coffee products

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	Supermarket Trade Show	
Coffee	SCAJ	
	http://www.scaj2011.jp/index_e.html	TEL: +81-3-5400-5506
Dessert, cake, beverage	Dessert Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL: +81-3-5294-0071

5. Failure Cases

<Pesticide Residue>

In 2008, residual pesticides exceeding approved limits were found in coffee beans from Ethiopia and Yemen, and imports of coffee green beans from both countries decreased drastically.

6. Import Associations & Related Organizations**Fig. 1-26: Coffee importer associations and related organizations**

All Japan Coffee Association	http://coffee.ajca.or.jp/ TEL: +81-3-5649-8377
Japan Instant Coffee Association	http://ajca.or.jp/instant/ TEL: +81-3-5769-6213
National Coffee Roasters Association of Japan	http://www.ncraj.org/ TEL: +81-3-3431-3446
The Specialty Coffee Association of Japan	http://www.scaj.org/ TEL: +81-3-5400-5506
Japan Coffee Society info@jcs-coffee.org	http://www.jcs-coffee.org/ TEL: +81-78-302-8880

2. Spices and Herbs

This chapter defines spices and herbs according to the H.S. code of the Tariff Schedule (Fig. 2-1), covering imports as well as domestically-produced wasabi, Japanese mustard, fresh spices and herbs, etc.

Fig. 2-1: Scope of coverage for spices and herbs in this chapter

Category	Description	H.S. code
Spices and herbs	Pepper	0904.11, 12
	Fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i> (red pepper)	0904.20
	Vanilla	0905
	Cinnamon	0906.11, 19, 20
	Cloves	0907.00
	Nutmeg, mace	0908.10, 20
	Cardamoms	0908.30
	Coriander	0909.20
	Turmeric	0910.30
	Mustard	2130.30
	Other	
	Anise, cumin, caraway, fennel, saffron, curry, thyme, bay leaves, mixtures, other spices and herbs, sesame	0909.10, 30, 40, 50 0910.10, 22, 99 1207.40-000

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of spices and herbs is subject primarily to 1) the Plant Protection Act, 2) the Food Sanitation Act, and 3) the Customs Act.

<Plant Protection Act>

Spices and herbs that have not been processed are handled as fresh produce, and undergo quarantine procedures, including screening for contamination by any pests or harmful plants, under the Plant Sanitation Act. Quarantine procedures performed at airports and ports are under the authority of the regional Quarantine Stations. Spices and herbs that are individually packaged even if fresh, and those that have been processed, are exempt from the Plant Protection Act (they are subject to the food sanitation inspection).

Care should be taken as infestation with pests or harmful plants may occur during the process of storage and transportation, even if there is no contamination at the production stage.

No item with soil attached to it may be allowed for import; any soil must be removed before the importing process.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, spices and herbs are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, spices and herbs should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of March 2011, of the spices that are subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act), items subject to compulsory testing regardless of the country of origin include chili pepper, red pepper, and nutmeg (all of which are tested for aflatoxin). By specific country of origin, such items include cayenne pepper

produced in South Korea (fluquinconazole, etc.), dried red pepper produced in Thailand (aflatoxin), and cassiaseeds and turmeric produced in India (aflatoxin).

Approved limits applicable in the aforementioned testing are 0.01 ppm for both aflatoxin and fluquinconazole.

Although irradiation of spices for sterilization is allowed in some countries, food irradiation during production and processing is in principle prohibited in Japan under the Food Sanitation Act.

<Customs Act>

Under the Customs Act, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned.

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

There is no specific law applicable to the sales of spices and herbs. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of spices and herbs in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of spices and herbs in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (paper containers and packaging, plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures

(1) Procedures for Authorization of Importing and Sales

<Plant Inspection>

Because the Plant Protection Act rules that bulk importing of fresh spices and herbs is handled only at certain seaports and airports that are capable of sufficient plant protection measures for the purpose of preventing diseases and pests from entering the country, care should be taken in selecting the seaport/airport of entry before exporting from the country of origin. *Note that not all Quarantine Stations perform the plant inspection.

In filing an application for inspection with the Ministry of Agriculture, Forestry and Fisheries Quarantine Station, the required documents must be submitted (Fig. 2-3) promptly after entry to port. In the event of rejection due to the detection of diseases or pests as a result of quarantine, fumigation or other measures are ordered.

<Food Sanitation Inspection>

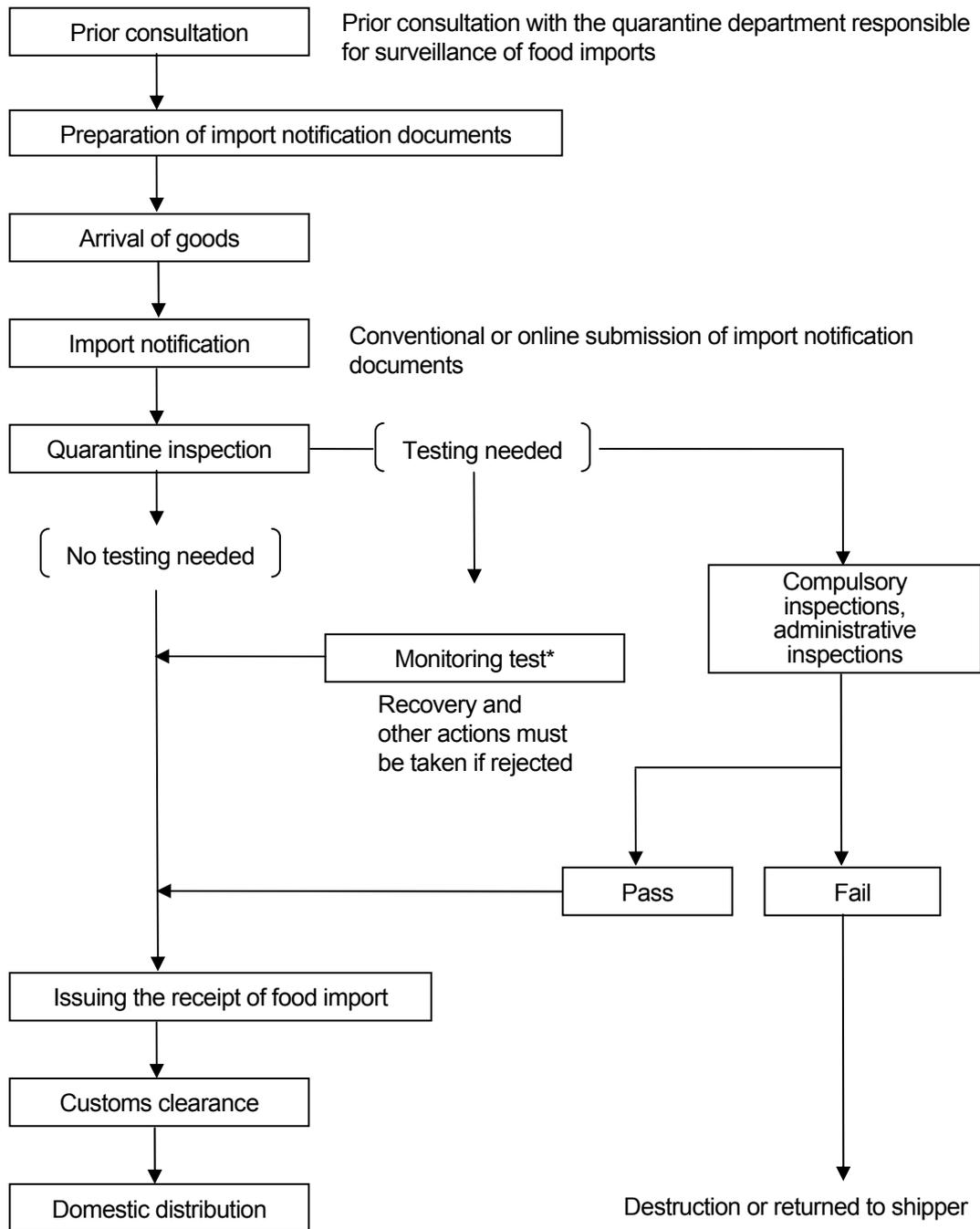
Under the Food Sanitation Act, the required documents must be submitted (Fig. 2-3) when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 2-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry into Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, an import permit may be given in principle.

Fig. 2-2: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Figure 2-3 according to the authorities to which each document is submitted.

Fig. 2-3: Documents required for import clearance

Submitted to	Required documents	Fresh products	Processed products
Quarantine Information Office, Ministry of Health, Labour and Welfare (Plant quarantine under the Plant Protection Act)	Application for import inspection	○	—
	Phytosanitary certificate issued by the plant quarantine service of the exporter	○	—
Departments responsible for surveillance of food imports of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	○	○
	Material/ingredient table	—	○
	Production flow chart	—	○
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	—	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○

Source: Ministry of Agriculture, Forestry and Fisheries; Ministry of Health, Labour and Welfare; Ministry of Finance
○: Required —: Not required

Dried turmeric (curcuma) and dried peppercorns are subject to plant quarantine, but are not required to be accompanied by a phytosanitary certificate issued in the country of origin.

As a phytosanitary (inspection) certificate, in principle the original copy that indicates the absence of pathogen or pest contamination, issued by the plant protection authority of the exporting country in a form in compliance with the International Plant Protection Convention, must be submitted. While the Convention stipulates that the phytosanitary certificate submitted to the authorities of the importing country be the original copy, the following two are deemed valid in Japan, taking into consideration such cases where the original copy is lost or the delivery of the original copy is delayed:

- a) A "carbon copy" of the original copy produced simultaneously; and
- b) A copy that has been proven as being identical to the original copy by the plant protection authority of the exporting country.

(3) Competent Authorities**Fig. 2-4: Contacts of competent authorities**

Plant Protection Act	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Measurement Act	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp

Fig. 2-4: Contacts of competent authorities (continued)

Health Promotion Act	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act against Unjustifiable Premiums and Misleading Representations	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions	Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp
	Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Unfair Competition Prevention Act / Trademark Act	Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3581-1101 http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of spice and herb products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) Unfair Competition Prevention Act.

When importing and selling fresh spices and herbs, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 1) product name, 2) country of origin, 3) content, and 4) name and address of importer.

When importing and selling processed spices and herbs, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage

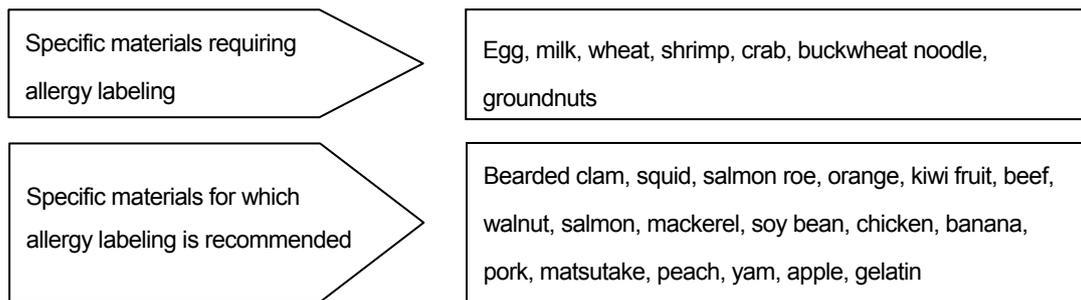
standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

<Allergies>

Although fresh spices and herbs are outside the scope of allergy labeling, mixtures such as curry powder may contain ingredients related to allergy labeling.

When products containing the specific ingredients shown in Figure 2-5 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies. However, omission of labeling is allowed if such ingredients can be easily identified in the products.

Fig. 2-5: Specific materials related to allergy labeling



Source: Ministry of Agriculture, Forestry and Fisheries

<Recombinant foods>

Although fresh spices and herbs are outside the scope of allergy labeling, mixtures may contain ingredients derived from soybean and corn that require labeling of recombinant foods. In such cases, labeling is mandatory in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and Food Sanitation Act.

<Content weight>

When importing and selling mixtures, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in grams on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. As the quality of mixtures does not deteriorate easily, the "best by" date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the best-by date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For products which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

This Act also requires the country of origin for the ingredients of processed articles to be labeled for spices and herbs. Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of mixtures in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). If general names such as “vitamin” are labeled instead of describing the specific names of nutrients, ingredients must be labeled.

Components must be indicated in the following order and unit:

- g) Calories (kcal or kilocalories)
- h) Protein (g or grams)
- i) Fat (g or grams)
- j) Carbohydrate (g or grams)
- k) Sodium
- l) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include spices and herbs, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Fig. 2-6) can be labeled as “organic” in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark, to be permitted to have the organic labeling.

- c) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- d) Labelling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 2-6: JAS-certified organic mark

**<Containers and packaging>**

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging.

When the following two types of containers and packaging are used for spices and herbs, either or both marks shown in Figure 2-7 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 2-7: Labels for promoting sorted collection



Plastic containers and packaging

Paper containers and packaging

<Description>

The Pharmaceutical Affairs Act prohibits labeling of medical indications or efficacy on the package. However, such labeling is allowed for products that have been approved under the Act if meeting the requirements for labeling and prohibitory description.

Product descriptions with false or misleading expressions are prohibited by the Act against Unjustifiable Premiums and Misleading Representations and the Unfair Competition Prevention Act, which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

There are no voluntary industry restraints for spice and herb labels.

III. Taxation System**1. Tariff Duties, Consumption Tax, and Other Relevant Taxes**

Spices (“koshinryo” in Japanese) are the generic name of substances that are added to foodstuffs to give colors, flavors, and pungency, thereby contributing to appetite stimulation, odor elimination, and easy digestion and absorption, usually including seeds, fruits, buds, barks, and roots of tropical plants and trees. In this document, spices are broadly defined including herbs, and fragrant grass grown in temperate regions:

- Raw spices (e.g., seasoned laverk, garlic, ginger, herbs)
- Dried spices (pepper, red pepper, cinnamon, many other spices)
- Mixtures (combinations of dried spices)
- Seasoning spices (mixtures of salt, sugar, and other condiments)
- Prepared spices (e.g., curry block, prepared Japanese horse radish paste)

However, most of these edible substances are included in fresh vegetables, including Japanese traditional spices such as garlic and ginger; herbs such as parsley, sage, rosemary, and thyme; and edible flowers. Hence, it is often difficult to identify the import statistics by article. Since sesame seeds, the material for sesame oil, are totally dependent on imports in Japan, they are covered by this document.

Tariff duties on major spices and herbs are shown in the table below. Caution should be exercised since rates vary according to material, the manufacturing process, shape, and ingredients of the product, and other factors. If the importer wishes to check tariff rates and other information in advance, it may be convenient to use the prior instruction system.

Fig. 2-8: Tariff duties on spices (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
0904	11	-100	Pepper Neither crushed nor ground 1 Put up in containers for retail sale 2 Other	4.2% Free		3.0% (Free)	Free	
		-200						
	12	-100	Crushed or ground 1 Put up in containers for retail sale 2 Other	4.2% Free		3.0% (Free)	Free	
		-200						
	20	-100	Fruits of the genus Capsicum or of the genus Pimenta (Red pepper) 1 Put up in containers for retail sale 2 Other - Neither crushed nor ground - Crushed or ground	7.0% Free		6.0% (Free) (Free)	Free	
		-210						
-220								
0905	00	-000	Vanilla	Free		(Free)		
0906	11 19 20	-000	Cinnamon and cinnamon-tree flowers Neither crushed nor ground Cinnamon (Cinnamomum zeylanicum Blume) Other Crushed or ground	Free Free Free		(Free) (Free) (Free)		
		-000						
		-000						
		-000						
0907	00	-100	Cloves 1 Put up in containers for retail sale 2 Other - Neither crushed nor ground - Crushed or ground	4.2% Free		3.6% (Free) (Free)	Free	
		-210						
		-220						

Fig. 2-8: Tariff duties on spices (FY2011) (continued)

H.S. code		Description	Tariff rate					
			General	Temporary	WTO	GSP	LDC	
0908		Nutmeg, mace and cardamoms						
	10	Nutmeg						
	-100	1 Put up in containers for retail sale	4.2%		3.6%	Free		
	-210	2 Other	Free		(Free)			
	-220	- Neither crushed nor ground			(Free)			
	-220	- Crushed or ground			(Free)			
	20	Mace						
	-100	1 Put up in containers for retail sale	4.2%		3.6%	Free		
	-210	2 Other	Free		(Free)			
	-220	- Neither crushed nor ground			(Free)			
	-220	- Crushed or ground			(Free)			
	30	Cardamoms						
	-100	1 Put up in containers for retail sale	4.2%		3.6%	Free		
	-210	2 Other	Free		(Free)			
	-220	- Neither crushed nor ground			(Free)			
	-220	- Crushed or ground			(Free)			
0909		Seeds of anise, badian, fennel, coriander, cumin or caraway, juniper berries						
	10	Seeds of anise or badian						
	-100	1 Put up in containers for retail sale	7.0%		6.0%	Free		
	-210	2 Other	Free		(Free)			
	-220	1) Neither crushed nor ground	3.5%		3.0%	Free		
	-220	2) Crushed or ground						
	20	Seeds of coriander						
	-100	1 Put up in containers for retail sale	7.0%		6.0%	Free		
	-210	2 Other	Free		(Free)			
	-220	1) Neither crushed nor ground	3.5%		3.0%	Free		
	-220	2) Crushed or ground						
	30	Seeds of cumin						
	-100	1 Put up in containers for retail sale	7.0%		6.0%	Free		
	-210	2 Other	Free		(Free)			
	-220	1) Neither crushed nor ground	3.5%		3.0%	Free		
	-220	2) Crushed or ground						
	40	Seeds of caraway						
	-100	1 Put up in containers for retail sale	7.0%		6.0%	Free		
	-210	2 Other	Free		(Free)			
	-220	1) Neither crushed nor ground	3.5%		3.0%	Free		
	-220	2) Crushed or ground						
	50	Seeds of fennel, juniper berries						
	-100	1 Put up in containers for retail sale	7.0%		6.0%	Free		
	-210	2 Other	Free		(Free)			
	-220	1) Neither crushed nor ground	3.5%		3.0%	Free		
	-220	2) Crushed or ground						
0910	10	Ginger						
	-100	1 Provisionally preserved in brine, in sulphur water or in other preservative solutions	15.0%		9.0%		Free	
	-210	2 Other						
	-231	1) Put up in containers for retail sale	10.0%		5.0%	Free		
	-239	2) Other	5.0%		2.5%	Free		
	-239	- Fresh						
	-239	- Other						

Fig. 2-8: Tariff duties on spices (FY2011) (continued)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
0910	20	-100	Saffron 1 Put up in containers for retail sale	4.2%		3.6%	Free	
			2 Other	Free		(Free)		
		-210	- Neither crushed nor ground			(Free)		
		-220	- Crushed or ground			(Free)		
	30	-100	Turmeric (curcuma) 1 Put up in containers for retail sale	4.2%		3.6%	Free	
			2 Other	Free		(Free)		
		-210	- Neither crushed nor ground			(Free)		
		-220	- Crushed or ground			(Free)		
	91	-100	Mixtures 1 Put up in containers for retail sale	4.2%		3.6%	Free	
			2 Other	Free		(Free)		
	99	-200	Other					
			1 Curry	12.0%		7.2%	3.6%	Free
			2 Other					
			1) Put up in containers for retail sale	4.2%				
		- Thyme, bay leaves			3.6%	Free		
		- Other			3.6%	Free		
		2) Other	Free					
		- Thyme, bay leaves			(Free)			
	-911	- Neither crushed nor ground			(Free)			
	-919	- Crushed or ground			(Free)			
		- Other			(Free)			
	-991	- Neither crushed nor ground			(Free)			
	-992	- Crushed or ground			(Free)			
	-993	- Other			(Free)			
	-994	- Neither crushed nor ground			(Free)			
	-994	- Crushed or ground			(Free)			
2103	30	-100	Mustard 1 Put up in containers for retail sale	12.2%		9.0%		
		-200	2 Other	10.3%		7.5%		Free
1207	40	-000	Sesame	Free		(Free)		

Source: Ministry of Finance

Note 4) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 5) Special preferential rate is applicable only for the Least Developed Countries.

Note 6) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

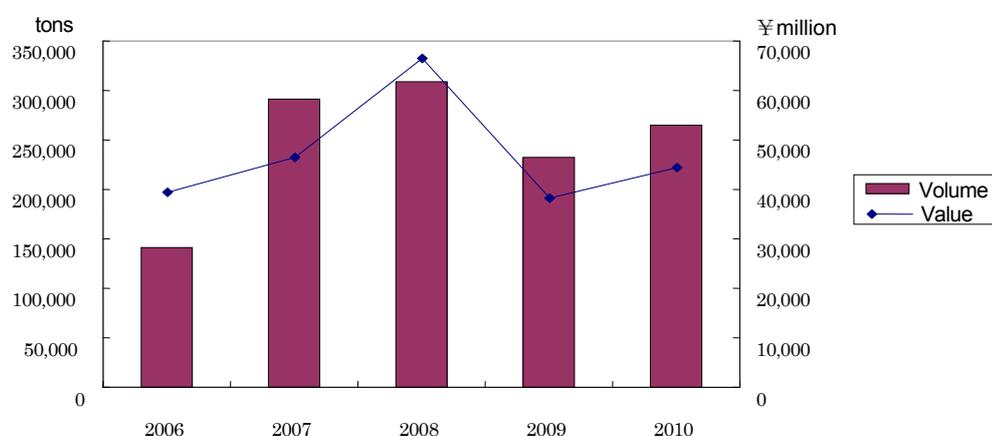
(CIF + Tariff duties) × 5%

IV. Trade Trends

1. Changes in Imports

Spices are imported in the form of "neither crushed nor ground" (seed, fruit, and bark etc. are picked, dried, and put in jars or bags), "crushed or ground" (dried spices are finely crushed and powdered), or "preparations."

The import volume of spices varies depending on various factors such as weather at the place of origin and fluctuations in the global supply and demand. The total volume imported in 2010 was 264,664 tons.

Fig. 2-9: Changes in spice and herb imports

Source: Trade Statistics (MOF)

Fig. 2-10: Changes in spice and herb imports by item

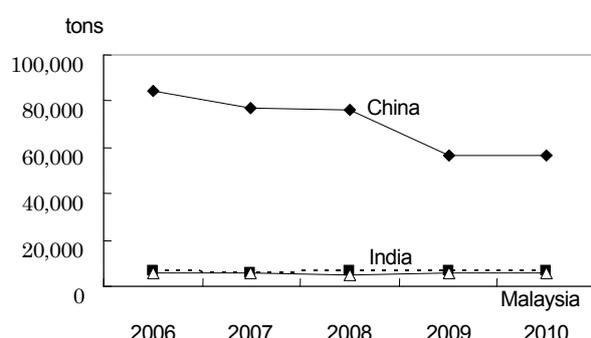
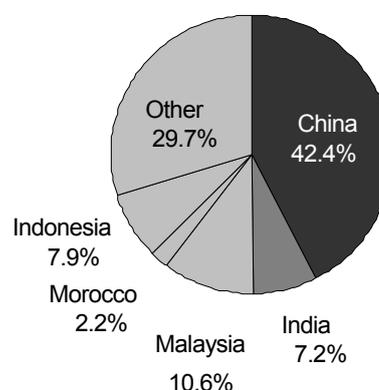
Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Red pepper	11,005	10,655	11,869	13,043	11,600	4,047	6,248	4,940	4,306	4,387
Pepper	9,208	9,108	7,781	8,785	8,908	3,288	5,114	4,440	3,847	4,262
Coriander	3,519	3,171	3,944	2,967	3,956	455	417	608	484	610
Turmeric	4,491	4,315	4,487	4,449	3,798	685	689	745	862	1,181
Cinnamon	1,904	1,855	1,898	1,948	2,410	443	471	432	419	529
Cumin	2,310	1,794	2,217	2,221	2,163	597	709	921	731	688
Mixtures	664	708	734	738	735	257	287	303	263	261
Fennel	506	487	485	635	614	84	95	81	103	113
Nutmeg, mace	518	513	539	597	515	499	582	575	539	586
Bay leaves	366	399	410	365	408	251	343	234	222	233
Cardamoms	311	311	400	325	376	191	267	490	365	805
Cloves	393	395	350	337	359	199	179	183	141	169
Vanilla	118	112	108	102	105	882	600	550	440	418
Other	106,550	256,932	273,629	196,250	228,717	27,555	30,561	51,946	25,386	30,162
Total	141,863	290,755	308,851	232,762	264,664	39,433	46,562	66,448	38,108	44,404

Source: Trade Statistics (MOF)

2. Regional breakdown

There are numerous types of spices and therefore exporters to Japan are widely distributed, including Asian countries such as China, Malaysia, and India, as well as Mediterranean and African countries. The top exporter in terms of volume is China, mainly exporting red pepper and cinnamon. The total volume of exports from China in 2010 was 56,569 tons, but the recent trend has been downward. India, on the other hand, has shown a steady performance with its main spices, turmeric and mixed-spice blends (mixtures). 2010 exports showed 6,203 tons (90.4% vs. previous year), and despite the drop from the previous year, import volume has been generally stable. As for African nations, Morocco exported 3,589 tons (130.8% vs. previous year) in 2010, most of which was coriander.

Fig. 2-11: Trends in leading partner imports**Fig. 2-12: Shares of imports in 2010 (value basis)**

Source: Trade Statistics (MOF)

Fig. 2-13: Principal places of origin of spices and herbs

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
China	84,584	76,673	76,018	56,867	56,569	10,745	11,734	13,799	8,842	10,697
India	6,583	5,769	6,494	6,859	6,203	1,190	1,274	1,564	1,459	1,826
Malaysia	5,891	5,666	5,042	6,016	5,776	2,148	3,309	2,790	2,560	2,671
Morocco	3,153	2,750	3,582	2,743	3,589	429	383	576	452	549
Indonesia	2,946	3,821	4,039	2,954	3,399	1,338	1,992	2,013	1,628	1,996
Other	26,394	29,729	32,551	31,520	31,713	7,765	8,887	8,228	7,267	7,501
Total	129,552	124,409	127,725	106,959	107,249	23,613	27,578	28,968	22,208	25,240
(African countries)	88,341	79,994	116,503	69,747	106,045	8,865	9,007	22,421	8,436	12,301

Source: Trade Statistics (MOF)

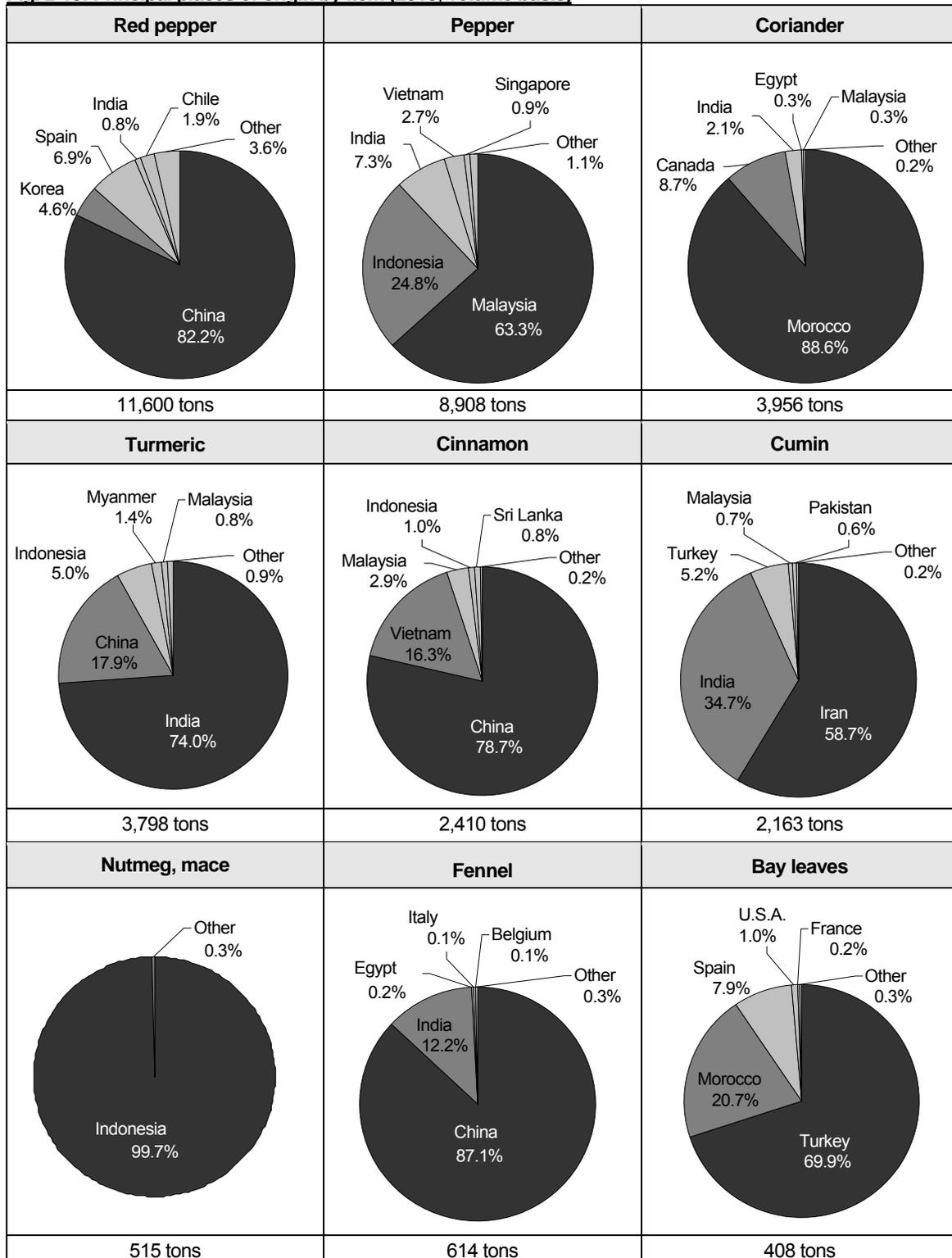
Fig. 2-14: Principal places of origin of spices and herbs by item (2010) Units: volume = tons, value = ¥ million

Item	Total vol. imports	First place					Second place				
		Country	Volume	Share	Value	Ave. unit Price	Country	Volume	Share	Value	Ave. unit price
Red pepper	11,600	China	9,538	82.2%	3,269	342.7	Spain	799	6.9%	335	419.5
Pepper	8,908	Malaysia	5,639	63.3%	2,596	460.3	Indonesia	2,211	24.8%	1,205	545.1
Coriander	3,956	Morocco	3,505	88.6%	534	152.3	Canada	343	8.7%	46	134.1
Turmeric	3,798	India	2,809	74.0%	865	308.0	China	679	17.9%	189	277.6
Cinnamon	2,410	China	1,897	78.7%	393	207.1	Vietnam	393	16.3%	69	176.5
Cumin	2,163	Iran	1,270	58.7%	396	311.7	India	750	34.7%	242	322.9
Mixtures	735	India	564	76.7%	145	257.0	U.S.A.	100	13.6%	54	537.5
Nutmeg, mace	515	Indonesia	513	99.7%	584	1,137.1	Sri Lanka	1	0.2%	2	2,000
Fennel	614	China	535	87.1%	91	170.3	India	75	12.2%	19	250.8
Bay leaves	408	Turkey	285	69.9%	137	481.2	Morocco	84	20.7%	15	176.3
Cardamoms	376	Guatemala	349	92.7%	740	2,119.9	India	27	7.1%	64	2,402.3
Cloves	359	Tanzania	150	41.7%	69	460.8	Madagascar	147	40.9%	74	502.4
Vanilla	105	Madagascar	97	92.0%	361	3,733.7	Papua New Guinea	2	2.2%	10	4,203.9

Source: Trade Statistics (MOF)

Note) The share is calculated on a kg basis in the original data source and is not always in agreement with the percentage in the above table, which is calculated on a tonnage basis.

Fig. 2-15: Principal places of origin by item (2010, volume basis)



Source: Trade Statistics (MOF)

3. Import Market Share in Japan

Japan relies on imports for almost all of its supply of raw ingredients for spices. Some spices grown in Japan include wasabi, Japanese pepper, red pepper, and garlic, but production is limited with the self-sufficiency rate lower than 10%.

Meanwhile, most of the small-package products used in households or products for processing/industrial use are processed and commercialized in Japan, and imports of spices as products are rarely seen.

4. Background of Changes in Volume of Imports and Other Trends

Due to the soaring world prices of raw materials, most of the prices for spices and herbs were increased in Japan in 2008. However, due to some factors such as the tendency to eat at home and save money driven by the stagnant economy, household demand for spices and herbs such as pepper and red pepper is showing steady performance.

Furthermore, spices and herbs are used in bulk by restaurants and the food processing industry. General demand has not declined, despite the drop in 2009 imports as a reaction to the price hike.

V. Domestic Distribution

1. Trade Practice, Etc.

Market prices for raw materials fluctuate depending on the balance of supply and demand. Due to the abnormal weather conditions worldwide and the influx of speculative money into the market, most of the material costs for spices and herbs in Japan have continued to rise sharply and sales prices to end-consumers have been raised frequently since around 2005.

The distribution channel for spices and herbs is complicated with many middlemen such as primary wholesalers and secondary wholesalers. Hence there is a trend for middlemen cuts for each step.

Only a small portion of fresh herbs for household use are grown in Japan, auctioned at markets, and then sold as products for home use.

2. Domestic Market Situations

(1) Japanese spice and herb market

The Japanese spice and herb market has been dominated mostly by traditional Japanese spices such as wasabi and mustard. Apart from these traditional spices, only limited products such as pepper and parsley were seen, and the market was not expanding to handle a wider range of products. However in recent years, the Japanese diet has become diversified, and the market for assorted spices and herbs aside from the traditional Japanese spices (discussed later in (2) Market for industrial use and (3) Market for processing) has been growing significantly. These spices were not familiar to Japanese eating habits and remained small scale because consumers and restaurants were not aware of the usage and tended to avoid them. However, due to steady efforts by suppliers to educate consumers and eateries such as introducing recipes, there is a better understanding of their uses and cooking methods, which has led to an increase in sales. Furthermore, there has also been a recent rise in awareness triggered by the media's frequent reports on the positive effects these spices have on people's health. For example, a TV program in 2010 featured cinnamon as being effective in lowering blood sugar levels. Demand for cinnamon skyrocketed immediately after the broadcast and supermarkets continually went out of stock. Such cases have often been witnessed in recent years.

In the Japanese spice and herb market, S&B Foods holds 40% share and House Foods holds 20% of the share respectively.

An extremely large number of other companies are entrants in the market with medium to small scale sales. Each company is making full use of its strengths to do business, such as specializing in wasabi, pepper, or processing use.

1) Market for households

Spices for household use account for around 60% of the market in terms of sales turnover. The main products include tubed wasabi or mustard processed to a paste, and ground pepper. Demand for these types of spices has grown due to consumers' thrifty habits of eating at home during the past few years. The market for spices and herbs aside from the traditional Japanese spices is minimal, but consumers are becoming more aware of the usages and characteristics. This has led to an expansion in use by private households, helping to boost overall market scale.

2) Market for industrial use

Industrial use of spices for the restaurant industry accounts for slightly lower than 30% of the market. A wider variety of spices and herbs is being used, compared to household use. The past few years has seen the overall restaurant market diminishing, but since restaurants have increased the number of dishes which contain spices and herbs, the market is increasing in the area of commercial use. In particular, since the early 1990s when Italian cuisine became a fad, the use of spices and herbs has become more popular. The spread of Spanish and Indian cuisine is also a factor in boosting this trend. Moreover, despite its minimal market size, Moroccan cuisine has also gained popularity since 2010. Herbs such as basil,

oregano, thyme, saffron, and rosemary, which were not frequently used in Japan, and spices such as cumin which were rarely used, other than in curries, are being used more frequently. The awareness level has been heightened and understanding of the usage is also being promoted in the overall restaurant industry.

3) Market for processing

Spices used in food processing or as beverage ingredients account for slightly more than 10% of the market. The main products are curry products such as instant curry blocks (solid curry mix) and retort curry (curry packaged in retort containers), followed by an increasing number of other processed foods using spices and herbs that are contributing to the steady development of the market. In 2010, in particular, chili oil (a spicy Chinese condiment blending several kinds of spices) became a hit, and demand for ingredients such as garlic and red pepper surged. Furthermore in recent years, there have been an increasing number of cases where the media has reported on the health benefits of spices and herbs, and commercializing of health foods and drinks using spices and herbs is also gaining attention. Turmeric is said to help improve liver functions and “Ukon no chikara (power of turmeric),” a turmeric drink by House Foods, has become a huge hit since the mid-2000s. Ginger is said to warm the body and hot drinks that contain ginger such as “Shoga chai (ginger chai)” by Nagatanien are also increasing in sales. Consequently, demand for raw ingredients used in these products is also rising. Moreover, after research was conducted to prove that Grains of Paradise, a type of spice which was not familiar to the Japanese market, was effective in losing weight, Kanebo Cosmetics developed a diet beverage called “Hikishime ginger (slimming ginger)” in 2009, using Grains of Paradise produced in Africa.

Since 2008 the market has experienced continuous price hikes due to the sharp rise of world spice and herb material costs. However, consumer demand tends to be high in all areas of household use, industrial use (such as restaurants), and processing. Hence, the market is seeing overall growth.

Fig. 2-16: Spice and herb market in Japan

Year	Sales (¥ million)	Yearly change
2006	87,850	100.4%
2007	87,850	100.0%
2008	89,150	101.5%
2009	90,800	101.9%
2010 (forecast)	94,200	103.7%

Source: 2011 Food Marketing Handbook No. 4, Fuji Keizai

Fig. 2-17: Spice and herb market by use

Year	2006		2007		2008		2009		2010 (forecast)	
	Sales	Ratio	Sales	Ratio	Sales	Ratio	Sales	Ratio	Sales	Ratio
Households	54,850	62.4%	54,900	62.5%	55,400	62.1%	55,600	61.2%	57,800	61.4%
Industrial	23,300	26.5%	23,250	26.5%	23,950	26.9%	25,050	27.6%	25,650	27.2%
Processing	9,700	11.0%	9,700	11.0%	9,800	11.0%	10,150	11.2%	10,750	11.4%
Total	87,850	100.0%	87,850	100.0%	89,150	100.0%	90,800	100.0%	94,200	100.0%

Source: 2011 Food Marketing Handbook No. 4, Fuji Keizai

(2) Use of spices and herbs in Japan

1) Curry ingredients

Curry was originally introduced to Japan from India and the U.K., but has evolved on its own to become a taste unique to Japan and is now one of the most popular dishes in Japan. Most curries are cooked by mixing dozens of spices and herbs including turmeric, cumin, red pepper, nutmeg, and cardamom, but cooking at home or at restaurants rarely go through this process. Instant curry blocks or retort curries are usually used instead. Therefore, one characteristic of the Japanese spice market is that, curry blocks and retort curry producers are the products that use the largest volume of spices and herbs.

2) Condiments

Traditional Japanese spices such as wasabi or mustard, pepper, and red pepper have been commonly used as condiments since ancient times. However, because it is difficult to make good use of other spices and herbs as seasonings at home or at restaurants, they were used only in high-end restaurants or a limited number of homes. Recently, since there is more

awareness on how to use these condiments, a variety of spices and herbs are used both within the household and at eateries by making the most out of their features. Spices and herbs used in Western, Chinese, Korean, and Southeast Asian cuisine have been increasing in both variety and volume. Growth is especially prevalent in spices and herbs used in Western dishes such as French, Italian, and Spanish cuisine. Spices which were not well known or used before such as basil, oregano, thyme, saffron, and rosemary have increased dramatically over the past ten years or so, both in visibility and in the quantity consumed. Furthermore, the boom for authentic sweets took off in the mid-2000s, and demand for vanilla and cinnamon used in cakes and ice cream also rose sharply.

3) Raw ingredients for processed foods

Among all processed foods that include spices and herbs, the volume used in various curry products is the largest. However, spices and herbs of some sort or another are included in an enormous number of processed food products. Some of the food products that use large quantities are Worcestershire sauce and instant noodles, but lately more portions are also used in snacks and dressings.

The amount of spices and herbs used in snacks is not large compared with curries and sauces. However, due to the huge hit “Bokun habanero (sultan habanero),” (a snack launched by Tohato in the mid-2000s using habanero which is a Mexican chili pepper said to be the world's hottest spice), a wide range of processed foods using habanero has been released to increase demand.

4) Herbal tea

Herbal tea is gradually becoming popular especially among women for its distinct aroma, vivid color, and relaxing effect, compared with coffee, tea, or green tea. The market size is extremely small compared to coffee, tea, green tea, and oolong tea, but is expanding particularly with an increase in demand from restaurants. This trend has especially been boosted by family restaurants (restaurants targeting a wide range of customers from children to senior citizens which are open long hours and prepare a wide range of dishes) expanding their herbal tea offerings in recent years. Whereas coffee and tea are sold more at mass retailers or convenience stores, herbal tea is sold more frequently at tea stores such as LUPICIA or herbal tea stores where a variety of tea leaves are available for selection. Rosehip, chamomile, hibiscus, lavender, and mint are popular.

(3) Types of spices and herbs in Japan

Except for the traditional spices such as wasabi and mustard, the volume of spices and herbs used in curry tends to account for a large amount in Japan.

1) Red pepper

Red pepper is a spice used historically in Japan and has been added to an assortment of dishes and processed foods. Recently the use of this spice has become even more versatile, and hot-selling products containing red pepper such as snacks and chili oil have contributed to the steady volume of sales. Moreover, starting in the early 2000s, there was increasing awareness that a component in red pepper called capsaicin is effective in burning fat. Hence red pepper and products containing this spice gained popularity. Most of it is imported, with the import share of China at 80%. Spain, Korea, and Chile are also exporters to Japan, and a small amount is also produced domestically.

2) Pepper

As in the case of red pepper, pepper also has a long history of usage in Japan. The market size is considerable since it is being used in all kinds of food products. Malaysia, Indonesia, India, Vietnam, Singapore, and others export to Japan.

3) Coriander seed

Leaves are often used in Chinese and Thai food, and are also grown in Japan. Seeds are imported in large volume and used in curry. Morocco holds an overwhelming import share of nearly 90%, followed by Canada, India, Egypt, and Malaysia.

4) Turmeric

Japanese curry tends to be yellow in color. This color comes from turmeric. Since turmeric is an essential spice when preparing curry, there is a significant and relatively stable demand. Around 70% is imported from India, followed by countries such as Indonesia, Myanmar, and Malaysia etc.

5) Cinnamon

Cinnamon has been commonly used in cakes, pies, and other confectioneries, however, partly due to the 2000 to 2001 boom for rolls and cakes that use a lot of cinnamon, it has been used more frequently in sweets. Recently, there have been more cases where cinnamon is used in coffee drinks such as cappuccinos and the demand in the last few years has been rising. Also in 2010, a TV program introduced cinnamon as being effective in lowering blood sugar levels. As a result, demand for cinnamon experienced a sudden rise, setting off a boom that resulted in supermarkets becoming short of supply. Demand has returned to earlier levels after the boom subsided in a few months, but cinnamon has definitely gained recognition. Close to 80% is imported from China, with other countries following such as Vietnam, Malaysia, Indonesia, and Sri Lanka.

6) Cumin

Cumin is an indispensable spice when cooking curry, therefore demand is stable. More than half of the total import volume comes from Iran. Other exporters to Japan include India, Turkey, Malaysia, and Pakistan.

7) Cloves

Cloves are often used to prepare ham, sausages, curry, and various meat dishes, consequently supplying stable consumption. Tanzania and Madagascar export almost the same amount to Japan and these two nations make up most of the total volume imported.

8) Vanilla

Vanilla, which is essential in cakes and desserts, was primarily used in the form of essence in Japan. However in recent years, as a result of the increased popularity of sweets, more people are using vanilla beans, which seem more authentic, and the volume of imports has also been expanding. In the cake and confectionery industry, it is said that vanilla from Madagascar

is more fragrant and demand is high as a luxury item. For this reason, cakes and confectioneries are sold with the catchphrase “Madagascar vanilla added.” Hence, vanilla from Madagascar holds an overwhelming majority of the market, with minimal imports from Papua New Guinea and Uganda.

9) Bay leaves

Bay leaves are essential in stewed dishes and pickles, often used in French cuisine and curry. Turkey accounts for more than half of total imports, followed by Morocco and Spain.

10) Sesame

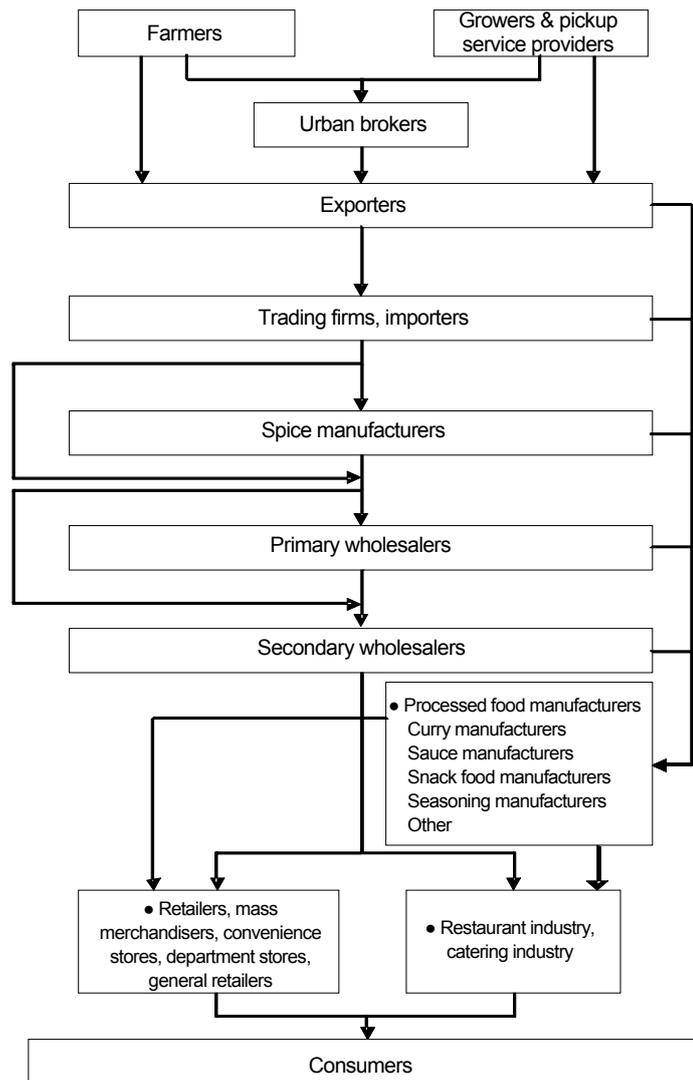
Sesame is used after processing into toasted sesame, ground sesame, or sesame paste. Sesame is recognized as having positive health effects, hence both black and white sesame are used in a variety of dishes as well as sweets. Most of the ingredients are imported, relying on shippings from Asian and South American nations. In Japan, sesame with a yellow outer skin is called golden sesame and distributed as a high-value-added product. Golden sesame from Turkey or Egypt is sold in Japan. Differentiating factors aside from prices would be products aiming to go “organic,” which are now growing in sales. A leading processed sesame manufacturer is selling products that use sesame from Paraguay and Turkey. Raw material for sesame oil is also being imported from African and Latin American states such as Nigeria, Burkina Faso, Tanzania, and Paraguay.

3. Distribution Channels

Many of the spices and herbs in Japan are made from raw materials produced overseas. Except for a portion of the spices and herbs such as wasabi, ginger, and fresh herbs, Japan relies on overseas imports for basic ingredients.

Spices and herbs imported from the country of origin via importers generally go through a process of foreign body removal, and are then made into products for home use, industrial use, or processing to be sold in the market. There are also many cases where spices are used as processed foods such as for curry products. Hence, it is also common for major processed food manufacturers to buy spices and herbs.

Fig. 2-18: Distribution channels for spices and herbs



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

Spices and herbs are often prepared by drying plants originating in subtropical zones or temperate zones. Hence they are prone to microbial contamination by various microorganisms in each step from harvesting to the final stages of production, and storage. They need to be under stringent control in all phases of production, storage, and transportation in the country of origin. The Food Sanitation Act sets standards on the amount of food additives, pesticide residues, and contaminated material allowed. Products not meeting the standards will be banned from entry into the Japanese market.

Natural toxicant aflatoxin, produced by fungi, is known as carcinogenic mycotoxin. The Food Sanitation Act strictly limits

the aflatoxin B1 content of spices to less than 0.01 ppm. Moreover, the Japanese grocery industry sometimes requests an even more demanding level than legal standards. For example, spices with aflatoxin content of less than 0.01 ppm will clear customs, but in actual transactions it is often the case that clients require no detection of aflatoxin at all.

The regulation for aflatoxin currently only limits aflatoxin B1 content to be lower than 0.01 ppm. However, according to the Ministry of Health, Labour and Welfare, regulations will be tightened starting in October of 2011. Restrictions are planned to be amended to limit the total content of aflatoxin B1, B2, G1, and G2 to be under 0.01 ppm.

The Japanese have a high level of consciousness regarding food sanitation, and there is a tendency to not allow even the least bit of foreign objects in spices and herbs. Foreign substances tend to get mixed in spices and herbs in the process of picking in the country of origin. Therefore, a system that prevents impurities mixing with the product is required. Furthermore, products packaged locally are rarely sold directly in the Japanese market as they are less reliable in terms of any substances being mixed etc. In most cases, Japanese spice manufacturers will perform a thorough inspection, and then reprocess and repackage the products.

This is not only true for the spice and herb market. Food products in Japan are now required to be safe, secure, and healthy. Regarding safety and security, naturally the amount of residual pesticides and contaminated substances detected should be below the regulated amount and establishing traceability of the products is also effective in ensuring safety and security. Regarding health, there have been many types of spices and herbs that increased their sales due to their healthiness and functionality being recognized by consumers. Hence it is effective to appeal to consumers the health benefits of a product as much as possible. According to the Pharmaceutical Law, spices and herbs cannot be labeled as being “effective in weight control.” Consequently, there is a tendency to demonstrate evidence by providing objective and concrete data.

<Exhibitions>

Fig. 2-19: Exhibitions for spices and herbs

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	International Hotel & Restaurant Show	
	http://www.jma.or.jp/hcj	TEL: +81-3-3434-1377
	Supermarket Trade Show	
	http://www.smts.jp	TEL: +81-3-5209-1056
Dessert, cake, beverage	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL: +81-3-5294-0071
Home-meal replacement (takeout food)	FABEX	
	http://www.fabex.jp	TEL: +81-3-3523-2755

5. Failure Cases

<Gamma-ray irradiation>

In 2009, a trading firm importing and selling food products initiated a voluntary recall of spices and chai tea leaves from India, citing possibility of sterilization procedures using gamma-ray irradiation, which is banned under the Food Sanitation Act. There is a possibility that disinfection procedures for shipments to the EU and within India, which allow gamma-ray irradiation, were also imposed on shipments to Japan where irradiation is not accepted. The irradiation level is said to be within the standards set by the CAC (Codex Alimentarius Commission), an organization established by the WHO. Nevertheless, Japan does not allow gamma-ray irradiation as a basic rule.

6. Import Associations & Related Organizations

Fig. 2-20: Spice and herb importer associations and related organizations

All Nippon Spice Association	http://www.ansa-spice.com TEL: +81-3-3237-9360
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3. Nuts

This chapter defines nuts according to the H.S. code of the Tariff Schedule (Fig. 3-1), covering imports as well as domestically-produced walnuts and groundnuts.

Fig. 3-1: Scope of coverage for nuts in this chapter

Category	Description	H.S. code
Nuts	Coconuts	0801.11, 19
	Brazil nuts	0801.21, 22
	Cashew nuts	0801.31, 32
	Almond	0802.11, 12
	Hazelnuts	0802.21, 22
	Walnuts	0802.31, 32
	Chestnuts	0802.40
	Pistachios	0802.50
	Macadamia nuts	0802.60
	Other	
	Betel nuts, pecans, other	0802.90
Ground-nuts	1202.10, 20	

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of nuts is regulated primarily by the following laws: 1) the Customs Act / the Act on Temporary Measures concerning Customs, 2) the Plant Protection Act, and 3) the Food Sanitation Act.

<Customs Act and Act on Temporary Measures concerning Customs>

Of nuts, groundnuts are subject to import restriction. The ministerial ordinance on the tariff-rate quota system for corn, etc. under the Customs Act and the Act on Temporary Measures concerning Customs establishes the tariff-rate quota system for the purpose of domestic producers, and applies to groundnuts. Under the tariff-rate quota system, a lower tariff rate, or the primary tariff rate, is applied only to imports of below certain quantity for the purpose of securing that imported products are available to consumers at lower prices, while imports above the quota limit are subject to a higher tariff rate, or the secondary tariff rate.

Meanwhile, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned under the Customs Act.

There is also a system in which reduction or exemption of tariff duty may be granted by obtaining approval from the chief of an individual customs office when importing groundnuts for the production of groundnut oil (Article 13. of the Customs Tariff Act).

<Plant Protection Act>

Dried nuts that have not been heat-processed are handled as fresh produce, and undergo quarantine procedures, including screening for contamination by any pests or harmful plants, under the Plant Sanitation Act. Quarantine procedures performed at airports and ports are under the authority of the regional Quarantine Stations. Nuts that are individually packaged even if fresh, and those that have been seasoned, are exempt from the Plant Protection Act, and subject to food sanitation inspection under the Food Sanitation Act.

Appendix 2. of the Ordinance for Enforcement of the Plant Protection Act stipulates that the importing of cashews, walnuts, etc. is prohibited from certain countries and regions for which the contamination with quarantine pests has been detected in the past, and as of March 2011, the importing of these nuts is prohibited from a number of countries and regions due to quarantine pest issues (however, those tightly sealed in containers for retail sale and processed products are exempt from the food sanitation inspection, and such products are not subject to import ban even if they fall in the category of the region and item that are banned for importing under the Plant Protection Act).

Care should be taken as infestation with pests or harmful plants may occur during the process of storage and transportation, even if there is no contamination at the production stage.

No item with soil attached to it can be allowed for import; any soil must be removed before the importing process.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, nuts are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, nuts should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of 2011, of the nuts that are subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act), items subject to compulsory testing regardless of the country of origin include ground-nuts and processed ground-nuts and pistachios (both of which are tested for aflatoxin). By specific country of origin, such items include almonds produced in Italy (aflatoxin), etc.

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

There is no specific law applicable to the sales of nuts. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of nuts in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of nuts in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (paper containers and packaging, plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures**(1) Procedures for Authorization of Importing and Sales****<Tariff-rate quota>**

Under the tariff-rate quota system applicable to the importing of groundnuts, those who wish to receive tariff-rate quota must file the required documents (Fig. 3-3) to the International Economic Affairs Division, International Affairs Department, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries, in accordance to the ministerial ordinance on the tariff-rate quota system for corn, etc. under the Customs Act and the Act on Temporary Measures concerning Customs. In order to apply to become an enterprise approved for tariff-rate quota, one must qualify for requirements such as "having experience in import custom clearance for groundnuts and being trusted to handle importing by themselves."

Issuance of certificates is handled by the Agricultural Production and Livestock Industry Division, Agriculture, Forestry and Fisheries Department, Okinawa General Bureau, Cabinet Office.

<Plant Inspection>

Because the Plant Protection Act rules that bulk importing of fresh nuts is handled only at certain seaports and airports that are capable of sufficient plant protection measures for the purpose of preventing diseases and pests from entering the country, care should be taken in selecting the seaport/airport of entry before exporting from the country of origin.

In filing an application for inspection with the Ministry of Agriculture, Forestry and Fisheries Quarantine Station, the required documents must be submitted (Fig. 3-3) promptly after entry to port. In the event of rejection due to the detection of diseases or pests as a result of quarantine, fumigation or other measures are ordered.

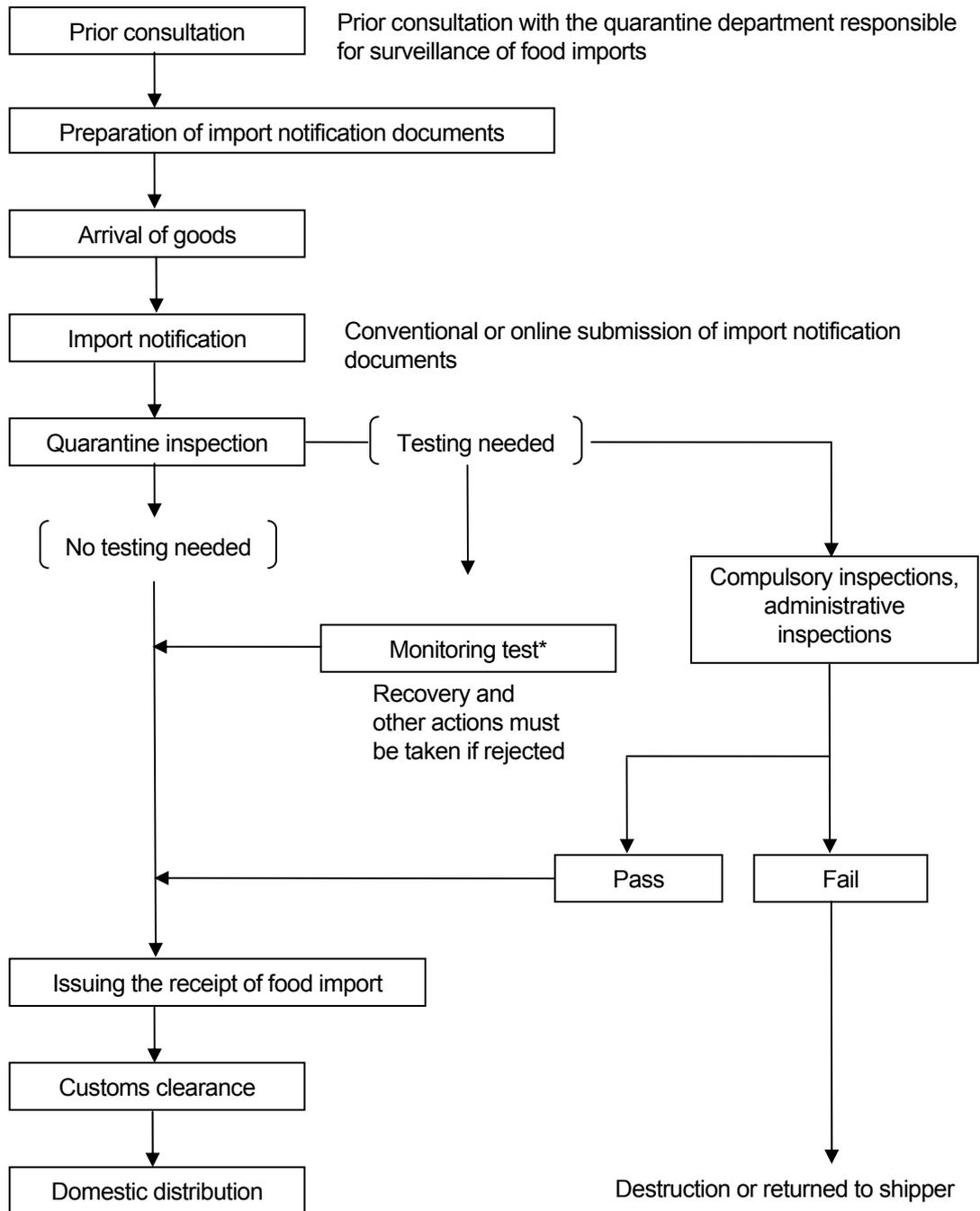
<Food Sanitation Inspection>

Under the Food Sanitation Act, the required documents must be submitted (Fig. 3-3) when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 3-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry into Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, an import permit may be given in principle.

Fig. 3-2: Flowchart of import procedure

Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 3-3 according to the authorities to which each document is submitted.

Fig. 3-3: Documents required for import clearance

Submitted to	Required documents	Fresh products	Processed products
International Economic Affairs Division, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries	Tariff rate quota application (groundnut importers)	△	—
	Import clearance record of groundnuts	△*1	—
	Sales results and plan for groundnuts	△*1	—
	Import clearance statistics summary of groundnuts	△*1	—
	Documents to prove that the applicant is the genuine entity that will import groundnuts	△	—
Quarantine Information Office, Ministry of Health, Labour and Welfare (Plant quarantine under the Plant Protection Act)	Application for import inspection	○	—
	Phytosanitary certificate issued by the plant quarantine service of the exporter	○	—
Departments responsible for surveillance of food imports of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	○	○
	Material/ingredient table	—	○
	Production flow chart	—	○
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	—	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○

Source: Ministry of Agriculture, Forestry and Fisheries; Ministry of Health, Labour and Welfare; Ministry of Finance
 ○: Required △: Required for particular articles —: Not required *1: Only groundnuts imports meeting the requirements.

As a phytosanitary (inspection) certificate, in principle the original copy that indicates the absence of pathogen or pest contamination, issued by the plant protection authority of the exporting country in a form in compliance with the International Plant Protection Convention, must be submitted. While the Convention stipulates that the phytosanitary certificate submitted to the authorities of the importing country be the original copy, the following two are deemed valid in Japan, taking into consideration such cases where the original copy is lost or the delivery of the original copy is delayed:

- A "carbon copy" of the original copy produced simultaneously; and
- A copy that has been proven as being identical to the original copy by the plant protection authority of the exporting country.

Phytosanitary certificates issued by the country of origin are not required as attachments for almonds, cashews, coconuts, pistachios, Persian walnuts (excluding those in the shell that are produced in regions subject to importing ban), and macadamia nuts (Article 5.3. of the Plant Protection Act).

(3) Competent Authorities**Fig. 3-4: Contacts of competent authorities**

Plant Protection Act		
	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act		
	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act /		
	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp

Fig. 3-4: Contacts of competent authorities (continued)

Act for Standardization and Proper Labeling of Agricultural and Forestry Products		
Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp	
Measurement Act		
Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
Health Promotion Act		
Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Act against Unjustifiable Premiums and Misleading Representations		
Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Act on Specified Commercial Transactions		
Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources		
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp	
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp	
Unfair Competition Prevention Act / Trademark Act		
Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3581-1101 http://www.jpo.go.jp	

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of nut products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) Unfair Competition Prevention Act.

When importing and selling fresh nuts such as raw chestnuts and shelled walnuts, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 1) product name, 2) country of origin, 3) content, and 4) name and address of importer.

When importing and selling processed nuts packed in containers, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

< Product name >

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

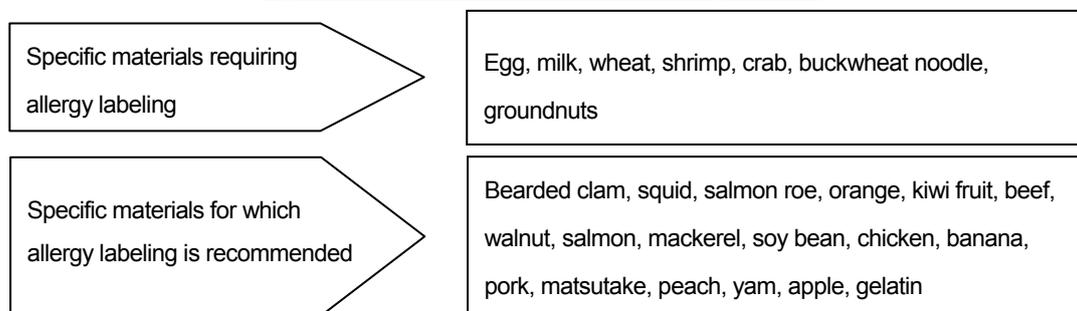
<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

<Allergies>

To prevent health hazards in consumers with specific allergies, it is required or recommended that the specific ingredients shown in Fig. 3-5 be labeled in accordance with the Food Sanitation Act.

Fig. 3-5: Specific materials related to allergy labeling



Source: Ministry of Health, Labour and Welfare

Ingredient labeling is mandatory for products containing groundnuts and recommended for those containing walnuts. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label does not identify specific ingredients, labeling is required or recommended.

<Content weight>

When importing and selling nuts, the importer must measure the length, weight, or volume of the product in accordance with the Measurement Act and indicate them in their respective measurement units required by law on the label.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. As the quality of nuts does not deteriorate easily, the "best-by" date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the "best-by" date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For products which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

The following nuts are defined as fresh food; the country of origin must be stated:

- a) Products which have been adjusted, washed with water, and dried after harvest, and those which have been simply cut
- b) Products listed in a) whose shell has been peeled or which have been cut into two or sliced
- c) Mixture of the same type of nuts

Country of origin must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of general food products excluding those for special dietary uses in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). If general names such as “vitamin” are labeled instead of describing the specific names of nutrients, ingredients must be labeled.

Components must be indicated in the following order and unit:

- m) Calories (kcal or kilocalories)
- n) Protein (g or grams)
- o) Fat (g or grams)
- p) Carbohydrate (g or grams)
- q) Sodium
- r) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include nuts, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Fig. 3-6) can be labeled as “organic” in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark (Fig. 3-6), to be permitted to have organic labeling.

- e) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- f) Labelling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 3-6: JAS-certified organic mark

**<Containers and packaging>**

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging.

When the following two types of containers and packaging are used for nuts, either or both marks shown in Fig. 3-7 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 3-7: Labels for promoting sorted collection



Plastic containers and packaging



Paper containers and packaging

<Description>

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

There are no voluntary industry restraints for nut labels.

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on nuts are shown in the table below. Caution should be exercised since rates vary according to the item, shape, and ingredients of products, and other factors. If the importer wishes to check tariff rates and other information in advance, it may be convenient to use the prior instruction system.

Preferential tariff rates, lower than general tariff rates, are applicable to articles imported from developing countries if the imports meet the requirements specified by the laws and regulations of Japan. In order to receive preferential tariff rates on import articles, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs, authorized chamber of commerce and industry, or other competent agency in the preferential treatment country.

Fig. 3-8: Tariff duties on nuts (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
08.10			Coconuts, Brazil nuts and cashew nuts					
	11	-000	Coconuts					
	19	-000	Disiccated	6.0%		3.0%	Free	
			Other	6.0%		3.0%	Free	
			Brazil nuts					
	21	-000	In shell	4.0%		3.0%	Free	
	22	-000	Shelled	4.0%		3.0%	Free	
			Cashew nuts					
31	-000	In shell	Free		(Free)			
32	-000	Shelled	Free		(Free)			
08.02	11		Almond					
			In shell					
		-100	1 Bitter almond	Free		(Free)		
		-200	2 Sweet almond	4.0%		2.4%	Free	
	12		Shelled					
		-100	1 Bitter almond	Free		(Free)		
		-200	2 Sweet almond	4.0%		2.4%	Free	
			Hazelnuts or filberts (Corylus spp.)					
	21	-000	In shell	10.0%		6.0%	Free	
	22	-000	Shelled	10.0%		6.0%	Free	
			Walnuts					
	31	-000	In shell	10.0%		(10.0%)		Free
	32	-000	Shelled	10.0%		(10.0%)		Free
	40	-000	Chestnuts (Castanea spp.)	16.0%		9.6%		Free
50	-000	Pistachios	Free		(Free)			
60	-000	Macadamia nuts	5.0%		(5.0%)	2.5%	Free	
90		Other						
	-100	1 Betel nuts	Free		(Free)			
	-300	2 Pecans	5.0%		4.5%	Free		
	-900	3 Other	20.0%		12.0%		Free	
12.02	10		Ground-nuts					
			In shell	726yen/kg				Free
			Other					
		-091	Products imported by the Japanese government or those imported following MAFF Minister certification, which is stipulated by cabinet order		10.0%	-10.0%		
			Other			617yen/kg		
		Shelled	726yen/kg				Free	
		Other						
	-091	"the Pooled Quota"		10.0%	-10.0%			
	-99	Other			617yen/kg			

Source: Ministry of Finance

Note 7) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 8) Special preferential rate is applicable only for the Least Developed Countries.

Note 9) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

(CIF + Tariff duties) × 5%

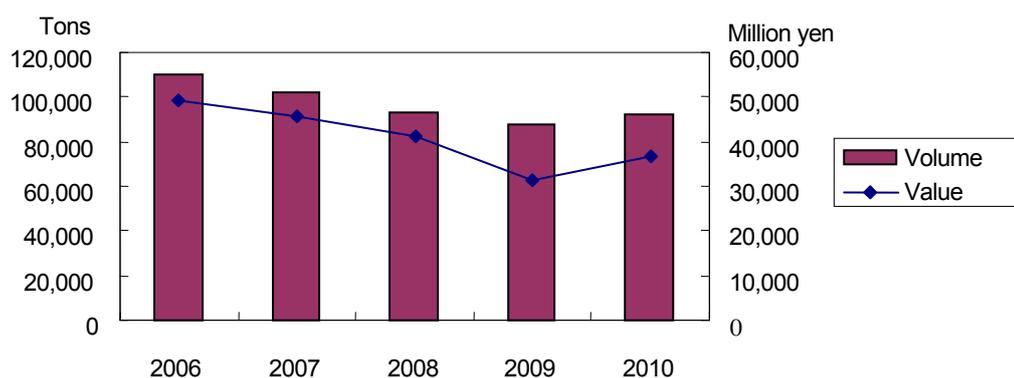
IV. Trade Trends

1. Changes in Imports

The import volume of nuts reached 92,463 tons in 2010, and is showing a recovering trend from the sluggish situation experienced in 2008 and 2009. The main types of imported nuts are groundnuts, almonds, and chestnuts, accounting for 73.5% of the total import volume. As a result of food safety issues exemplified in the detection of pesticide residues in processed vegetable products from the main exporter country China, Chinese groundnut imports dropped from 2007 to 2009, and the total import volume of groundnuts also followed suit. Nevertheless, the quantity of Chinese groundnut imports exceeded that of the previous year starting in 2010, consequently leading to an increase in the total volume of groundnut imports.

Almonds have shown a steady performance as a leader in import volume in the nut category, recording 25,744 tons (109.3% vs. previous year) or ¥12,233 million (126.0% vs. previous year) in 2010. Meanwhile, chestnuts are showing a continuous downward trend, recording negative growth in both volume and value. Imports of cashew nuts have also remained stable, with 6,678 tons (109.5% vs. previous year) or ¥3,776 million (115.5% vs. previous year) in 2010. Trends for other nuts have been affected by economic and other factors showing both upward and downward trends. However, Brazil nuts recorded an export volume of 50 tons in 2010, doubling in both volume and value.

Fig. 3-9: Changes in nut imports



Source: Trade Statistics (MOF)

Fig. 3-10: Changes in nut imports by item

Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Coconuts	2,407	2,389	1,980	2,320	2,227	256	339	318	268	259
Brazil nuts	19	27	26	22	50	13	21	18	11	26
Cashew nuts	4,690	5,767	6,171	6,101	6,678	2,600	3,280	4,132	3,269	3,776
Almond	21,488	23,332	23,894	23,557	25,744	18,537	16,128	12,971	9,705	12,233
Hazelnuts	631	700	497	576	589	519	545	413	333	382
Walnuts	10,992	10,945	7,731	8,861	9,436	8,025	8,560	7,333	4,923	6,277
Chestnuts	22,054	17,397	14,446	13,831	12,625	7,996	7,262	5,880	5,096	4,598
Pistachios	2,117	2,054	2,418	1,838	2,218	1,884	1,733	1,785	1,524	1,930
Macadamia nuts	2,160	1,688	2,136	2,502	2,348	2,894	1,750	1,759	1,896	2,280
Ground-nuts (Note 1)	41,458	36,162	32,356	27,056	29,614	4,958	5,094	5,838	3,807	4,175
Other	2,120	1,304	1,085	1,139	934	1,370	1,063	778	685	956
Total	110,136	101,765	92,740	87,803	92,463	49,052	45,775	41,225	31,517	36,892

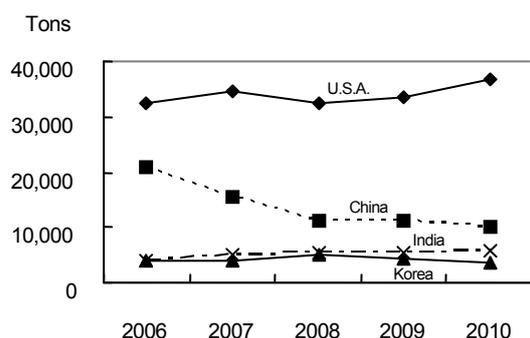
Source: Trade Statistics (MOF)

(Note 1) Figures for groundnuts and other items were collected in March and February 2010, respectively, during the research period.

2. Regional breakdown

Import trading partners for nuts differ according to item, but it is characteristic of this market that certain countries account for a high share in particular items. The United States is a principal exporter of almonds, which is a main item in nut imports. China exports a considerable amount of chestnuts and groundnuts. In terms of total imports, the United States, which commands most of the share for almonds, is the number one trading partner with 44,418 tons (103.6% vs. previous year) in 2010, followed by China and India. Cashew nuts have displayed stable import volumes in recent years with 6,678 tons (109.5% vs. previous year) in 2010, although African countries such as Tanzania experienced a sharp decline with 16 tons (24.8% vs. previous year) and ¥5.6 million (21.5%) in value in 2010.

South Africa exported 5,890 tons of groundnuts in 2010, which accounts for approximately 20% of total groundnut imports.

Fig. 3-11: Trends in leading partner imports

Source: Trade Statistics (MOF)

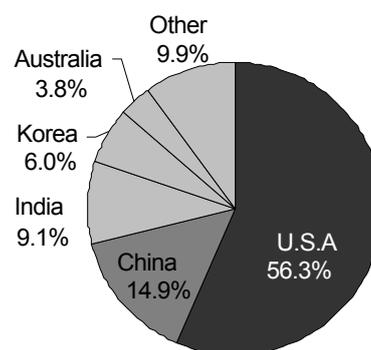
Fig. 3-12: Shares of imports in 2010 (value basis)

Fig. 3-13: Principal places of origin of nuts

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	35,539	39,010	41,464	42,858	44,418	27,164	25,598	22,251	16,914	20,755
China	51,363	39,797	23,490	22,639	24,339	10,335	9,077	6,003	4,637	5,508
India	4,052	4,982	6,013	5,494	5,972	2,247	2,873	3,700	2,918	3,352
Korea	4,144	4,054	4,935	4,169	3,519	3,030	3,016	3,191	2,755	2,227
Australia	1,769	1,059	1,531	1,530	1,367	2,261	1,163	1,284	1,218	1,412
Other	13,269	12,863	15,307	11,113	12,848	4,015	4,048	4,796	3,075	3,638
Total	110,136	101,765	92,740	87,803	92,463	49,052	45,775	41,225	31,517	36,892
(African countries)	8,051	6,301	7,316	5,105	6,766	1,911	1,513	1,827	1,158	1,498

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

In the nut category, almonds, cashew nuts, and pistachios are currently completely dependent on imports. Some chestnuts and walnuts are also produced domestically, but are far behind imports in both quantity and price. Hence the market is mostly dominated by imported products.

4. Background of Changes in Volume of Imports and Other Trends

The domestic market for nuts was revitalized by a review of the health benefits seen in salt and additive-free nuts, and growth was experienced in the cashew market (refer to Fig. 3-10). Also due to the economic downturn, more consumers are choosing to drink alcohol at home in an effort to cut costs by buying drinks to take home rather than drinking at bars, etc. As a result, demand for snacks rose and imports bottomed out in 2010, with the total volume settling at a higher figure relative to the previous year. The key factor in this import trend is to what extent demand for snacks and healthy foods can be secured amid concerns of higher costs for raw ingredients in 2011.

Furthermore in 2011, the domestic wholesale prices for cashew nuts have remained high. This is because supply from India, the principal importer, has declined, and West African producers such as Nigeria have harvested less due to droughts.

V. Domestic Distribution

1. Trade Practice, Etc.

Special trading firms for nuts and dried fruits or confectionery ingredient suppliers are generally in charge of distributing nuts. Therefore, in order to sell nuts in a variety of sectors including home, processing, and commercial use, it is advantageous to do business through these specialized companies.

2. Domestic Market Situations

The Japanese nut market is primarily divided into those used as ingredients for confectionary production and breadmaking, and those to be consumed directly (nut snacks). The market structure differs between the two categories.

The market size for nuts used in confectionary production and breadmaking is large since it covers major bread manufacturers, confectionery makers, and also small-scale bakeries and pastry shops. Since Japan is progressing toward an aging society with declining birthrates, bread, confectionery, and dessert sales are experiencing a slightly decreasing trend, and nuts used as ingredients for these types of food products are following the same trend.

Almonds, walnuts, chestnuts, macadamia nuts, and cashew nuts are frequently used ingredients for confectionaries and bread. Walnuts are especially high in demand for baking bread. Various assortments of nuts including almonds are used to prepare confectionaries, ranging from snacks such as almond chocolates manufactured by leading confectionery makers, to baked and unbaked cakes made by individually managed small-scale pastry shops. They are used for a variety of purposes.

Nut snacks refer to the demand for nuts consumed at home or at restaurants without cooking. Almonds, cashew nuts, groundnuts, pistachios, and walnuts are frequently used, and many products that mix five or six types of nuts are also being

sold. The market size is limited compared to nuts used in confectionary production and breadmaking, and it can be said that the Japanese are not accustomed to eating nuts directly out of a bag.

However, since the year 2000, the media has reported on the health benefits of nuts on various TV programs, thus triggering demand. In 2008, almonds were picked up by the media for their effect on health and beauty, particularly drawing attention from young women. There is a growing awareness among consumers that nuts are healthy food products. They are also convenient to eat and tasty in flavor.

Most nuts eaten directly out of a bag/container are consumed at homes or restaurants as snacks when drinking. Demand for consumption at home is especially high. Due to the recession starting in 2008, the tendency to buy alcoholic drinks for home consumption instead of drinking at bars and restaurants in order to cut back on spending has risen, and the nuts market has been expanding since 2009. Moreover, as public awareness increases that nuts are healthy products and that consumption on a daily basis promotes health, more consumers are not only using them in breads and cakes or snacks, but also as ingredients in food preparation such as adding them to salads.

Although manufacturers and trading firms such as Kyoritsu-foods, Toyo Nut, Rokko Butter, Shoei Foods, and Inaba Groundnuts hold large shares in the market, there are few companies of prominent scale. Many companies are competing with each other on a several billion yen scale.

Fig. 3-14: Nut market in Japan (nut snacks)

Year	Sales (¥ million)	Yearly change
2006	28,350	—
2007	23,000	81.1%
2008	22,400	97.4%
2009	23,000	102.7%
2010(forecast)	23,200	100.9%

Source: 2011 Food Marketing Handbook No. 1, Fuji Keizai

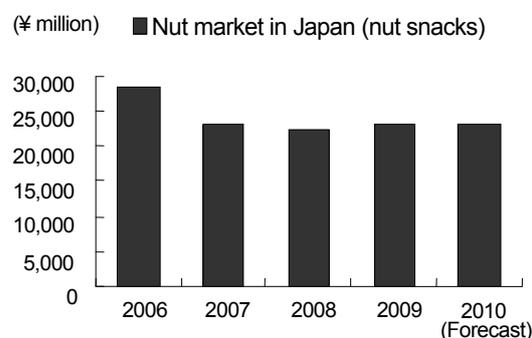


Fig. 3-15: Nut snack sales by type

Type \ Year	Unit: ¥ million					
	2008		2009		2010(forecast)	
	Sales	Ratio	Sales	Ratio	Sales	Ratio
Almond	2,850	12.7%	3,150	13.7%	3,250	14.0%
Cashew nuts	4,100	18.3%	4,150	18.0%	4,200	18.1%
Mixed nuts	7,700	34.4%	7,800	33.9%	7,900	34.1%
Other	7,750	34.6%	7,900	34.3%	7,850	33.8%
Total	22,400	100.0%	23,000	100.0%	23,200	100.0%

Source: 2011 Food Marketing Handbook No. 1, Fuji Keizai

(1) Types of nuts

1) Chestnuts

Chestnuts have the highest consumption rate among nuts in Japan, with both local products and import products from China, Korea, and Europe strong in the market. Since the pulp of local chestnuts is soft and not fit for processing, they are usually sold raw. Chestnuts from China are sweet and therefore called sweet chestnuts. They are generally consumed roasted, but in the year 2000, Kanebo Foods launched “retort sweet chestnuts” called “amaguri muichaimashita (I’ve peeled a sweet chestnut),” which are easy to carry packaged pre-peeled chestnuts weighing about 30grams, and they became a huge hit.

2) Almonds

Most almonds come from the United States, and have the widest range of usage in Japan. They are not only used in snacks such as almond chocolates manufactured by leading confectionery makers, baked goods, ice cream, unbaked cakes made by individually managed patisseries, but are also consumed as “nut snacks” or appetizers with drinks at restaurants and at homes, and also for cooking, boasting a broad range of demand. In 2008, salt-free almonds were taken up as an effective cooking ingredient for beauty and health because of their ample vitamin E content. This drew much attention from young women, and led to a growing number of female consumers, especially for salt-free almonds.

3) Walnuts

Walnuts have traditionally been harvested in Japan as well, but most products now come from the United States or China. They are used widely for a variety of purposes including western confectionery such as cakes or cookies, Japanese confectionery, bread, in cooking, and consumed as snacks with drinks.

4) Cashew nuts

Cashew nuts are used in Chinese cuisine, confectioneries, appetizers, etc. As they are used in Chinese dishes stir fried with chicken and also in Indian dishes, it can be said that cashew nuts have a more extensive range of culinary application

compared to other types of nuts. India exports 80% or more, Vietnam follows with 10% or more, and other countries such as Tanzania also export a small amount. Originally, there were many cases where cashew nuts produced all over the world were shipped to India with shells, and that is why most imports come from India. Because Vietnam improved their production efficiency dramatically in the 1990s, exports from Vietnam increased substantially, pushing up the total import volume of cashew nuts.

5) Macadamia nuts

In Japan, chocolate covered macadamia nuts often brought home from Hawaii as souvenirs, are most popular. Chocolate covered macadamia nuts and other types of confectioneries are also produced in Japan using ingredients imported from Australia, South Africa, Malawi and other countries. South Africa and Malawi account for around 10% of the total import volume, respectively.

6) Groundnuts

Groundnuts have been historically grown in Japan. Therefore local products are found, but a large volume is imported from China and other countries. Groundnuts are used in snacks such as “kaki-peanuts” which mixes rice crackers with groundnuts, groundnut butter, margarine, and appetizers, having a wider range of use compared to other nuts. Domestic products account for around 10% and imported products for about 90% of the consumption, and each have their own roles. Local products often come with shells. Although they are higher in price, they come in large pieces with a strong flavor and sweetness, attracting demand as a high-value-added product. Most import products come without shells. As they are smaller and cheaper, they are often used as ingredients in oil products such as groundnut oil and margarine, as well as in confectioneries.

7) Pistachios

Pistachios are in the market shelled and non-shelled. Peeled nuts are generally used as ingredients in making cakes or ice cream, and shelled nuts are usually consumed as nut snacks. Globally, Iran is the top producer, and used to command 80% of the share in Japan until 1998. However, due to the detection of aflatoxin levels exceeding legal limits in Iranian pistachios in 2002, the United States has now taken over the market.

8) Hazelnuts

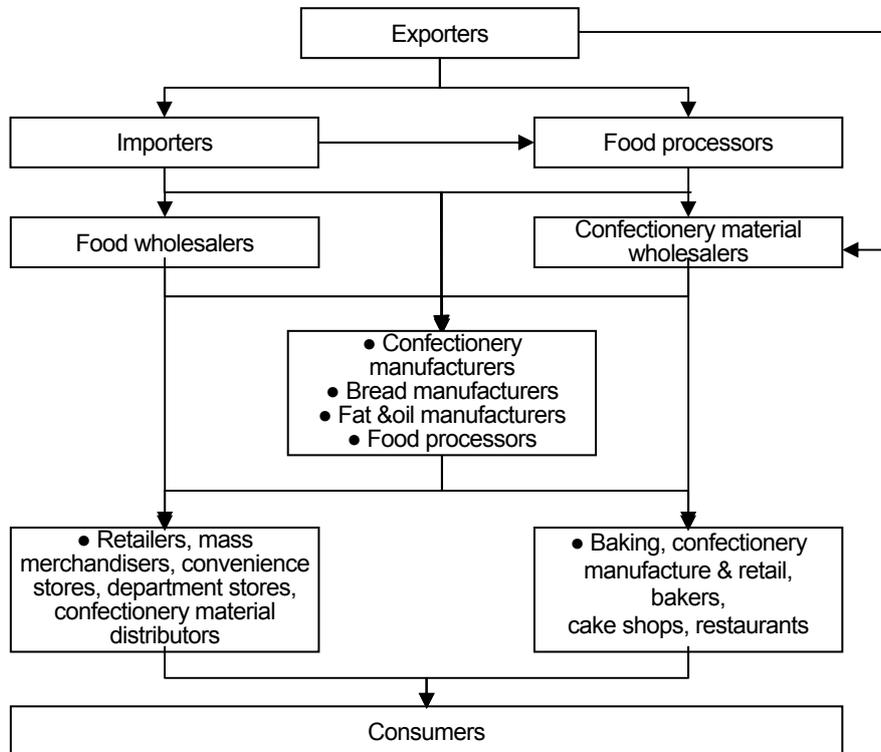
In Japan, hazelnuts are mostly used as ingredients for making confectioneries such as cakes, baked goods, and chocolates etc. Additionally, hazelnuts have gained recognition due to stores such as Starbucks Coffee selling coffee using hazelnut or filbert syrup. Most hazelnuts come from Turkey, and imports from Turkey expanded drastically in the early 2000s due to the Turkish Hazelnut Association’s efforts in promoting sales in Japan.

3. Distribution Channels

The distribution channel for nuts in Japan is as displayed in Fig. 3-16. Distribution of nuts is generally handled by importers, processors, and confectionery ingredient wholesalers, as in the case of dried fruits. However, there are also specialized trading firms and special processing manufacturers for nuts. Since the variety of uses covers a broad range of processing such as for bread, confectioneries, oil, and others, there are many different processed food manufacturers and each of them require their own volumes and forms.

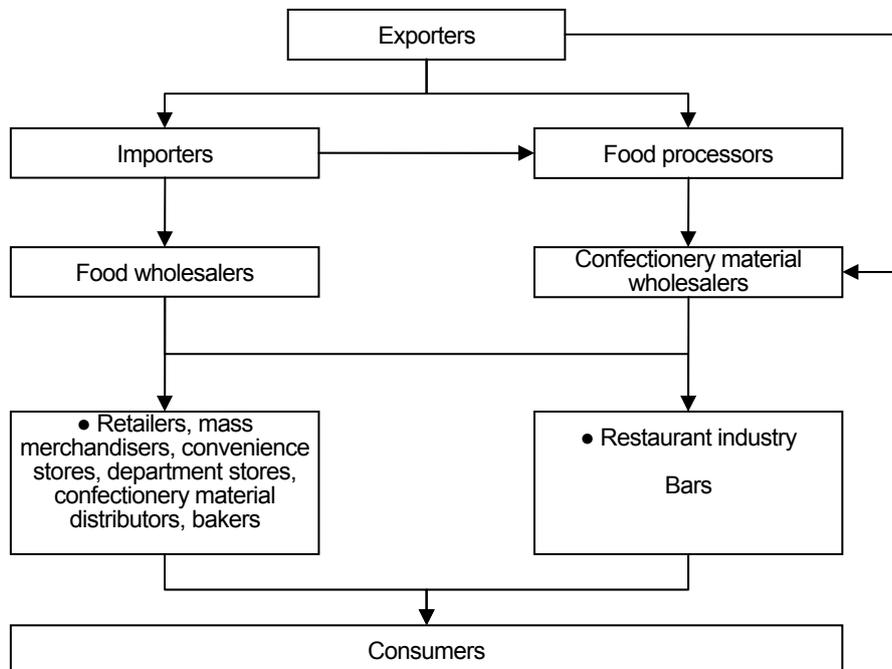
Fig. 3-16: Distribution channels for nuts

(1) For confectionery, bakery, and processed food uses



Source: Fuji Keizai research data

(2) For nut snack use



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

Nut exports to Japan must be verified that they do not include any noxious insects stipulated under the Plant Protection Act of Japan, and that they are compliant to the guidelines stated by the Food Sanitation Act. The Food Sanitation Act sets standards on the amount of food additives, pesticide residues, and contaminated material allowed. Products not meeting the standards will be banned from entry into the Japanese market.

The Food Sanitation Act strictly limits the aflatoxin B1 content of nuts under 0.01ppm. For nuts, many violations against the Food Sanitation Act upon importing or delivery usually turn out to be detections of aflatoxin exceeding approved limits.

The regulation for aflatoxin currently targets only aflatoxin B1. However, regulations will be tightened starting in October of 2011. Restrictions are planned to be amended to limit the total content of aflatoxin B1, B2, G1, and G2 to be under 0.01ppm.

The Japanese have always recognized nuts as healthy products, but this recognition became more prevalent in the late 2000s and it has now become a general perception that nuts are especially effective on women's beauty, and has led to market expansion. For example, the Almond Board of California has succeeded in increasing sales by promoting almonds with the catch copy "natural supplements," targeting women's beauty needs. In the Japanese market, it is effective to promote nuts as being "healthy, convenient, and tasty."

<Exhibitions>

Fig. 3-17: Exhibitions for nuts

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	International Hotel & Restaurant Show	
	http://www.jma.or.jp/hcj	TEL: +81-3-3434-1377
Dessert, cake, beverage	Supermarket Trade Show	
	http://www.smts.jp	TEL: +81-3-5209-1056
	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL: +81-3-5294-0071

5. Failure Cases

<Aflatoxin contamination>

Along with spices and herbs and dried fruits, nuts also have a high frequency of being detected with highly-carcinogenic aflatoxin. In 1998, aflatoxin was detected in Iranian pistachios being sold at a mass merchandiser. Because other similar cases followed, the Ministry of Health, Labour and Welfare discussed the banning of pistachio imports from Iran in 2002. Later on, improvements in the inspection process prior to exportation were requested to the Iranian government and the cases of detection declined due to thorough storage management. However, exports from Iran dropped sharply and have been taken over by the United States.

6. Import Associations & Related Organizations

Fig. 3-18: Nut associations and related organizations

Japan Nut Association	http://www.jna-nut.com
na@jt5.so-net.ne.jp	TEL: +81-3-6662-6527
Almond Board of California	http://www.californiaalmond.jp
	TEL: +81-3-5414-3473
California Walnut Commission	http://www.californiakurumi.jp
	TEL: +81-3-5561-0401
Turkish Hazelnut Association	http://www.turkish-hazelnut.org
dttok@turkey.jp	TEL: +81-3-5414-3473

4. Dried Fruits

This chapter defines dried fruits according to the H.S. code of the Tariff Schedule (Fig. 4-1), including products produced in Japan as well as imports.

Fresh, chilled, and fruits other than dried products are discussed in the Vegetables, Fruits, and Processed Products chapter.

Fig. 4-1: Scope of coverage for dried fruits in this chapter

Category	Description	H.S. code
Dried fruits	Bananas	0803.00-200
	Dates	0804.10-000
	Figs	0804.20-090
	Pineapples	0804.30-090
	Avocados	0804.40-090
	Mangoes	0804.50-090
	Raisins	0806.20-000
	Apricots	0813.10-000
	Prunes	0813.20-000
	Apples	0813.30-000
	Berries	0813.40-010
	Papaws (papayas) , litchi, etc.	0813.40-021
	Persimmons	0813.40-022
	Kehapi	0813.40-023
Other	0813.40-029	

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of dried fruits is regulated primarily by the following laws: 1) the Plant Protection Act, 2) the Food Sanitation Act, and 3) the Customs Act.

<Plant Protection Act>

Dried fruits are defined as fresh products, and undergo quarantine procedures, including screening for contamination by any pests or harmful plants, under the Plant Sanitation Act. Quarantine procedures performed at airports and ports are under the authority of the regional Quarantine Stations. Dried fruits that are individually packaged or contain added sugar, etc. are handled as processed food, which is exempt from the Plant Protection Act and subject only to food sanitation inspection under the Food Sanitation Act.

The following dried fruits are exempt from plant inspection: apricots, figs, persimmons, kiwifruits, plums, jujube, dates, pineapples, bananas, papaws (papayas), grapes, mangoes, peaches, and longans.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, dried fruits that are individually packaged for retail sale are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, dried fruits should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

Dried figs, regardless of the country of origin, are subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act), to be tested for aflatoxin, a mycotoxin.

Although irradiation of dried fruits for sterilization is allowed in some of foreign countries, food irradiation during production and processing is in principle prohibited in Japan under the Food Sanitation Act.

<Customs Act>

Under the Customs Act, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned.

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

There is no specific law applicable to the sales of dried fruits. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of dried fruits in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of dried fruits in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (parts of paper containers and packaging and plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures**(1) Procedures for Authorization of Importing and Sales**

The following procedures are required at the time of importing (Fig. 4-2):

<Plant inspection>

Because the Plant Protection Act rules that bulk importing of dried fruits is handled only at certain seaports and airports that are capable of sufficient plant protection measures for the purpose of preventing diseases and pests from entering the country, care should be taken in selecting the seaport/airport of entry before exporting from the country of origin. *Note that not all Quarantine Stations perform the plant inspection.

In filing an application for inspection with the Ministry of Agriculture, Forestry and Fisheries Quarantine Station, the required documents must be submitted (Fig. 4-3) promptly after entry to port. In the event of rejection due to the detection of diseases or pests as a result of quarantine, fumigation or other measures are ordered.

<Food Sanitation Inspection>

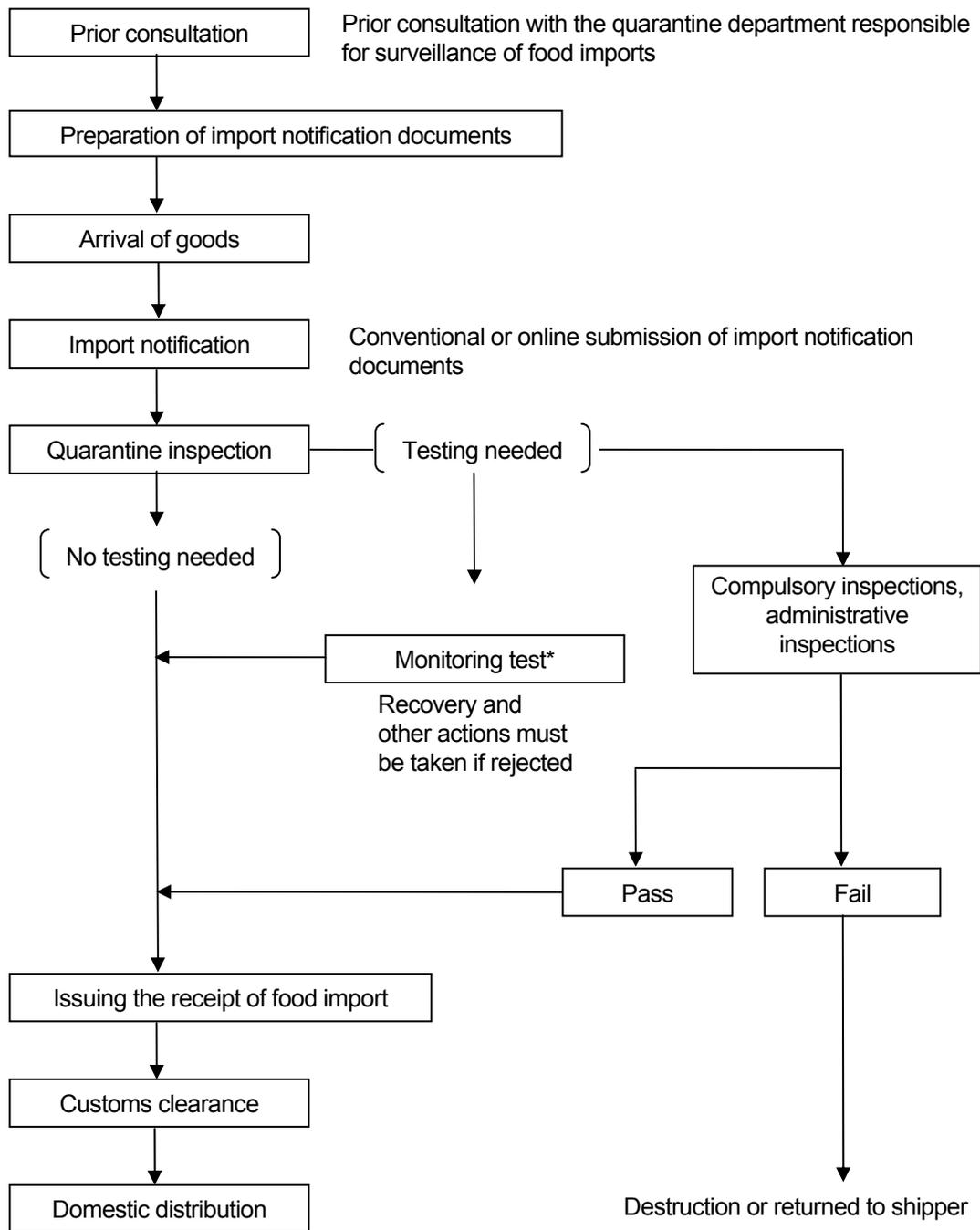
Under the Food Sanitation Act, the required documents (Fig. 4-3) must be submitted when filing an application for the inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or returned to shipper are taken (Fig. 4-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry to Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, import permit may be given in principle.

Fig. 4-2: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 4-3 according to the authorities to which each document is submitted.

Fig. 4-3: Documents required for import clearance

Submitted to	Required documents	Fresh products (Note 1)	Processed products (Note 1)
Quarantine Information Office, Ministry of Health, Labour and Welfare (Plant quarantine under the Plant Protection Act)	* Application for import inspection	○	—
	* Phytosanitary (inspection) certificate issued by the plant quarantine service of the exporter	○	—
	* A copy of bill of lading (B/L), invoices, etc. (Submission may be required.)	○	—
I Departments responsible for surveillance of food imports of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	○	○
	Material/ingredient table	—	○
	Production flow chart	—	○
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	—	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○
	GSP Certificate of Origin (*only for imports from preferentially treated countries, discussed in III. Taxation System)	○	○

Source: Ministry of Agriculture, Forestry and Fisheries; Ministry of Health, Labour and Welfare; Ministry of Finance
○: Required —: Not required

Note 1) Dried fruits are basically defined as fresh products while those that are individually packaged or contain added sugar, etc. are handled as processed food.

*For whether or not plant inspection is required, refer to (1) Procedures for Authorization of Importing and Sales <Plant inspection>, 2. Procedures.

As a phytosanitary (inspection) certificate, in principle the original copy that indicates the absence of pathogen or pest contamination, issued by the plant protection authority of the exporting country in a form in compliance with the International Plant Protection Convention, must be submitted. While the Convention stipulates that the phytosanitary certificate submitted to the authorities of the importing country be the original copy, the following are deemed valid in Japan, taking into consideration such cases where the original copy is lost or the delivery of the original copy is delayed:

- a) A "carbon copy" of the original copy produced simultaneously; and
- b) A copy that has been proven as being identical to the original copy by the plant protection authority of the exporting country.

(3) Competent Authorities

Fig. 4-4: Contacts of competent authorities

Plant Protection Act	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp

Fig. 4-4: Contacts of competent authorities (continued)

Measurement Act	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Health Promotion Act	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act against Unjustifiable Premiums and Misleading Representations	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions	Consumer Advice Office, Ministry of Economy, Trade and Industry Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3581-3351 http://www.env.go.jp TEL: +81-3-3502-8111 http://www.maff.go.jp
Unfair Competition Prevention Act / Trademark Act	Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3581-1101 http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of dried fruit products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) Unfair Competition Prevention Act.

When importing and selling dried fruits, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on

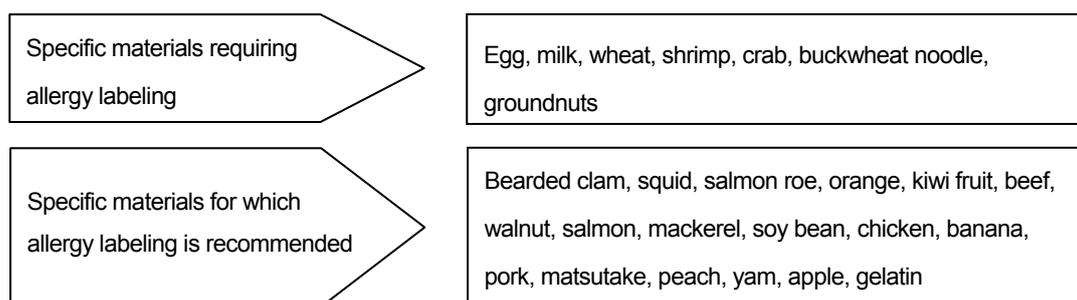
the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

Prohibited additives that have been detected from products include, for example, aflatoxin, which was detected in dried figs made in the U.S.A. and Turkey, and dulcin (sweetener) detected in dried fruits made in China.

<Allergies>

When products containing the specific ingredients shown in Fig. 4-5 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies.

Fig. 4-5: Specific materials related to allergy labeling



Source: Ministry of Health, Labour and Welfare

Some dry fruits such as oranges are subject to allergy labeling. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label does not identify specific ingredients, labeling is required or recommended.

<Content weight>

When importing and selling dried fruits, the importer must measure the length, weight, or volume of the product in accordance with the Measurement Act and indicate them in their respective measurement units required by law on the label.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. As the quality of dried fruits does not deteriorate easily, the "best-by" date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the "best-by" date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For dried fruit products which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

This Act also requires the country of origin for the ingredients of processed articles to be labeled for dried fruits. Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of dried fruits in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). If general names such as “vitamin” are labeled instead of describing the specific names of nutrients, ingredients must be labeled.

Components must be indicated in the following order and unit:

- s) Calories (kcal or kilocalories)
- t) Protein (g or grams)
- u) Fat (g or grams)
- v) Carbohydrate (g or grams)
- w) Sodium
- x) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include dried fruits, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Fig. 4-6) can be labeled as “organic” in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark, to be permitted to have organic labeling.

- g) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- h) Labelling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 4-6: JAS-certified organic mark

**<Containers and packaging>**

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging.

When the following two types of containers and packaging are used for dried fruits, either or both marks shown in Fig. 4-7 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 4-7: Labels for promoting sorted collection



Plastic containers and packaging



Paper containers and packaging

<Description>

Product descriptions with false or misleading expressions are prohibited by the Act against Unjustifiable Premiums and Misleading Representations and the Unfair Competition Prevention Act, which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

There are no voluntary industry restraints for dried fruits.

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on dried fruits are shown in the table below. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin (Form A) issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the prior instruction system in which the importer can make inquiries and receive replies in person, in writing, or via e-mail.

Fig. 4-8: Tariff duties on dried fruits (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
08.03	00	-200	Bananas, dried	6.0%		3.0%	Free	
08.04	10	-000	Dates	Free		(Free)		
	20	-090	Figs, dried					
	30	-090	Pineapples, dried	12.0%		7.2%		Free
	40	-090	Avocados, dried			3.0%		
	50	-090	Mangoes, dried					
08.06	20	-000	Dried grapes	2.0%		1.2%	Free	
08.13			Fruit, dried, mixtures of nuts or dried fruits of this Chapter					
	10		Apricots	15.0%		9.0%		Free
	20	-000	Prunes	4.0%		2.4%	Free	
	30	-000	Apples	15.0%		9.0%		Free
	40	-000	Other fruit					
	20	-010	1. Berries	12.0%		9.0%	4.5%	Free
			2. Other	15.0%				Free
		-021	- Papaws (papayas), soursop, litchi, etc.			7.5%	3.8%	
		-022	- Persimmons, dried			9.0%		
		-023	- Kehapi			9.0%	4.5%	
		-029	- Other			9.0%		
		Mixtures of nuts or dried fruits of this Chapter						
		1. Mixtures containing more than 50% by weight of a single nut or dried fruit constituent, excluding those containing chestnuts, walnuts, pistachios, nuts of subheading 0802.90 (except betel nuts) or dried fruits of subheadings 0813.10 to 0813.40	10.0%		6.0%	3.0%	Free	
	-010 -090	2. Other	20.0%		12.0%	6.0%	Free	
08.14	00	-000	Peel of citrus fruit or melons (including watermelons) , fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions	2.5%		1.5%	Free	

Source: Ministry of Finance

* Although it is impossible to identify dates as fresh or dried items in trade statistics, this document treats them as dried fruits since most of them available on the market are dried products.

Note 10) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 11) Special preferential rate is applicable only for the Least Developed Countries.

Note 12) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

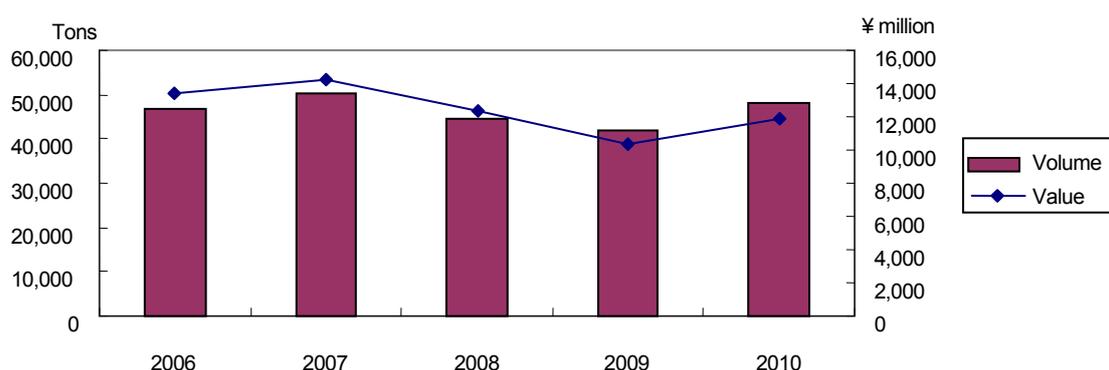
(CIF + Tariff duties) × 5%

IV. Trade Trends

1. Changes in Imports

Raisins and prunes make up a large portion of dried fruit imports, with raisins at 30,470 tons (111.8% vs. previous year) and prunes at 11,077 tons (121.1% vs. previous year) in 2010. Both items are showing steady performance even compared with recent trends, and volumes are stable. Fluctuations for dried persimmons have been volatile, and imports plunged to 882 tons (37.1% vs. previous year) in 2008. This was a result of extensive media coverage on issues involving Chinese food product safety. Imports tend to be affected by importer situations.

Fig. 4-9: Changes in dried fruit imports



Source: Trade Statistics (MOF)

Fig. 4-10: Changes in dried fruit imports by item

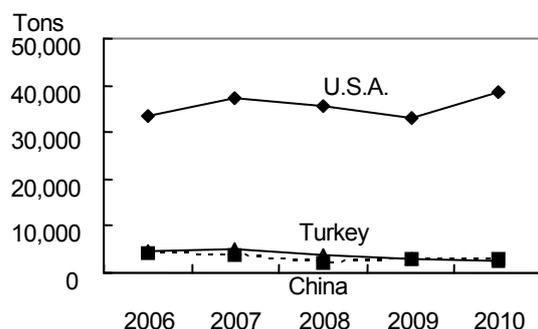
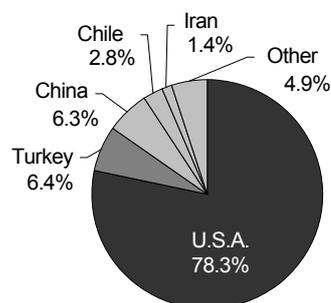
Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Bananas	325	253	259	205	516	97	81	70	64	84
Dates	1,143	919	765	892	1,108	101	91	91	95	114
Figs	1,536	1,494	1,207	957	1,130	656	747	728	496	573
Pineapples	18	31	11	8	11	13	18	10	9	9
Guavas, mangoes and mangosteens	125	97	91	33	39	101	74	60	20	20
Raisins	29,251	32,038	30,484	27,252	30,470	6,276	7,051	6,719	5,384	6,464
Apricots	969	882	676	855	704	542	559	409	384	383
Prunes	9,749	10,949	9,350	9,150	11,077	4,140	4,255	3,312	2,994	3,246
Apples	33	33	27	29	30	32	34	32	21	19
Berries	83	36	31	20	20	192	112	75	37	27
Dried persimmons	2,571	2,378	882	1,645	2,032	586	564	203	270	380
Other	1,142	1,092	932	1,078	1,003	679	665	640	605	556
Total	46,944	50,203	44,716	42,124	48,140	13,415	14,252	12,348	10,379	11,874

Source: Trade Statistics (MOF)

2. Regional breakdown

Seen by country, the top trading partner is the United States with 38,554 tons (117.1% vs. previous year) in 2010, accounting for 80.1% of the total import volume. China came in second in 2010 with 3,171 tons (105.3% vs. previous year). However, most of its records relied on dried persimmons, of which exports took a nosedive in 2008 due to food safety issues with Chinese products, and figures remain unstable. There were signs of recovery in 2010 with Chinese exports of dried persimmons back to 2,032 tons (123.5% vs. previous year). South Africa exported 100 tons or ¥43 million of dried apricots in 2010, making up 14.2% of total dried apricot imports. Dates have been imported from Iran with a volume of 639 tons or ¥52 million in value during 2010, followed by Pakistan with 294 tons, Tunisia with 30 tons, and Egypt with 14 tons. The percentage of African countries in date imports is around 4% on a volume basis.

Fig. 4-11: Trends in leading partner imports**Fig. 4-12: Shares of imports in 2010 (value basis)****Fig. 4-13: Principal places of origin of dried fruits**

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	33,499	37,248	35,523	32,918	38,554	9,624	10,438	9,301	7,820	9,295
China	4,051	3,654	1,941	3,011	3,171	1,233	1,102	647	711	748
Turkey	4,588	4,874	3,615	2,929	2,556	1,085	1,282	1,137	847	756
Chile	1,498	1,406	1,063	1,072	1,302	416	398	315	307	330
Iran	1,178	931	913	706	827	207	206	259	123	166
Other	2,130	2,090	1,662	1,487	1,730	850	825	689	570	579
Total	46,944	50,203	44,716	42,124	48,140	13,415	14,252	12,348	10,379	11,874
(African countries)	625	996	709	529	416	151	218	158	149	121

Source: Trade Statistics (MOF)

Fig. 4-14: Principal places of origin of dried fruits by item (2010)

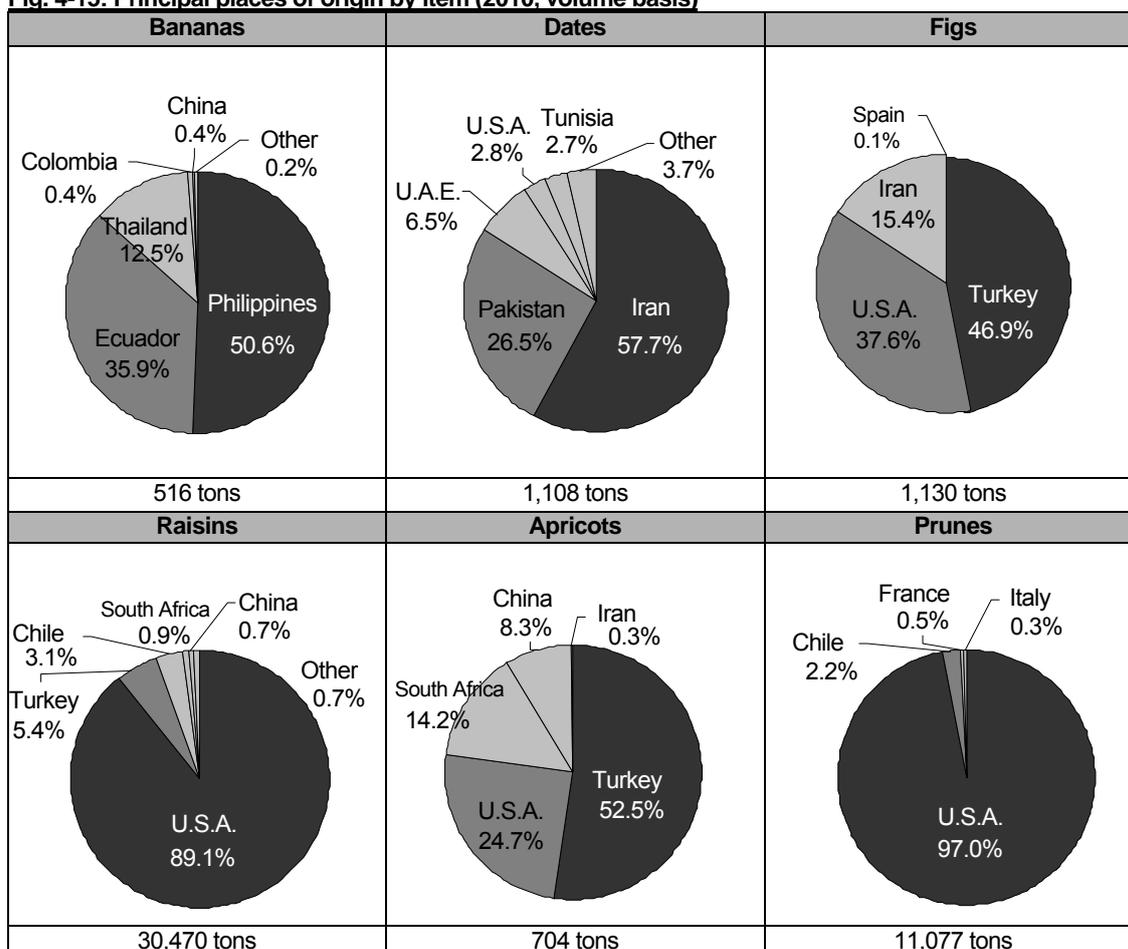
Units: volume = tons, value = ¥ million

Item	Total vol. imports	First place					Second place				
		Country	Volume	Share	Value	Ave. unit price	Country	Volume	Share	Value	Ave. unit price
Bananas	516	Philippines	261	50.6%	7	26.3	Ecuador	185	35.9%	39	210.6
Dates	1,108	Iran	639	57.7%	52	80.6	Pakistan	294	26.5%	19	63.4
Figs	1,130	Turkey	529	46.9%	260	491.9	USA	425	37.6%	202	474.6
Pineapples	11	Thailand	8	74.8%	2	238.0	China	1	12.8%	4	2,671.8
Guavas, mangoes and mangosteens	39	China	28	71.5%	5	182.2	South Africa	3	9.0%	4	1,152.9
Raisins	30,470	USA	27,159	89.1%	5,721	210.7	Turkey	1,655	5.4%	350	211.5
Apricots	704	Turkey	370	52.5%	145	390.7	USA	174	24.7%	186	1,068.4
Prunes	11,077	USA	10,747	97.0%	3,150	293.1	Chile	240	2.2%	60	249.3
Apples	30	Chile	15	51.2%	12	783.0	China	11	35.1%	5	446.1
Berries	20	USA	13	66.4%	13	1016.0	China	3	17.2%	7	2,185.0
Dried persimmons	2,032	China	2,032	100.0%	380	187.0	Taiwan	*	*	*	*

Source: Trade Statistics (MOF)

Note) The share is calculated on a kg basis in the original data source and is not always in agreement with the percentage in the above table, which is calculated on a tonnage basis.

Fig. 4-15: Principal places of origin by item (2010, volume basis)



Source: Trade Statistics (MOF)

3. Import Market Share in Japan

Most of the dried fruits distributed in Japan consist of raisins, prunes, and mangoes. Others are limited to mixed types, of which the majority are imported products. Consequently, supply of domestic products is limited to some fruits and dried persimmons, and remains at a small percentage.

4. Background of Changes in Volume of Imports and Other Trends

Since 2009, prunes and raisins, which hold an overwhelming share as ingredients, have remained stable. In 2010 there was a rise in imports for these dried fruits due to the expansion of demand triggered by health trends. Furthermore, the tendency to eat at home in response to the worsened economic situation is leading to more families baking their confectioneries at home. The trend is also likely to be affected by economic conditions in the future, but many domestic dried fruit manufacturers are ready to spark up demand by pursuing healthy and homemade promotions, and a drastic reduction is unlikely. In fact, there is room for other types of dried fruits to increase market size if their originality or uniqueness can be promoted effectively.

V. Domestic Distribution

1. Trade Practice, Etc.

Special trading firms for dried fruits and nuts or confectionery ingredient suppliers are generally in charge of distributing dried fruits. Therefore, in order to sell nuts in a variety of sectors including home, processing, and commercial use, it is advantageous to do business through these specialized companies.

2. Domestic Market Situations

The Japanese dried fruits market has different market traits between home, processing, and commercial use.

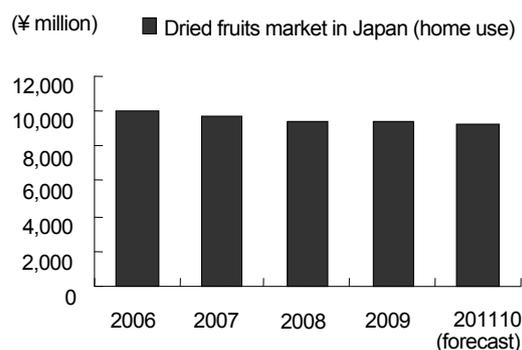
Dried fruits for home use, such as raisins, have a long tradition in Japan and are often used for baking homemade cakes, etc. However, since the 1990s when consumers started to become more health conscious, the media has reported on the health benefits of prunes and other dried fruits. This came under the spotlight, and consumers have started to eat dried fruits as they are, rather than using them in homemade snacks. Starting in the mid-2000s, a major decline in the production of prunes led to a shortage of ingredients, continuous soaring costs and the sluggish economy were also some of the factors of the decline in market size. Nevertheless, due to rising awareness of healthy eating, consumption of dried fruits is growing both in terms of varieties purchased and also in the way in which they are consumed.

Companies such as Kyoritsu-foods, Shoei Foods, Crown Foods, Toyo Nut, and Kracie Foods account for large shares in the dried fruits market. Many of them are also suppliers of nuts.

Fig. 4-16: Dried fruit market in Japan (home use)

Unit: ¥ million		
Year	Sales (¥ million)	Yearly change
2006	9,900	—
2007	9,600	97.0%
2008	9,400	97.9%
2009	9,300	98.9%
2010 (forecast)	9,200	98.9%

Source: 2011 Food Marketing Handbook No. 1, Fuji Keizai



Dried fruits for processing are used in many areas such as confectioneries, breads, desserts, and ingredients, with a substantial market size. Due to the mango boom from 2004 to 2007, mangoes became a driver of growth in the market and led to significant expansion. However, it has now contracted as a reaction, and bottomed out in 2010.

As for commercial use, raisins are used in raisin breads at bakeries, and as relish for curry at curry restaurants.

(1) Use of dried fruits

In Japan, dried fruits are consumed in various ways.

1) Home use

Dried fruits are often eaten directly out of the container, with yogurt, or by adding them to homemade baked goods such as cookies. Prunes and mangoes are often consumed with yogurt. More and more health-conscious women are following this trend, since nutritious fruits can be taken in simply and enjoyably. Furthermore, small pouches of dried fruits such as “Fruity Navi” (Kracie Foods) have become a hit recently. As a result, it has become popular for young women to carry small bags of dried fruits (around 30 grams) and nibble on them every once in a while at school or at the workplace. Dried fruits in such size and containers are now emerging as new demand.

2) Processing use

Dried fruits are generally added in processed foods such as snacks including biscuits, cookies, chocolates, and bread, yogurt, fruit jelly, breakfast cereal, health foods, or sauce for Japanese-style pancakes. The types of dried fruits used and the types of processed foods applicable diversify every year.

Examples of products rapidly gaining momentum in the past few years are bar-shaped biscuits, wafers, or breakfast cereal called nutrition bars or cereal bars containing nutrients such as protein, carbohydrates, vitamins, and minerals in a balanced manner, with reduced calories. The nutrition and flavor of dried fruits were enhanced by adding fruits to these bars, and the

products became a hit among consumers in their late teens and up to those in their thirties. Hence, the volume and assortments of dried fruits have expanded.

Furthermore, the types of dried fruits used in chilled desserts such as fruit yogurt or fruit jelly have also diversified. Mangoes, which were rarely used before, have increased dramatically due to the mango boom starting around 2006.

In Japan, breakfast cereal was generally considered as children's breakfast. However in recent years, many products targeting adults have been launched which include fiber, vitamins, and minerals etc. with less sugar. Due to the lower birthrate, cereal for kids is on a downward trend, but cereal for adults has been increasing. Many of the cereal products for adults have improved taste by adding several kinds of dried fruits. Dried fruits and various types of nuts are mixed in cereal and nutrition bars, so that consumers can take in the abundant nutrients of fruits and nuts in a balanced manner. Products that can appeal to this fact are now growing in sales.

In terms of health foods, dried prune extract sales remain stable due the demand for iron rich foods from middle-aged women.

3) Commercial use

For commercial use, an overwhelming share is covered by raisins, which are used in raisin bread at bakeries. Other uses include relish with curry at curry restaurants or hotels, toppings for salads at restaurants, welcome fruits at hotels, snacks with drinks at bars, or as refreshments at Chinese tea stores.

(2) Types of dried fruits

1) Raisins

Raisins are dried fruits introduced from the United States after World War II. They have a variety of uses such as in bread, cookies or cakes, desserts, and in cooking, but 80% is used in breads and 10% in cookies and others. The majority is produced in the United States, but a small amount is also imported from South Africa and other countries.

2) Figs

There used to be little demand for figs in Japan. However, imports have increased allowing easier access. Since figs are rich in antioxidant properties and in dietary fiber, they are used in confectioneries, jam, and drinks, and are now becoming popular. Many are grown in Turkey or the United States.

3) Apricots

Japan has traditionally been a producer of apricots, but lately there has been an increase in imports from Turkey and the United States where costs are lower. They are eaten directly or used in various confectioneries and cereals, etc.

4) Persimmons, dried

Persimmon trees are grown all over Japan. The fruits are harvested in autumn and usually eaten without processing, but the types of persimmon with less sweetness are dried to increase their sweetness, and then consumed. Therefore, dried persimmons are traditional Japanese dried fruits and eaten as snacks since ancient times. Currently, domestic production has decreased, and many are imported from China.

5) Prunes

Since prunes are nutritious containing minerals such as iron, they are often eaten right out of the bag or with yogurt at home. They are also used as ingredients for health foods or drinks. Most imports come from the United States, but some also come from Chile and other countries.

6) Dates

When dates were first imported to Japan, they were rarely eaten as a whole, but mostly used as ingredients for Worcestershire sauce arranged Japanese-style, on pancakes. By using dates as an ingredient, the sauce was added a unique umami (fifth taste sensation), richness, and sweetness to its flavor. "Otafuku sauce" which consists of around 50% of the market share for Japanese-style pancake sauce, has used dates in their recipe since the 1970s to add a distinctive flavor to their sauce. Since dates are imported from countries such as Iran, Pakistan, and Saudi Arabia, supply becomes disrupted when the situation in the Middle East becomes unstable, such as in the case of the Gulf War or the war in Iraq. A small portion is also imported from North African nations such as Tunisia and Egypt. They are also recently starting to be consumed as dried fruits because of their high nutrients.

7) Mangoes

Mangoes produced in Mexico and Southeast Asia were not frequently distributed in Japan. However since around 2004, various processed foods using mangoes and local fresh mangoes have increased presence in the market, leading to a mango boom, which also substantially expanded the dried mango market. Eating dried mangoes out of the bag or mixing them with yogurt at home has become custom. In addition, mangoes are used increasingly in a variety of processed foods such as chilled desserts and confectioneries. The Philippines holds a large share, but countries such as South Africa also export a certain amount.

8) Blueberries

In the 1990s, blueberries became a fad due to media reports that anthocyanin included in blueberries were good for the eyes. As a result, frozen blueberries, blueberry jam, and snacks and supplements that use blueberry extracts expanded significantly in the market. Dried blueberries were lower in demand compared to frozen blueberries because they were less applicable in processed foods such as desserts, and also because fresh blueberries from the United States were also increasing in imports. However, they are being imported mainly from the United States and other countries to be used as ingredients for snacks such as cookies and nutrition bars or to be eaten out of the bag.

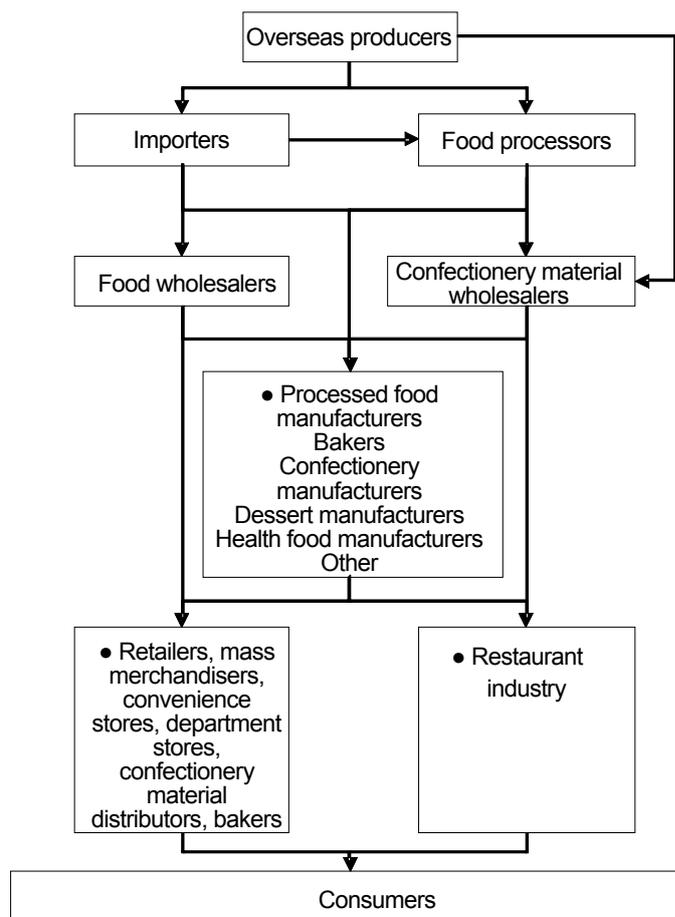
9) Apples

As apples are grown all over Japan and fresh apples are easily obtainable throughout the four seasons at a steady price, demand for dried apples is not high compared to other dried fruits. Nevertheless, they are being imported from Chile and China to be used as ingredients in bread, cakes, cookies, or to be eaten as they are as snacks.

3. Distribution Channels

Distribution of dried fruits in Japan is generally handled by importers, processors, and confectionery ingredient wholesalers, as in the case of nuts. However, there are also specialized trading firms and special processing manufacturers for dried fruits. Since the variety of use covers a broad range of processing such as for bread, confectioneries, drinks, desserts, health foods, ingredients, and others, there are many different processed food manufacturers and each of them require their own volumes and forms.

Fig. 4-17: Distribution channels for dried fruits



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

When entering the Japanese dried fruits market, one must first take into consideration the Japanese dietary habits, tastes in food, living environment, and other aspects. In addition, it is also essential to understand the types of dried fruits, their uses, and the ways they are consumed. For example regarding dietary habits, the Japanese are now extremely health-conscious, and consumers are keenly interested in food products that are good for the health. Hence, dried fruits should be promoted in the Japanese market as healthy foods that are abundant in nutrients. Furthermore, recent demand has been high for organic products and not only limited to dried fruits. Products would be more advantageous if they were organic, but this will require a prerequisite to prove that they are organic (refer to II. Labeling 1. Labeling under legal regulations <Organic labeling>).

Recently in Japan, efforts to secure traceability for all food products have been gathering momentum, and a system enabling tracing of products to their place of origin is required. Also under Japanese standards, products are evaluated not only by class and quality but also by size, uniformity, and appearance. Trading prices are also set based on the aforementioned criteria, so it is essential that one have a thorough understanding of Japanese codes and standards.

The Food Sanitation Act strictly limits the aflatoxin B1 content of dried fruits under 0.01 ppm. Aflatoxin exceeding approved limits is often detected in dried fruits such as figs.

The regulation for aflatoxin currently targets only aflatoxin B1. However, regulations will be tightened starting in October of 2011. Restrictions are planned to be amended to limit the total content of aflatoxin B1, B2, G1, and G2 to be under 0.01 ppm.

<Exhibitions>

Fig. 4-18: Exhibitions for dried fruits

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	International Hotel & Restaurant Show	
	http://www.jma.or.jp/hcj	TEL: +81-3-3434-1377
	Supermarket Trade Show	
	http://www.smts.jp	TEL: +81-3-5209-1056
Dessert, cake, beverage	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL: +81-3-5294-0071

5. Failure Cases

<Mold growing on dried fruits>

In 2009, some mold was found in mix dried fruits for home consumption sold by a food manufacturer. The supplier initiated a voluntary recall of all products. Although some fungi had been detected on the products at the point of import from several countries through a trading firm, mold was not found at that stage. It is believed that the mold had grown at the point of sales at the mass merchandiser after repackaging by the food supplier.

6. Import Associations & Related Organizations

Fig. 4-19: Dried fruit associations and related organizations

Japan Dried Fruits Importers Association	TEL: +81-3-3253-1234
Raisin Administrative Committee	http://www.raisins-jp.org
info@raisins-jp.org	TEL: +81-3-3221-6410
California Dried Plum Board / California Prune Board	http://www.prune.jp
info@prune.jp	TEL: +81-3-3584-0866

5. Cereals

This chapter defines cereals according to the H.S. code of the Tariff Schedule (Fig. 5-1), including domestically produced wheat, maize (corn), rice, and soya beans, as well as prepared food such as breakfast cereals.

Fig. 5-1: Scope of coverage for spices and herbs in this chapter

Category	Description	H.S. code
Wheat	Durum wheat	1001.10-010, -090
	Meslin	1001.90-011, -092
	Other	1001.90-019, 099
Maize (corn)	Maize (corn)	1005
Rice	Rice in the husk	1006.10
	Husked (brown) rice	1006.20
	Semi-milled or wholly milled rice	1006.30
	Broken rice	1006.40
Soya beans	Soya beans	1201
Prepared foods	Prepared foods	1904
	Breakfast cereals	1904.10-010, 1904.20-100
	Other Prepared foods	1904.10, 1904.20

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of cereals is regulated primarily by the following laws: 1) the Act on Stabilization of Supply, Demand and Prices of Staple Food; 2) the Customs Act; 3) the Act on Temporary Measures concerning Customs; 4) the Plant Protection Act; and 5) the Food Sanitation Act.

<Act on Stabilization of Supply, Demand and Prices of Staple Food>

Under the Staple Food Act, the government controls the importing of staple food, including certain cereal grains, and the private sector is not permitted to import the following: wheat, barley / naked barley (Article 3.1. of the Act), muslin / triticale, and processed or prepared foods made from them (rye, oats, etc. are excluded).

The government imports them directly through either trading houses, or the simultaneous buy and sell (SBS) system, in which a buyer and a seller can select the brand, port, and time, etc. of importing in advance.

<Customs Act and Act on Temporary Measures concerning Customs>

The ministerial ordinance on the tariff-rate quota system for maize (corn), etc. under the Customs Act and the Act on Temporary Measures concerning Customs establishes the tariff-rate quota system for the purpose of domestic producers, and applies to maize (corn) among cereals.

When maize (corn) is imported, a lower tariff rate, or the primary tariff rate, is applied only to imports of below certain quantity for the purpose of securing that imported products are available to consumers at lower prices, while imports above the quota limit are subject to a higher tariff rate, or the secondary tariff rate.

In addition, importing of cargos with labeling that falsify the origin of the contents, etc. is banned under the Customs Act.

<Plant Protection Act>

Cereals undergo quarantine procedures, including screening for contamination by any pests or harmful plants, under the Plant Sanitation Act. Quarantine procedures performed at airports and ports are under the authority of the regional Quarantine Stations.

In accordance with Appendix 2. of the Ordinance for Enforcement of the Plant Protection Act, the import of some cereals is prohibited from a number of countries and regions as of March 2011 due to the issues of quarantine pests such as the Hessian fly, rice stem nematode, and citrus burrowing nematode.

Care should be taken as infestation with pests or harmful plants may occur during the process of storage and transportation, even if there is no contamination at the production stage.

No item with soil attached to it may be allowed for import; any soil must be removed before the importing process.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed

additives and drugs for animals) which are included therein, cereals are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, cereals should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of 2011, cereals that are subject to compulsory testing by order of the Health Minister include maize (corn) produced in the USA (which is tested for aflatoxin). The approved limit for aflatoxin B1 content is 0.01 ppm.

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

There is no specific law applicable to the sales of cereals. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of cereals in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Rice Traceability Act>

Under the Rice Traceability Act, enterprises that handle rice, including importers, are obliged to create and retain records on receipt and shipment, including information on the source, when engaging in the trade of rice and certain types of rice for processed rice products.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of cereals in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (paper containers and packaging, plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures

(1) Procedures for Authorization of Importing and Sales

<Import Control>

In order for private enterprises to import wheat, etc. subject to import quota, they are required to make advance notification, and in addition to normal tariff duties, pay to the government an amount determined by referring to the amount specified and announced by the Agriculture Minister and multiplying by the quantity of wheat, etc. to be imported, with certain exceptions stipulated in government ordinances or regulations, for the sake of protection of domestic producers.

In accordance to the ministerial ordinance on the tariff-rate quota system for maize (corn), etc. under the Customs Act and the Act on Temporary Measures concerning Customs, those who wish to receive import quota for maize (corn) must file required documents to International Economic Affairs Division, International Affairs Department, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries. In order to apply to become an enterprise approved for import quota, one must qualify for requirements such as "having experience in import custom clearance for maize (corn) and being trusted to handle importing by themselves."

Issuance of certificates is handled by the Agricultural Production and Livestock Industry Division, Agriculture, Forestry and Fisheries Department, Okinawa General Bureau, Cabinet Office.

<Plant Inspection>

Because the Plant Protection Act rules that bulk importing of cereals is handled only at certain seaports and airports that are capable of sufficient plant protection measures for the purpose of preventing diseases and pests from entering the country, care should be taken in selecting the seaport/airport of entry before exporting from the country of origin. (*Note that not all Quarantine Stations perform the plant inspection.)

In filing an application for the inspection with the Ministry of Agriculture, Forestry and Fisheries Quarantine Station, the required documents must be submitted (Fig. 5-3) promptly after the entry to port. In the event of rejection due to the detection of diseases or pests as a result of quarantine, fumigation or other measures are ordered.

<Food Sanitation Inspection>

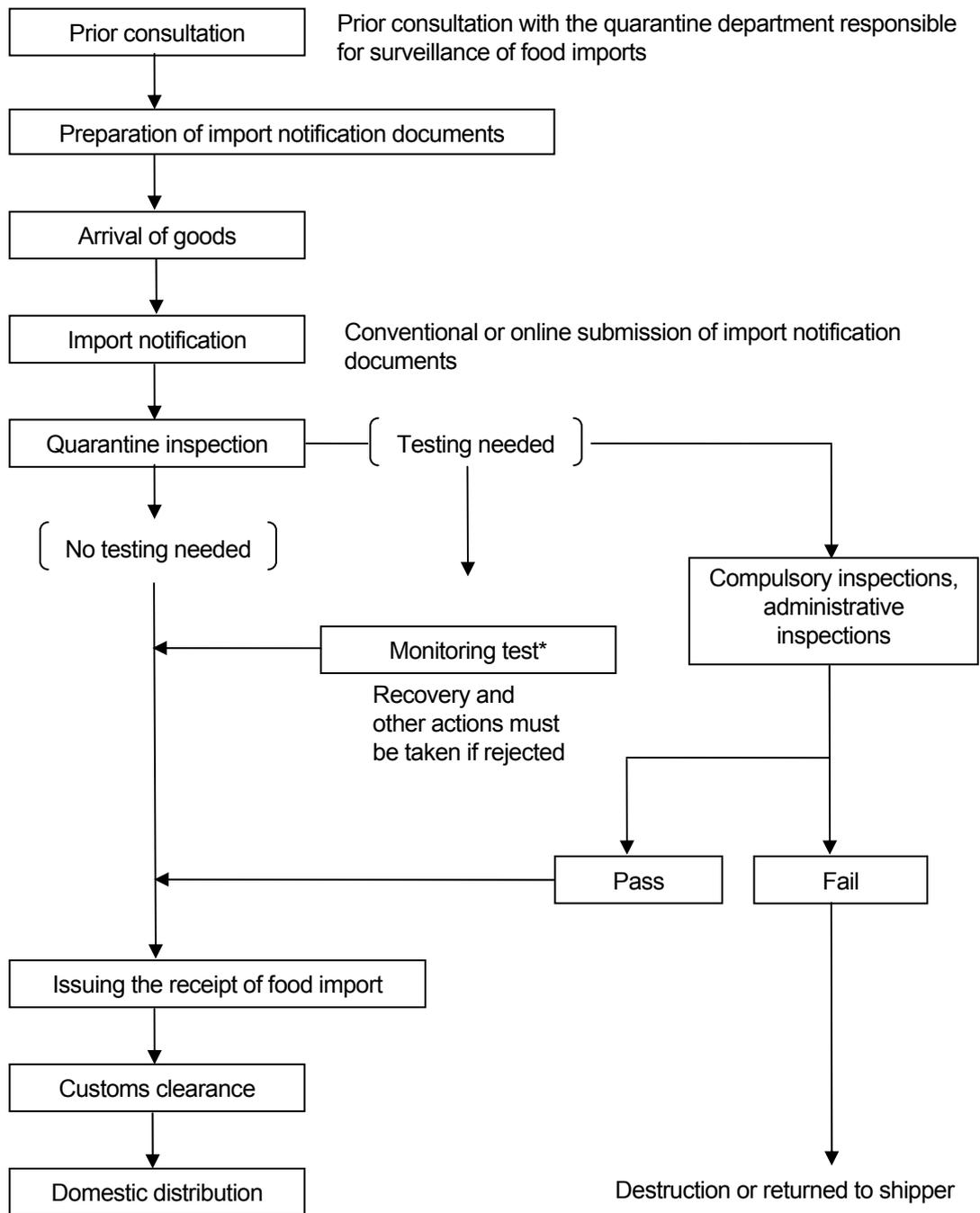
Under the Food Sanitation Act, the required documents must be submitted (Fig. 5-3) when filing an application for the inspection with the Imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 5-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry to Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, import permit may be given in principle.

Fig. 5-2: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 5-3 according to the authorities to which each document is submitted.

Fig. 5-3: Documents required for import clearance

Submitted to	Required documents	Fresh products	Processed products
International Economic Affairs Division, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries	Tariff rate quota application	△	—
	Import clearance record	△*1	—
	Sales results and plan	△*1	—
	Import clearance statistics summary	△*1	—
	Documents to prove that the applicant is the genuine entity that will import cereals	△	—
Quarantine Information Office, Ministry of Health, Labour and Welfare (Plant quarantine under the Plant Protection Act)	Application for import inspection	○	—
	Phytosanitary certificate issued by the plant quarantine service of the exporter	○	—
Departments responsible for surveillance of food imports of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	○	○
	Material/ingredient table	—	○
	Production flow chart	—	○
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	—	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○

Source: Ministry of Agriculture, Forestry and Fisheries; Ministry of Health, Labour and Welfare

○: Required △: Required for particular articles —: Not required *1: Maze (corn) imports

As a phytosanitary (inspection) certificate, in principle the original copy that indicates the absence of pathogen or pest contamination, issued by the plant protection authority of the exporting country in a form in compliance with the International Plant Protection Convention, must be submitted. While the Convention stipulates that the phytosanitary certificate submitted to the authorities of the importing country be the original copy, the following two are deemed valid in Japan, taking into consideration such cases where the original copy is lost or the delivery of the original copy is delayed:

- a) A "carbon copy" of the original copy produced simultaneously; and
- b) A copy that has been proven as being identical to the original copy by the plant protection authority of the exporting country.

(3) Competent Authorities

Fig. 5-4: Contacts of competent authorities

Act on Stabilization of Supply, Demand and Prices of Staple Food / Rice Traceability Act	Consumption and Marketing Division, Staple Food Department, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Plant Protection Act	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act / Act on Temporary Measures concerning Customs	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp

Fig. 5-4: Contacts of competent authorities (continued)

Act for Standardization and Proper Labeling of Agricultural and Forestry Products		
	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Measurement Act		
	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Health Promotion Act		
	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act against Unjustifiable Premiums and Misleading Representations		
	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions		
	Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources		
	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp
	Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Unfair Competition Prevention Act / Trademark Act		
	Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3581-1101 http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of cereal products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) intellectual asset-related laws (e.g., Unfair Competition Prevention Act, Trademark Act).

When selling cereals as fresh products, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 1) product name, 2) country of origin, 3) content, and 4) name and address of importer.

When selling cereals as processed foods, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

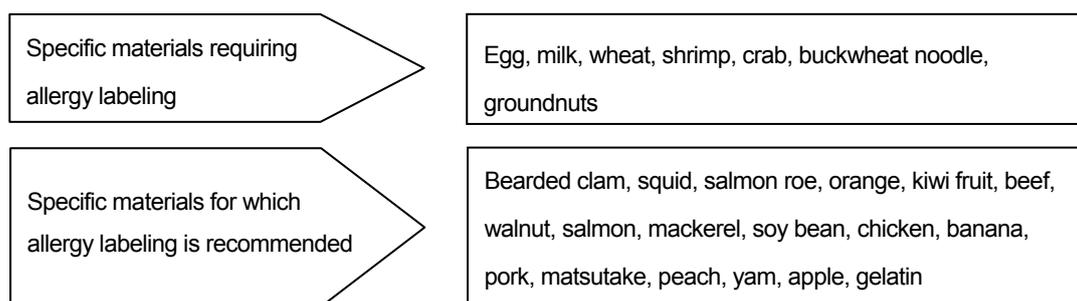
With regard to beans containing cyan compounds, independent labeling standards are prescribed for additives, etc. (Labeling requirements for food and additives included in the Ordinance for Enforcement, Article 21, Appendix 3 of the Food Sanitation Act).

<Allergies>

When products containing the specific ingredients shown in Fig. 5-5 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies.

Some dry cereals such as wheat and buckwheat are subject to allergy labeling. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label does not identify specific ingredients, labeling is required or recommended.

Fig. 5-5: Specific materials related to allergy labeling



Source: Ministry of Health, Labour and Welfare

<Recombinant foods>

Of cereals, soya bean and maize (corn) require the labeling of recombinant foods. Labeling is mandatory for all food products containing recombinant crops under the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and the Food Sanitation Act. The recombinant food labeling system consists of: (1) mandatory labeling stating "Recombinant food" for products made from recombinant ingredients whose genetic identity is preserved, (2) mandatory labeling stating "The identity of ingredients is not preserved" for products made from ingredients whose genetic identity is not preserved, and (3) voluntary labeling stating "Non-recombinant food" for products made from non-recombinant ingredients whose genetic identity is preserved. The applicable labeling is determined based on the acquisition of Identity Preserved (IP) Handling certificates for the production, distribution, and processing stages.

However, labeling can be omitted for foods in which any recombinant ingredient is not the main ingredient (one of the top three ingredients, accounting for 5% or more of the total weight) and for foods in which recombinant DNA and protein generated via such DNA do not remain after processing (e.g., edible oil, soy sauce).

<Content weight>

When importing and selling cereals, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in grams on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry

Products and Food Sanitation Act. As the quality of cereals does not deteriorate easily, the “best by” date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the best-by date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For cereals which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

This Act also requires the country of origin to be labeled for boiled or steamed soya beans. The requirement is not applicable to other soya beans.

Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of cereals in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat).

Components must be indicated in the following order and unit:

- y) Calories (kcal or kilocalories)
- z) Protein (g or grams)
- aa) Fat (g or grams)
- bb) Carbohydrate (g or grams)
- cc) Sodium
- dd) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

Labels for specified health foods or those for special dietary uses must follow the respective standards and be screened for approval. Approval is not required for nutritional foods meeting the requirements.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include cereals, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Fig. 5-6) can be labeled as “organic” in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark, to be permitted to have organic labeling.

- i) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- j) Labelling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 5-6: JAS-certified organic mark



<Containers and packaging>

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When the following two types of containers and packaging are used for cereals, either or both marks (Fig. 5-7) must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 5-7: Labels for promoting sorted collection



Plastic containers and packaging



Paper containers and packaging

<Description>

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

<Japan Grain Inspection Association>

The Japan Grain Inspection Association conducts physiochemical analysis of raw rice with the aim of providing safe rice. The Association has established a system to grant labeling of the Kokken Information Mark on rice products, consisting of a 2D barcode and ID number, in order to provide information on inspection results on the Internet.

Fig. 5-8: Kokken Information Mark



Contact:
Japan Grain Inspection Association
TEL: +81-3-3668-0911
<http://www.kokken.or.jp/>

<Musenmai Association of Japan>

The Musenmai Association of Japan has set down strict standards for pre-washed rice to ensure product safety and quality, and environment preservation. The Association grants labeling of the certification mark (Ecome-chan) (Fig. 5-9) to pre-washed rice meeting the standards.

* Pre-washed rice is a processed rice product that can be cooked only after adding water, without the need for washing as with raw rice.

Fig. 5-9: Certification Mark: Aiokome Ecome-chan



Contact:
Musenmai Association of Japan
TEL: +81-3-3574-8761
<http://www.musenmai.com/>

< Japan Rice Millers Association >

The Japan Rice Millers Association certifies rice milling factories meeting its requirements, granting labeling of the F mark (Fig. 5-10) for rice refined at authorized plants.

Fig. 5-10: Japan Rice Millers Association F Mark



Contact:
Japan Rice Millers Association
TEL: +81-3-4334-2190
<http://www.jrma.or.jp/>

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on cereals and processed cereal-based foods are shown in the table below. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin (Form A) issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the prior instruction system in which the importer can make inquiries and receive replies in person, in writing, or via e-mail.

Fig. 5-11: Tariff duties on cereals (FY2011)

H.S. code			Description	Tariff rate					
				General	Temporary	WTO	GSP	LDC	
1001	10	-010	Wheat and meslin Durum wheat - Imported by Japanese Government or imported with certification of Minister of Agriculture, Forestry and Fishery according to the cabinet order	(65yen/kg)					
		090	- Other	(65yen/kg)	Free 9.80yen/kg	(Free) *(55 yen/kg)			
	90	-011	Other - Imported with certification of Minister of Agriculture, Forestry and Fishery according to the cabinet order		20%	(20%)			
		-019	- Meslin - Other		Free	(Free)			
		-092 -099	- Other - Meslin - Other (other than for feeding purpose)		9.80yen/kg	*(55 yen/kg)			
1005	90	-020	Maize (corn) Other 1. Popcorn, corn which is explosive with heating under normal air pressure 2. Other	Free 50% or 12 yen/kg, whichever is the greater		(Free)			
		-091	- Intended for use in the manufacture of corn starch		#Free				
		-092	- Intended for use in the manufacture of corn flakes, ethyl alcohol or distilled alcoholic beverages		#Free				
		-096	- Other		3%				
		-099	- Other				Free		
1006	10	-010	Rice Rice in the husk (paddy or rough) - Within minimum access volume	(402 yen/kg)	Free 49 yen/kg	(Free) *(341 yen/kg)			
		-090	- Other	(402 yen/kg)	Free 49 yen/kg	(Free) *(341 yen/kg)			
	20	-010	Husked (brown) rice - Within minimum access volume	(402 yen/kg)	Free 49 yen/kg	(Free) *(341 yen/kg)			
		-090	- Other	(402 yen/kg)	Free 49 yen/kg	(Free) *(341 yen/kg)			
	30	-010	Semi-milled or wholly milled rice, whether or not polished or glazed - Within minimum access volume	(402 yen/kg)	Free 49 yen/kg	(Free) *(341 yen/kg)			
		-090	- Other	(402 yen/kg)	Free 49 yen/kg	(Free) *(341 yen/kg)			
	40	-010	Broken rice - Within minimum access volume	(402 yen/kg)	Free 49 yen/kg	(Free) *(341 yen/kg)			
		-090	- Other	(402 yen/kg)	Free 49 yen/kg	(Free) *(341 yen/kg)			
	1201	00	-010	Soya beans, whether or not broken - Of yellowish white	Free		(Free)		
			-090	- Other					
1904	10	-010	Prepared foods obtained by the swelling or roasting of cereals or cereal products 1. Breakfast cereals	15.4%		11.5%		Free	
		20	Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes and roasted cereal flakes or swelled cereals						
			1. Breakfast cereals	15.4%		11.5%		Free	

Source: Ministry of Finance

Note 13) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 14) Special preferential rate is applicable only for the Least Developed Countries.

Note 15) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

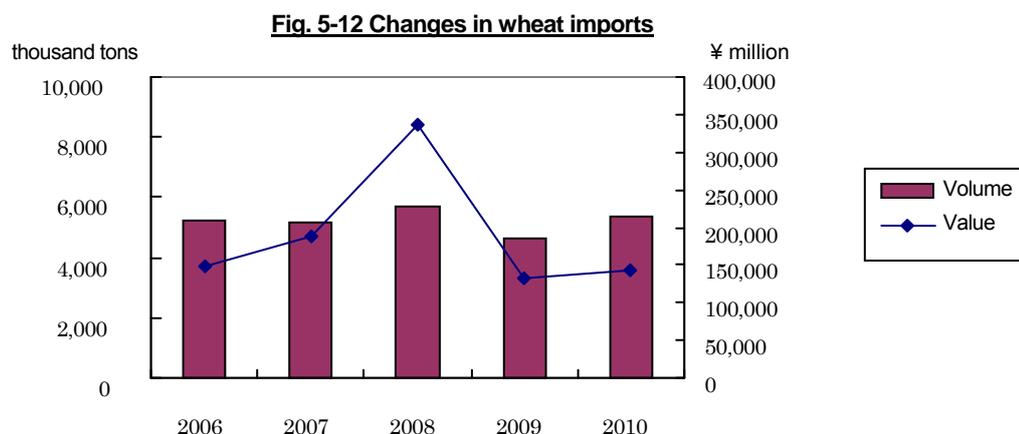
(CIF + Tariff duties) × 5%

IV. Trade Trends

1. Changes in Imports

(1) Wheat

As a result of the switch to tariff measures in 1995, despite maintaining conventional state trading procedures for current access volumes, wheat imports were basically open to any country willing to pay customs. The total volume of wheat imports in 2010 was 5.341 million tons (excluding feeding purposes) which marked 115.9% compared to the previous year, of which durum wheat covered 178,000 tons. Wheat prices rose sharply in 2008 forcing domestic companies to handle the situation and supply for raw ingredients remained tight. However, conditions became more relaxed after 2009.



Source: Trade Statistics (MOF)

Fig. 5-13: Changes in wheat imports by item

Units: volume = thousand tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Durum wheat	208	240	209	214	178	6,142	10,297	18,899	7,668	4,717
Other wheat	5,040	4,947	5,499	4,395	5,163	140,933	178,888	317,083	125,532	138,328
Total	5,248	5,187	5,708	4,609	5,341	147,075	189,185	335,982	133,200	143,045

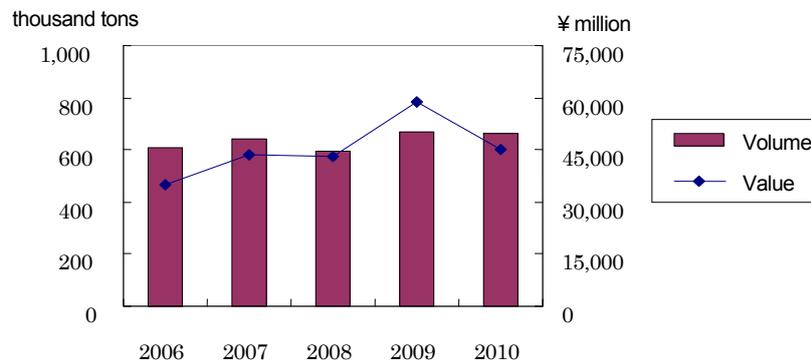
Source: Trade Statistics (MOF)

(2) Rice

As a result of the switch to tariff measures in 1999, despite maintaining conventional state trading procedures for minimum access volumes, rice imports were basically open to any country willing to pay customs. According to foreign trade statistics, imports of rice on a customs clearance basis (a total of husked (brown) rice, milled rice, and broken rice) in 2010 was 665,000 tons, out of which milled rice accounted for 640,000 tons, broken rice for 21,000 tons, and husked (brown) rice for 4,000 tons. Meanwhile, rice imported by paying tariffs outside of the minimum access framework was 257 tons.

Minimum Access

There are two ways the government imports minimum access rice: (1) open tender and (2) simultaneous buy and sell (SBS) tender system. In an open tender, the government decides on the importer, volume of imports/types of rice etc., most of which are long-grain types for processing use. Meanwhile, the SBS tender system tends to focus trade on short-grain types meant for staple food because it is jointly conducted by designated importers and registered wholesalers, and concentrates on imports controlled by businesses.

Fig. 5-14: Changes in rice imports

Source: Trade Statistics (MOF)

Fig. 5-15: Changes in rice imports by item

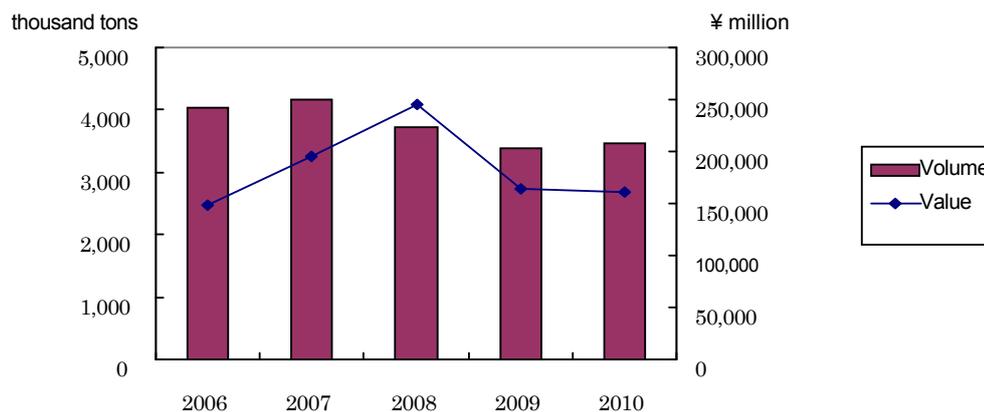
Units: volume = thousand tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Husked (brown) rice	4	8	9	8	4	386	730	720	788	373
Milled rice	503	530	479	577	640	30,563	36,782	35,654	52,720	43,925
Broken rice	99	106	108	86	21	4,244	5,908	6,616	5,206	995
Total	606	644	596	671	665	35,193	43,420	42,990	58,714	45,293

Source: Trade Statistics (MOF)

(3) Soya beans

Soya bean imports had surpassed 5 million tons in 2003, but are recently showing a decreasing trend, with 3,456 thousand tons or ¥160,581 million yen on a value basis in 2010. As in the case of wheat, prices shot up to ¥65,956 per ton in 2008, an increase of 40% or more compared to ¥46,979 of the previous year, due to the global tightening of raw material supply conditions.

Fig. 5-16: Changes in soya bean imports

Source: Trade Statistics (MOF)

Fig. 5-17: Changes in soya bean imports

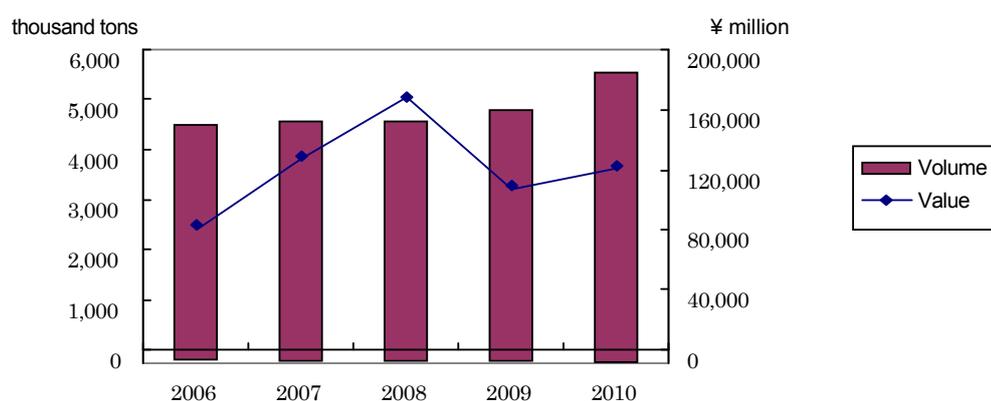
Units: volume = thousand tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Soya beans	4,042	4,161	3,711	3,390	3,456	149,072	195,481	244,764	163,315	160,581

Source: Trade Statistics (MOF)

(4) Maize (corn)

Maize (corn) is classified into use for popcorn, use in the manufacture of corn starch, use in the manufacture of alcoholic beverages, and others. Use in the manufacture of corn starch holds an overwhelming share in the market. This category of maize (corn) is mainly used to make starches or beer, and most of the share comes from American exports. The volume of imports is growing, reaching 5.537 million tons (115.9% vs. previous year) in 2010.

Fig. 5-18: Changes in maize (corn) imports

Source: Trade Statistics (MOF)

Fig. 5-19: Changes in maize (corn) imports by item

Units: volume = thousand tons, value = ¥ million

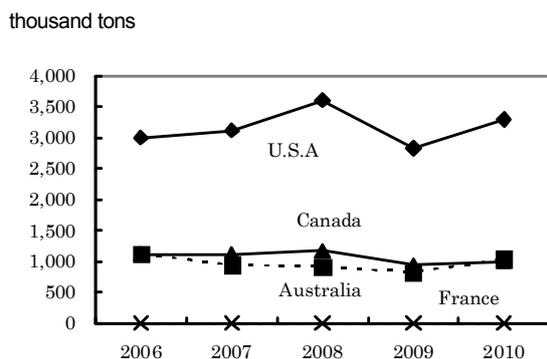
Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Popcorn	8	7	7	8	8	463	488	553	594	567
Manufacture of corn starch	3,620	3,499	3,437	3,105	3,263	67,143	99,070	126,859	71,051	73,113
Manufacture of alcoholic beverages, cornflakes	48	65	68	67	71	935	1,881	2,505	1,727	1,641
Other	809	994	1,068	1,599	2,195	15,190	27,418	38,466	35,543	47,071
Total	4,485	4,565	4,580	4,779	5,537	83,731	128,857	168,383	108,915	122,392

Source: Trade Statistics (MOF)

2. Regional breakdown**(1) Wheat**

The government purchases most of the wheat imports, of which the United States accounted for 3,294 thousand tons in 2010 on a customs clearance basis, commanding 61.7% of the total share. The main types of wheat grown in the United States are hard wheat for bread loafs (Dark Northern Spring), hard wheat for sweet rolls or Chinese noodles (Hard Red Winter), and soft wheat (Western White) for confectioneries or tempura (vegetables or fish dipped in batter and deep-fried). Import volumes have continued to stabilize.

Fig. 5-20: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 5-21: Shares of imports in 2010 (value basis)

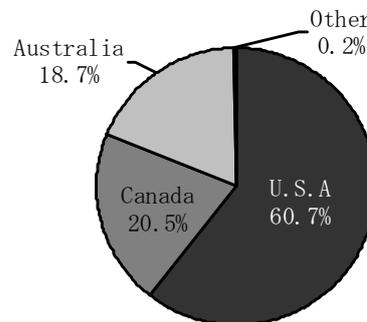


Fig. 5-22: Principal places of origin of wheat

Units: volume = thousand tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	3,001	3,119	3,605	2,832	3,294	80,026	110,045	203,418	80,108	86,792
Australia	1,123	947	925	831	1,039	32,328	34,263	52,281	20,623	26,721
Canada	1,121	1,118	1,174	942	1,003	34,562	44,635	79,945	32,299	29,306
France	3	4	4	3	4	143	222	326	163	210
China	*	*	*	0	0	14	15	6	0	0
Other	*	*	*	*	*	2	5	6	7	16
T o t a l	5,248	5,187	5,708	4,609	5,341	147,075	189,185	335,982	133,200	143,045

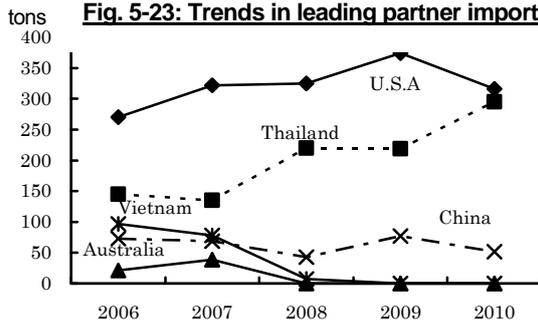
Source: Trade Statistics (MOF)

* suggests the volume of import was less than 1,000 tons.

(2) Rice

Imports of rice in 2010 show the United States accounting for close to half of the import volume, with 316,000 tons covering 47.5.% of the share. Thailand and China follow in line, but no other exporters are seen in 2010.

Fig. 5-23: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 5-24: Shares of imports in 2010 (value basis)

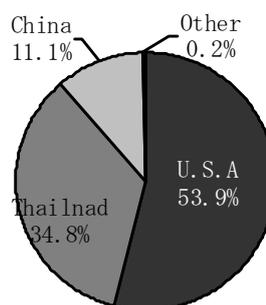


Fig. 5-25: Principal places of origin of rice

Units: volume = thousand tons, value = ¥ million

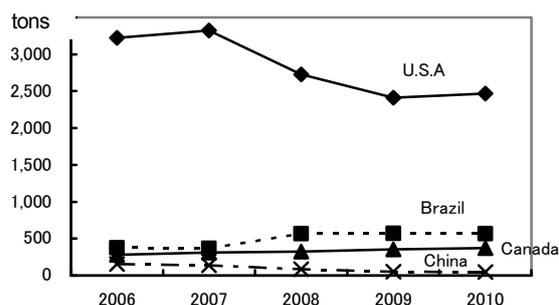
Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	270	322	325	374	316	18,496	24,693	26,497	40,521	24,435
Thailand	145	135	220	219	295	5,469	6,208	12,225	10,782	15,745
China	73	69	43	77	52	6,272	6,392	3,908	7,304	5,041
Vietnam	97	78	7	0	0	3,295	3,077	283	0	0
Australia	21	39	0	0	0	1,561	2,944	0	0	0
Other	*	*	*	*	*	101	106	77	108	71
Total	606	644	596	671	665	35,193	43,420	42,990	58,714	45,293

Source: Trade Statistics (MOF)

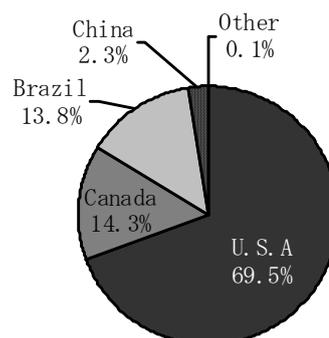
* suggests the volume of import was less than 1,000 tons.

(3) Soya beans

Soya bean imports have been on the decline recently. Although in 2010, a slight increase was seen at 3,456 thousand tons (101.9% vs. previous year), the overall trend is downward. On the other hand, figures on a value basis have increased to ¥160,581 million in 2010, which is 107.7% compared to values in 2006. Hence it can be said that unit prices are rising, reflecting the global food supply situation. The top supplier is the United States with 2.467 million tons (102.3% vs. previous year) in 2010. Brazil comes in second, but far behind the United States with 568,000 tons in 2010.

Fig. 5-26: Trends in leading partner imports

Source: Trade Statistics (MOF)

Fig. 5-27: Shares of imports in 2010 (value basis)**Fig. 5-28: Principal places of origin of soya beans**

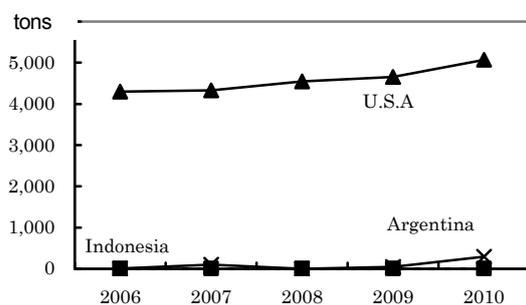
Units: volume = thousand tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	3,225	3,325	2,728	2,412	2,467	114,006	152,432	176,883	111,524	111,634
Brazil	378	367	568	570	568	12,045	16,234	37,196	24,645	22,117
Canada	282	309	325	353	371	13,718	17,285	22,779	22,859	22,961
China	156	137	86	51	48	9,205	8,588	7,619	4,116	3,714
Other	1	23	4	4	2	98	942	287	171	155
Total	4,042	4,161	3,711	3,390	3,456	149,072	195,481	244,764	163,315	160,581

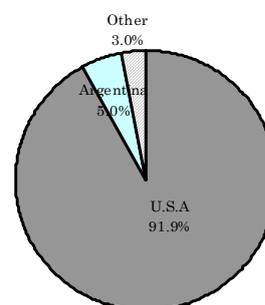
Source: Trade Statistics (MOF)

(4) Maize (corn)

Maize (corn) imports are completely dependent on the United States, recording 5,074 thousand tons or 91.6% of the total share. On the other hand, Chinese imports have steadily declined since 2008, and hardly any imports are seen in 2010. The only African exporter in 2010 was South Africa with about 10,000 tons.

Fig. 5-29: Trends in leading partner imports

Source: Trade Statistics (MOF)

Fig. 5-30: Shares of imports in 2010 (value basis)**Fig. 5-31: Principal places of origin of maize (corn)**

Units: volume = thousand tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	4,297	4,333	4,550	4,655	5,074	80,059	122,295	167,225	106,202	112,467
Argentina	5	98	1	43	294	92	2,855	32	856	6,152
Indonesia	6	6	6	6	5	195	201	254	183	144
China	171	92	0	10	0	3,099	2,377	18	270	1
Other	6	36	23	65	164	286	1,129	854	1,404	3,628
Total	4,485	4,565	4,580	4,779	5,537	83,731	128,857	168,383	108,915	122,392
(African countries)	0	0	0	0	10	0	0	0	0	248

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

Imports of rice and wheat are conducted according to plans under the state trading procedures for areas in which demand cannot be supplied by domestic production alone. Import volumes have fluctuated amid declining domestic consumption, and due to the 2008 tainted rice issue being taken up as a social issue by the media, regrettably, exposure to the public on this matter has been increasing.

Meanwhile, as a result of the steep rise of wheat prices in 2007 and 2008, there was a major influence on the products especially for bread manufacturers. Wheat prices were stabilized in 2009, but as selling prices for wheat will rise again in 2011, there is concern that prices will again be affected.

Fig. 5-32: Import market share in Japan

Unit: thousand tons

	Statistics	2004	2005	2006	2007	2008
Rice	Domestic production	8,730	8,998	8,556	8,714	8,823
	Import volume	726	978	799	856	841
	Export volume	193	179	160	140	137
	Increase in inventory	△ 290	252	△ 466	△ 466	181
	Domestic consumption	9,553	9,545	9,661	9,896	9,346
	Share of imports	7.6%	10.2%	8.3%	8.6%	9.0%
Wheat	Statistics	2004	2005	2006	2007	2008
	Domestic production	860	875	837	910	881
	Import volume	5,484	5,292	5,464	5,386	5,186
	Export volume	0	0	0	0	0
	Increase in inventory	78	△ 46	73	△ 52	△ 19
	Domestic consumption	6,266	6,213	6,228	6,348	6,086
Share of imports	87.5%	85.2%	87.7%	84.8%	85.2%	
Soya beans	Statistics	2004	2005	2006	2007	2008
	Domestic production	163	225	229	227	262
	Import volume	4,407	4,181	4,042	4,161	3,711
	Export volume	0	0	0	12	0
	Increase in inventory	△ 145	58	34	72	△ 61
	Domestic consumption	4,715	4,348	4,237	4,304	4,034
Share of imports	93.5%	96.2%	95.4%	96.7%	92.0%	

Source: Food balance sheet, Ministry of Agriculture, Forestry and Fisheries

4. Background of Changes in Volume of Imports and Other Trends

Regarding food grains in general, there were some negative factors such as increased concern among consumers triggered by the highly-publicized tainted rice issue in 2008. However, expectations are high for an expansion of domestic rice consumption, due to efforts by the government to distribute rice flour in response to rising wheat prices. On the other hand, the bread-based diet of the Japanese was affected due to the soaring prices of wheat in 2008. Prices became stable in 2010, but with wheat prices rising again in April of 2011, correlations with rice are expected to become even stronger. As consumption of wheat dwindles, consumption of rice is expected to gain momentum.

V. Domestic Distribution

1. Trade Practice, Etc.

(1) Rice

The price and distribution of rice used to be controlled by the government under the Foodstuff Control Act, but in 1995 the same law was abolished to be replaced with the Act for Stabilization of Supply-Demand and Prices of Staple Food (Staple Foods Law). This new law enabled rice producers (farmers) to sell rice directly to consumers. Moreover, prices of rice, which used to be decided by the government, were now to be set based on market trading. Prices have been falling sharply thereafter.

(2) Wheat

The distribution of wheat used to be controlled by the government under the Foodstuff Control Act, but after the abolishment of the same law in 1995, despite maintaining conventional state trading procedures for current access volumes (actual import volume from 1986 to 1988), wheat imports were basically open to any country willing to pay customs. Wheat is sold at a particular price, being the only price-controlled grain in Japan.

2. Domestic Market Situations

(1) Rice

Rice is not only the staple food in Japan, but is also a crop deeply intertwined with Japanese customs and lifestyles. Hence, it is an important agricultural product.

The Japanese generally consume milled japonica rice as their staple food, but also uses it for various other purposes such as in snacks, noodles, alcoholic beverages, feed, and others.

Around 8 million tons of rice per year is produced locally, and 665,000 tons were imported in 2010. A large share of imports comes from the United States and Thailand. Other exporters include China and Australia. Recently, due to changes in lifestyles and diversification of diets, fewer people are eating rice. Per-capita rice consumption is decreasing year by year, especially among the young. Some of the reasons for the decline include the dwindling birthrate coupled with the aging population, Westernization of diets, conversion to other staple foods such as noodles, and the time and effort needed to cook rice at home compared to breads, etc. For this reason, the government is taking measures to reduce the amount of rice harvests by encouraging farmers to convert to other crops. However, the supply and demand gap has not been filled and there is still a surplus of rice. The government is also trying to work on improving self-sufficiency ratios in pair with tackling the rice surplus issue. Efforts have been made to promote the use of powdered rice, or rice flour, in a variety of uses since around 2008. The situation with leftover rice is serious as consumption of rice consumed as cooked rice shrinks every year. If rice could be used as a substitute for flour, the rice surplus issue can be improved, the self-sufficiency ratio will be increased, and an affordable alternative product for flour, which is experiencing a global rise in prices, will be secured. Rice flour has historically been used in Japanese confectioneries, rice biscuits, and rice cakes, but now they are increasingly used in bread, Western confectionery, noodles, and batter.

Japanese rice ranges dramatically in price according to the strain. Production costs are high for the popular types of rice said to have better flavor, but they are also sold at high retail prices sometimes reaching almost twice the price of generally distributed low-priced rice. The overall rice market is seeing budget prices amid the deflationary trend, but demand for high-value-added products such as well-accepted brand rice, organic rice, reduced pesticide rice, and others is also increasing. Rice is mainly grown in prefectures of Niigata, Hokkaido, Akita, Fukushima, Yamagata, and Ibaragi. Niigata prefecture is especially well known as a producer of “Uonuma-san Koshihikari (Koshihikari rice from Uonuma)” which is especially well-received and sold at luxury prices.

Various types of processed foods using cooked rice are favored because they save time in cooking and preparation. Rice used for processing, other than as staple food includes a variety of uses such as snacks, noodles, rice wine, distilled spirits, and feed. Recently, rice products have also diversified due to the health-conscious trend. Husked (brown) rice before milling was not popular because of its hardness and unsavory flavor. However, husked (brown) rice has recently been reexamined for its nutritious content, increasing its popularity as a healthy food product. Furthermore, germinated brown rice, which is slightly sprouted to make rice softer, tastier, and higher in nutritional value, has also increased in market size. In addition, millet, which is a mixture of various cereals that can be cooked with rice, is also being sold, showing significant expansion in the market in the mid-2000s.

Fig. 5-33: Changes in rice production

FY	Yield (tons)	Growth
1950	9,650,400	100.0%
1960	12,858,900	133.2%
1970	12,688,800	131.5%
1980	9,750,600	101.0%
1990	10,498,700	108.8%
2000	9,490,100	98.3%
2005	9,074,000	94.0%
2006	8,556,000	88.7%
2007	8,714,000	90.3%
2008	8,823,000	91.4%
2009	8,474,000	87.8%
2010	8,483,000	87.9%

Source: Ministry of Agriculture, Forestry and Fisheries

Fig. 5-34: Annual rice consumption per capita

FY	Annual milled rice consumption per capita (kg)	Growth
1960	126.2	100.0%
1970	105.0	83.2%
1980	87.1	69.0%
1990	77.3	61.3%
2000	71.3	56.5%
2002	69.2	54.8%
2003	68.3	54.1%
2004	67.9	53.8%
2005	67.8	53.7%
2006	67.4	53.4%
2007	67.7	53.6%

(2) Wheat

Wheat is milled to be used in bread, snacks, pasta, thick white noodles, various dishes, feed, and many other purposes, and is commonly seen in the Japanese diet.

Approximately 5 million tons of wheat is imported, showing steady performance. Out of this demand, 800,000 tons are produced locally, while the remaining imports come from the United States, Canada, and Australia. Amid the declining population due to decreased birthrates, demand for flour remains robust due to its various uses, abundance in processed foods, and growth in products. Affected by global fluctuations in the market rate, prices for flour and flour-processed products have been increasing and decreasing. As a result, demand is likely to continue to fluctuate.

The annual per capita consumption of flour is 31 to 32 kg, remaining roughly constant.

Fig. 5-35: Production and imports of Wheat

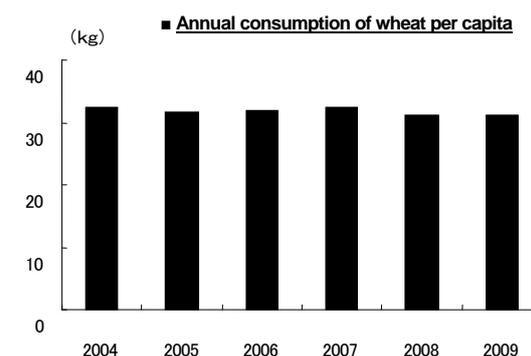
Unit: thousand tons

FY	Imports	Yearly change	Domestic production	Yearly change	Total	Yearly change
2006	5,248	—	837	—	6,085	—
2007	5,187	98.8%	910	108.7%	6,097	100.2%
2008	5,708	110.0%	881	96.8%	6,589	108.1%
2009	4,608	80.7%	674	76.5%	5,282	80.2%
2010	5,341	115.9%	568	84.3%	5,909	111.9%

Source: Ministry of Finance; Ministry of Agriculture, Forestry and Fisheries
Figures are the volume of rice before milling.

Fig. 5-36: Annual consumption of wheat per capita

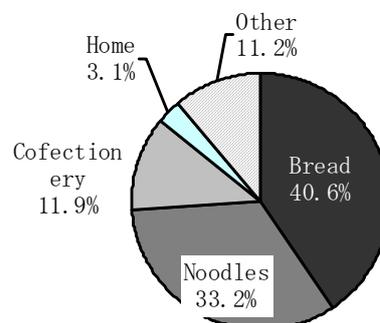
FY	Annual consumption per capita (kg)	Yearly change
2004	32.3	—
2005	31.7	98.1%
2006	31.8	100.3%
2007	32.3	101.6%
2008	31.1	96.3%
2009	31.1	100.0%



Source: Ministry of Agriculture, Forestry and Fisheries

Fig. 5-37 Wheat powder production by use (2008)

Use	Production (thousand tons)	Ratio
Bread	1,920	40.6%
Noodles	1,570	33.2%
Confectionery	562	11.9%
Home	147	3.1%
Other	527	11.2%
Total	4,726	100.0%



Source: Ministry of Agriculture, Forestry and Fisheries
Figures in the list are the volume of milled wheat. Other includes wheat for feed and industrial use.

(3) Soya beans

Historically, soya beans and soya bean-processing products have been a valuable protein source in Japan, and the Japanese tend to consume more soya beans than Westerners. Usage is not limited to traditional foods such as tofu, soy sauce, and miso (soya bean paste), but has recently expanded significantly to include snacks that use soya beans, soymilk, and supplements.

Demand is high for traditional foods such as tofu, soy sauce, and miso (soya bean paste), but these are mature markets slightly decreasing due to declining birthrates and the aging population. Although snacks using soya beans and soymilk currently have little demand, many products arranged in a contemporary style have been launched, marking significant growth. Furthermore, soya beans became a fad due to media reports in the mid-2000s that isoflavone included in soya beans was effective against osteoporosis. Supplements utilizing the high nutritional value of soya beans are growing considerably in sales. 4 million tons of soya beans are imported. Slightly over 200,000 tons are produced in Japan, and local soya beans do not account for even 10% of the overall share. However, as they are suitable for processing into tofu with their fine flavor, the government is promoting production of domestic soya beans by providing subsidies, etc. Most imports are from the four countries of the United States, Brazil, Canada, and China. The United States accounts for about 70% of the total share.

There is a growing trend worldwide for genetically modified soya beans. However in Japan, due to reasons such as safety not being ensured with genetically modified foods, many consumers are concerned about using genetically modified soya beans as an ingredient. Therefore, genetically modified labeling for soya bean processed foods became compulsory in 2001. Genetically modified soya beans are rarely used in ingredients of tofu or miso, which are directly edible food products, but they are used in refining oil.

Fig. 5-38: Production and imports of soya beans

Unit: thousand tons

FY	Imports	Yearly change	Domestic production	Yearly change	Total	Yearly change
2003	5,173	—	232	—	5,405	—
2004	4,407	85.2%	163	70.3%	4,570	84.6%
2005	4,181	94.9%	225	138.0%	4,406	96.4%
2006	4,042	96.7%	229	101.8%	4,271	96.9%
2007	4,161	102.9%	227	99.1%	4,388	102.7%
2008	3,711	89.2%	262	115.4%	3,973	90.5%

Source: Ministry of Finance; Ministry of Agriculture, Forestry and Fisheries

Fig. 5-39: Soya bean consumption by use (2008)

Use	Consumption (thousand tons)	Ratio
Bean oil	2,802	73.0%
Tofu, fried tofu	495	12.9%
Miso (soya bean paste)	137	3.6%
Natto	128	3.3%
Soy sauce	39	1.0%
Frozen tofu	28	0.7%
Soymilk	25	0.7%
Other	182	4.7%
Total	3,836	100.0%

Source: Ministry of Agriculture, Forestry and Fisheries

(4) Maize (corn)

Maize (corn) is used in various processed foods, and also often eaten grilled or boiled. It is also deeply intertwined with the Japanese people, and demand is high. Most of the demand relies on imports, and Japan is the largest importer of maize (corn).

90% of the imports come from the United States, and a small amount is also imported from Argentina, Indonesia, China, and other countries. 75% of the imports are used as forage. It is also often used in industrial products such as industrial alcohol, fuel ethanol, and plastic products. For food usage, manufacturing of corn starch, used in making beer and starches holds an overwhelming share. It is also used in processed foods such as sweeteners, oil, distilled spirits, and other food products. Market rates are escalating worldwide due to the increased demand as a raw material for bioethanol and also due to an expansion of demand in developing nations. Hence, import prices are rising. Domestic maize (corn) is eaten as it is, or canned and processed for consumption.

Demand for maize (corn) has remained flat and relatively stable. However, actions have been taken to replace maize (corn) with alternative products for feed, due to the global rise in prices.

Fig. 5-40: Production and imports of maize (corn)

FY	Imports (thousand tons)	Yearly change
2006	4,485	—
2007	4,565	101.8%
2008	4,581	100.4%
2009	4,779	104.3%
2010	5,538	115.9%

Source: Ministry of Finance

FY	Domestic production (thousand tons)	Yearly change
2004	205	—
2005	192	93.7%
2006	177	92.2%
2007	198	111.9%
2008	208	105.1%

(5) Millet

Millet is the collective term that refers to miscellaneous grains other than the main types including rice, wheat, beans, or maize (corn). They have historically been a part of the Japanese daily diet, but the custom of eating millet started to die out as the production volume of rice increased. However, since the 2000s, health benefits of millet have been recognized and popularity has increased. Processed foods using millet are increasing presence in the market, especially with millet rice, which is white rice cooked with blended millet.

Japanese traditional grains such as kibi, awa, and hie are generally included in millet, but there are also cases where quinoa and amaranthus imported from South America are blended with the millet, because they are also high in nutritional value.

(6) Breakfast cereals

Cereal is a food product which processes grains such as maize (corn), wheat, rice, and others into flakes so that they are easier to eat. The Japanese market for cereal was developed to target children's breakfasts starting in the 1960s. However, due to declining birthrates, products not only targeting children but also adults increased with increased attention on beauty, health, and dieting to match consumer demand especially among young women. However, due to the expansion of the market in 2006 for block-type cereal or cereal bars, demand has shifted towards cereal bars because of their convenience compared to breakfast cereal, and the market for breakfast cereal is on the decline. Recently, there are more products with dried fruits and nuts, making them better in taste and also more nutritious.

Fig. 5-41: Size of breakfast cereal market

Year	Sales (¥ million)	Yearly change
2006	25,550	—
2007	25,000	97.8%
2008	25,000	100.0%
2009	24,000	96.0%
2010 (forecast)	23,600	98.3%

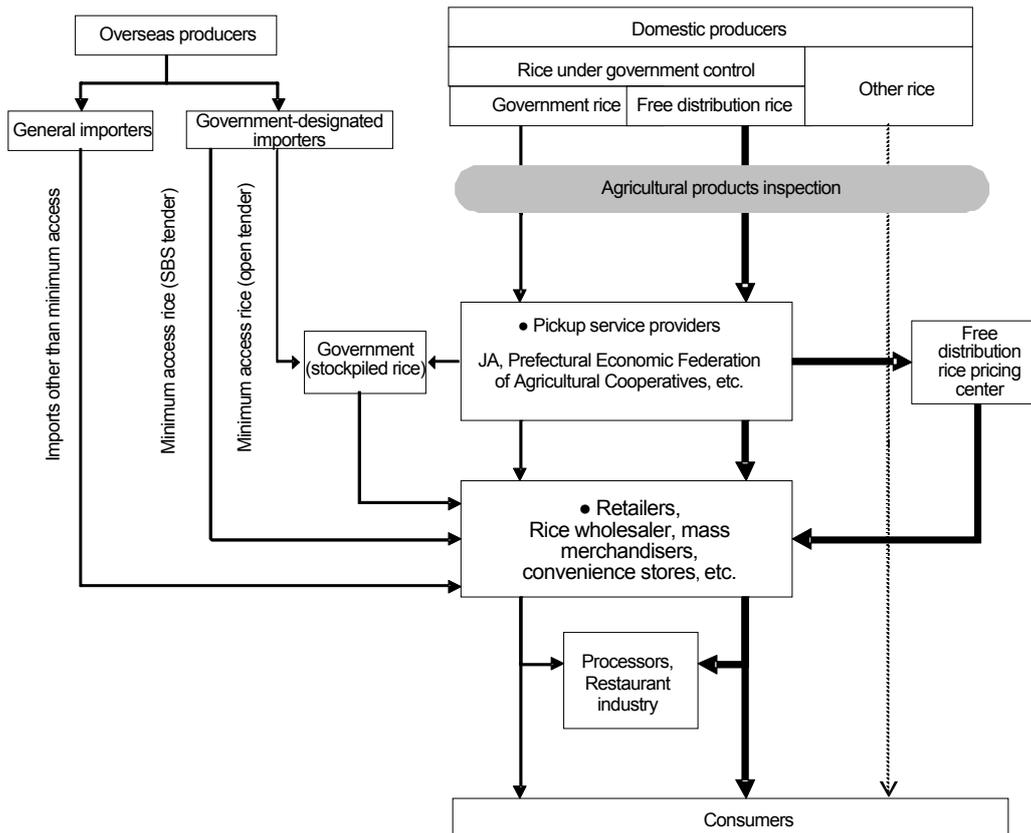
Source: 2011 Food Marketing Handbook No. 3, Fuji Keizai

3. Distribution Channels

(1) Rice

The most common sales channel of rice to consumers is through mass merchandisers. Rice is also sold at department stores and rice stores. In 2004, the Act for Stabilization of Supply-Demand and Prices of Staple Food (Staple Foods Law) was drastically revised to loosen regulations on trading and distributing rice. As a result, the sales route for rice diversified, especially increasing direct selling from rice farmers to consumers through the internet and other means.

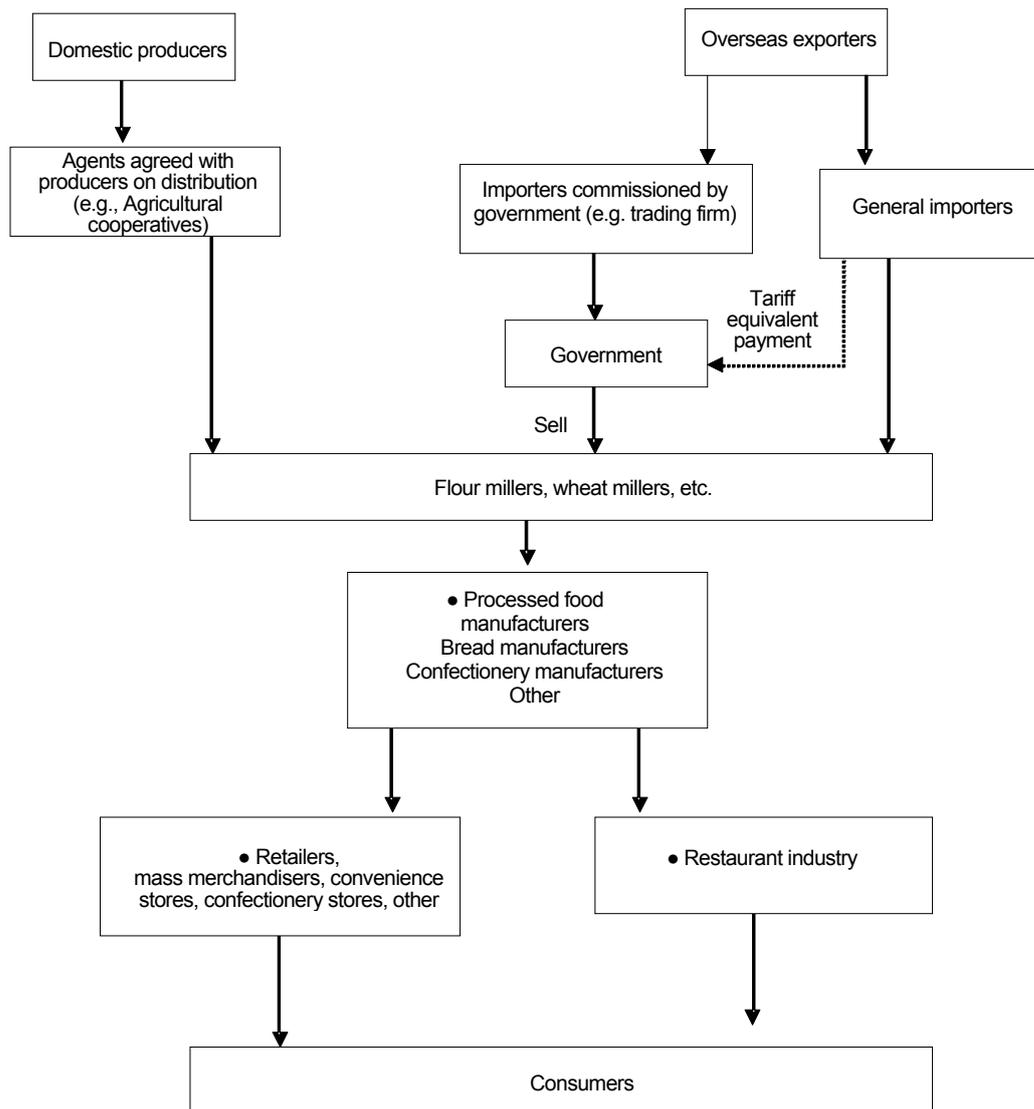
Fig. 5-42: Distribution channels for rice



Source: Fuji Keizai research data

(2) Wheat

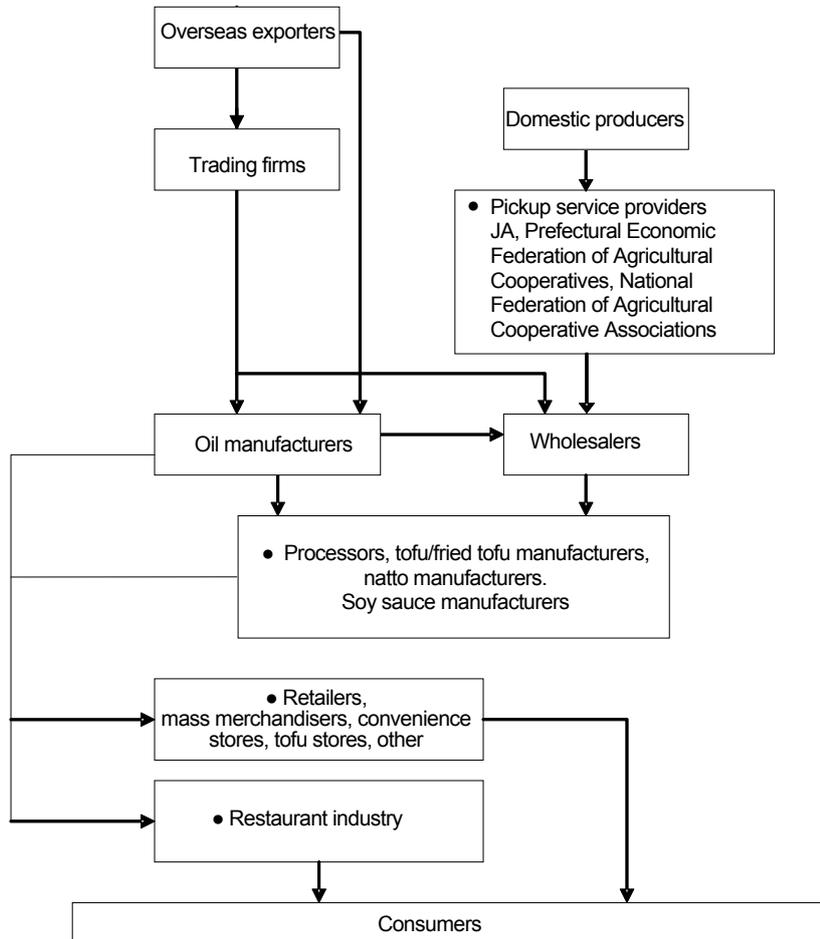
Imported wheat is brought into Japan by government-commissioned trading firms or general importers to be purchased by flour millers. Domestic wheat is generally consolidated by agricultural cooperatives, and then purchased by the millers. Millers and maltsters process them as flour and sell them to processed food manufacturers, where they are again processed to make products such as bread, snacks, or noodles. There are also a number of cases where the miller processes the flour to make noodles, etc. The flour and processed foods are sold to the consumers through retailers such as mass merchandisers or restaurants in the food-service industry.

Fig. 5-43: Distribution channels for wheat

Source: Fuji Keizai research data

(3) Soya beans

Imported soya beans are purchased by wholesalers or oil refiners through trading firms, to be used in edible oil or processed foods. Local soya beans are collected by consolidators such as agricultural cooperatives, and used by processing manufacturers.

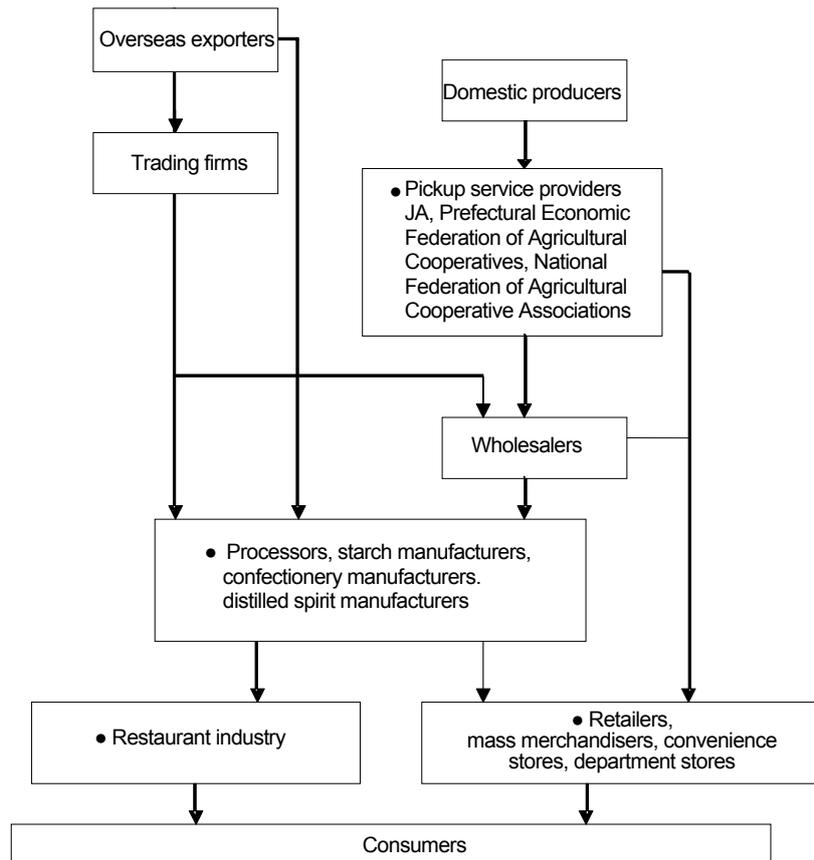
Fig. 5-44: Distribution channels for soya beans

Source: Fuji Keizai research data

(4) Maize (corn)

Imported maize (corn) is purchased by wholesalers or processing manufacturers via trading companies, to be applied in a variety of purposes such as feed, starches, processed foods, etc. Maize (corn) grown in Japan is consolidated by agricultural unions to be used by food processing companies or sold directly to consumers.

Fig. 5-45: Distribution channels for maize (corn)



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

Imports of grain are subject to control under the the Act for Stabilization of Supply-Demand and Prices of Staple Food (Staple Foods Law), Plant Protection Act, Food Sanitation Act, and the JAS Law (Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products).

In the case of maize (corn), attention is also required because there may be cases where aflatoxin exceeding allowable limits is detected. The regulation for aflatoxin currently only limits aflatoxin B1 content to be lower than 0.01 ppm. However, regulations will be tightened starting in October of 2011. Restrictions are planned to be amended to limit the total content of aflatoxin B1, B2, G1, and G2 to be under 0.01 ppm. All types of grains have the possibility of growing mold in transit or storage although this is not as poisonous as aflatoxin.

Introduction of a traceability system is mandatory for all food products in Japan, but attention is especially required since genetically-modified labeling is compulsory for soya beans and maize (corn) under the JAS Law. In Japan, many consumers show a negative reaction toward genetically modified foods. Therefore, currently many of the food products use nongenetically modified ingredients. However, in the United States, the largest grain exporter, production of

nongenetically-modified ingredients is not welcomed because of its time, effort, and higher costs. Hence it is getting more difficult to be supplied with nongenetically modified materials. Therefore, many Japanese trading firms are considering importing nongenetically modified ingredients if they can be provided in bulk with a stable supply, even if it means higher costs than the market rate.

<Exhibitions>

Fig. 5-46: Exhibitions for cereals

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL.03-3434-3453
	International Hotel & Restaurant Show	
	http://www.jma.or.jp/hcj	TEL.03-3434-1377
	Supermarket Trade Show	
	http://www.smts.jp	TEL.03-5209-1056
Dessert, cake, beverage	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL.03-5294-0071
Home-meal replacement (takeout food)	FABEX	
	http://www.fabex.jp	TEL.03-3523-2755
Rice powder	Rice Powder Industry Expo (First event held in April 2011)	
	http://www.fabex.jp/sweets/image/banner_messw_12.pdf	TEL.03-3523-2755
Noodles	Noodle Industry Expo	
	http://nichimen.or.jp/mensanten	TEL.03-3262-5206

5. Failure Cases

<Sales of tainted rice>

In 2008, a rice miller was found selling nonglutinous rice imported from Vietnam for industrial (nonfood) use as edible rice, knowing that it was tainted (contaminated with pesticides, aflatoxin etc.). This became a huge social issue since the tainted rice was already used as an ingredient for various types of liquor and snacks at many rice wine brewers and confectionery makers. The company went bankrupt and the president was arrested. The Minister of Agriculture, Forestry and Fisheries also resigned, taking responsibility for the case. This incident was caused by Japanese wholesalers after importing, so this was not a case involving importers. However, after the incident, related parties intensified inspections on aflatoxin and pesticide residues. Importers, manufacturers, and retailers promoted increased efforts in establishing traceability. Therefore, it can be said that this case had a major impact on Japanese grain imports.

6. Import Associations & Related Organizations

Fig. 5-47: Cereal importer associations and related organizations

Flour Millers Association	http://www.seifunky.jp TEL.03-3667-1011
Japan Millet Association	http://www.zakkoku.jp info@zakkoku.jp TEL.03-3500-5461
Japan Speciality Agriculture Products Association	http://www.jsapa.or.jp info@jsapa.or.jp TEL.03-3584-6845
Rice Stable Supply Support Organization	http://www.komenet.jp TEL.03-4334-2150

6. Vegetables, Fruits, and Processed Products

This chapter defines vegetables, fruits, and their processed products according to the H.S. code of the Tariff Schedule (Fig. 6-1), covering vegetables, canned fruits, jams, and processed tomato products available on the Japanese market. Dried fruits are covered in the chapter on Dried Fruits.

Fig. 6-1: Scope of coverage for vegetable, fruits, and processed products in this chapter

Category	Description	H.S. code
Fresh vegetables (Fresh or chilled vegetables, excluding mushrooms)	Potatoes	0701
	Tomatoes	0702
	Onions	0703.10-011,012,013
	Shallots	0703.10-020
	Welsh onions, leeks, and other alliaceous vegetables	0703.90
	Cauliflowers, Brussels sprouts	0704.10,20
	Cabbage lettuce, other lettuce	0705.11,19
	Witloof chicory, other chicory	0705.21,29
	Carrots and turnips	0706.10-000
	Burdock	0706.90-010
	Cucumbers and gherkins	0707.00
	Peas (<i>Pisum sativum</i>)	0708.10
	Beans (<i>Vigna spp.</i> , <i>Phaseolus spp.</i>)	0708.20
	Other leguminous vegetables	0708.90
	Globe artichokes	0709.90-092
	Asparagus	0709.20
	Aubergines (egg-plants)	0709.30
	Celery other than celeriac	0709.40
	Fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i>	0709.60
	Sweet peppers (Large bell type)	0709.60-010
	Spinach, New Zealand spinach and orache spinach (garden spinach)	0709.70-000
	Sweet corn	0709.90-010
	Pumpkins	0709.90-091
Taros	0714.90-210	
Frozen vegetables (uncooked or cooked by steaming or boiling in water)	Potatoes	0710.10,2004.10
	Peas (<i>Pisum sativum</i>)	0710.21
	Beans (<i>Vigna spp.</i> , <i>Phaseolus spp.</i>)	0710.22
	Green soya beans	0710.29-010
	Other	0710.29-090
	Spinach, New Zealand spinach and orache spinach (garden spinach)	0710.30
	Sweet corn	0710.40
	Young corncobs	2004.90-240,291
	Broccoli	0710.80-010
	Asparagus	2004.90-211
	Burdock	0710.80-030
	Bamboo shoots	2004.90-220
	Other	2004.900-299
Dried vegetables (Whole, cut, sliced, broken or in powder, but not further prepared)	Onions	0712.20-000
	Sweet corn	0712.90
	Bamboo shoots	0712.90-010
	Osmund	0712.90-020
	Radishes	0712.90-040
	Dried gourd shavings	0712.90-060
Other	0712.90-090	
Tropical fruits	Bananas	0803.00-100
	Pineapples	0804.30-010
	Avocados	0804.40-010
	Papaws (papayas)	0807.20-000
Citrus fruits	Oranges	0805.10-000
	Grapefruit	0805.40-000
	Lemons	0805.50-010
	Limes	0805.90-020

Fig. 6-1: Scope of coverage for vegetable, fruits, and processed products in this chapter (continued)

Category	Description	H.S. code
Temperate fruits	Grapes	0806.10-000
	Watermelons	0807.11-000
	Apples	0808.10-000
	Cherries	0809.20-000
	Kiwifruits	0810.50-000
Fresh berries	Strawberries	0810.10-000
	Raspberries, blackberries	0810.20-000
	Black, white or red currants	0810.90-0291
	Cranberries, bilberries	0810.40-000
Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes	Citrus fruit jams	2007.91-111,121
	Citrus fruit marmalades and jellies	2007.91-119,129
	Citrus fruit purée and pastes	2007.91-210,220
	Other fruit jams	2007.99-111,121
	Other fruit jellies	2007.99-119,129
	Other fruit purée and pastes	2007.99-211,221
	Other	2007.99-219,229

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The Importing of vegetables, fruits and processed products is regulated primarily by the following laws: 1) the Customs Act / the Act on Temporary Measures concerning Customs, 2) the Plant Protection Act, and 3) the Food Sanitation Act.

<Customs Act / Act on Temporary Measures concerning Customs>

The ministerial ordinance on the tariff-rate quota system for corn, etc. under the Customs Act and the Act on Temporary Measures concerning Customs establishes the tariff-rate quota system for the purpose of domestic producers, and applies to leguminous vegetables and konjac among vegetables, tomato puree and paste among processed vegetable products, and canned pineapples among processed fruit products.

When leguminous vegetables, konjac, tomato puree and paste, and canned pineapples are imported, a lower tariff rate, or the primary tariff rate, is applied only to imports of below certain quantity for the purpose of securing that imported products are available to consumers at lower prices, while imports above the quota limit are subject to a higher tariff rate, or the secondary tariff rate.

In addition, the importing of cargo with labeling that falsifies the origin of the contents, or that is misleading, is banned under the Customs Act.

<Plant Protection Act>

Fresh vegetables and fruits undergo quarantine procedures, including screening for contamination with any pests or harmful plants, under the Plant Sanitation Act. Quarantine procedures performed at airports and ports are under the authority of the regional Quarantine Stations.

Quarantine pests for vegetables and fruits that are specified in Appendix 2 of the Ordinance for Enforcement of the Plant Protection Act include the Mediterranean fruit fly, *Bactrocera dorsalis* species complex (oriental fruit fly), codling moth, citrus burrowing nematode, fire blight fungus, etc., due to which importing of vegetables and fruits is prohibited from a number of countries and regions. However, those that are tightly sealed in containers for retail sale, or preserved in salt or sugar, and processed foods are exempt from plant inspection, and it may be possible to import such products even if they fall in the categories of region and item for which importing is banned under the Plant Protection Act.

Products pass the inspection if they are not in violation of the import restrictions under Article 6 of the Plant Protection Act, do not fall in the category of prohibited imports, and are free of any quarantine pest. However, care should be taken as infestation with pests or harmful plants may occur during the process of storage and transportation, even if there is no contamination at the production stage.

No item with soil attached to it may be allowed for import; any soil must be removed before the importing process

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, vegetables, fruits, and processed products are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence

of mycotoxins, etc. is above allowable levels. Accordingly, vegetables, fruits, and processed products should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of 2011, of the vegetables and fruits that are subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act), items subject to compulsory testing regardless of the country of origin include manioc (cassava, which is tested for cyanide). By specific country of origin, such items include asparagus produced in China (ametryn), grape tomatoes produced in South Korea (fluquinconazole, etc.), mangoes produced in India (chlorpyrifos), green beans produced in Oman, etc.

The frequency of the monitoring of pesticide residues that is performed routinely by the Quarantine Station, meanwhile, has increased to 30% for such items as peas produced in Thailand (which are tested for cypermethrin), green pak choi produced in China (difenoconazole), carrots produced in Italy (pyrimethanil), strawberries produced in South Korea (metconazole), etc.

Care should be taken concerning approved limits for pesticides used before importing procedure; approved (upper) limits for individual products are provided in the Positive List System for Agricultural Chemical Residues in Foods.

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

There is no specific law applicable to the sales of vegetables, fruits, and processed products. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of vegetables, fruits, and processed products in containers and packaging are subject to mandatory labeling under the Food Sanitation Act.

<Product Liability Act>

The Product Liability Act stipulates the liability of manufacturers, etc. for damages to consumers in association with product defects, and importers are included in the category of manufacturers, etc. This is due to a basic policy to make importers liable for damages because it is difficult for victimized consumers to hold overseas manufacturers accountable. Processed agricultural and fruit products sold as processed food are subject to the Product Liability Act, and care should be taken for safety management of contents, containers, and packaging to prevent food-poisoning outbreak.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of vegetables, fruits, and processed products in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (parts of paper containers and packaging and plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures

(1) Procedures for Authorization of Importing and Sales

<Import Control>

Under the tariff-rate quota system applicable to importing of leguminous vegetables, konjac, tomato puree and paste, and canned pineapples, those who wish to receive tariff-rate quota must file required documents (Fig. 6-3) to International Economic Affairs Division, International Affairs Department, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries, in accordance to the ministerial ordinance on the tariff-rate quota system for corn, etc. under the Customs Act and the Act on Temporary Measures concerning Customs. In order to apply to become an enterprise approved for tariff-rate quota, the applicant must qualify for requirements including experience in import custom clearance for different produces.

<Plant Inspection>

Because the Plant Protection Act rules that bulk importing of fresh vegetables and fruits is handled only at certain seaports and airports that are capable of sufficient plant protection measures for the purpose of preventing diseases and pests from entering the country, care should be taken in selecting the seaport/airport of entry before exporting from the country of origin. (*Note that not all Quarantine Stations perform the plant inspection.)

In filing an application for the inspection with the Ministry of Agriculture, Forestry and Fisheries Quarantine Station, the required documents must be submitted (Fig. 6-3) promptly after the entry to port. In the event of rejection due to the detection of diseases or pests as a result of quarantine, fumigation or other measures are ordered.

Some vegetables and fruits that are preserved in salt /sugar or tightly sealed in containers for retail sale are exempt from inspection: apricots, figs, persimmons, kiwifruits, plums, pears, dates, pineapples, bananas, pawpaws (papayas), grapes, mangoes, peaches, and longans.

<Food Sanitation Inspection>

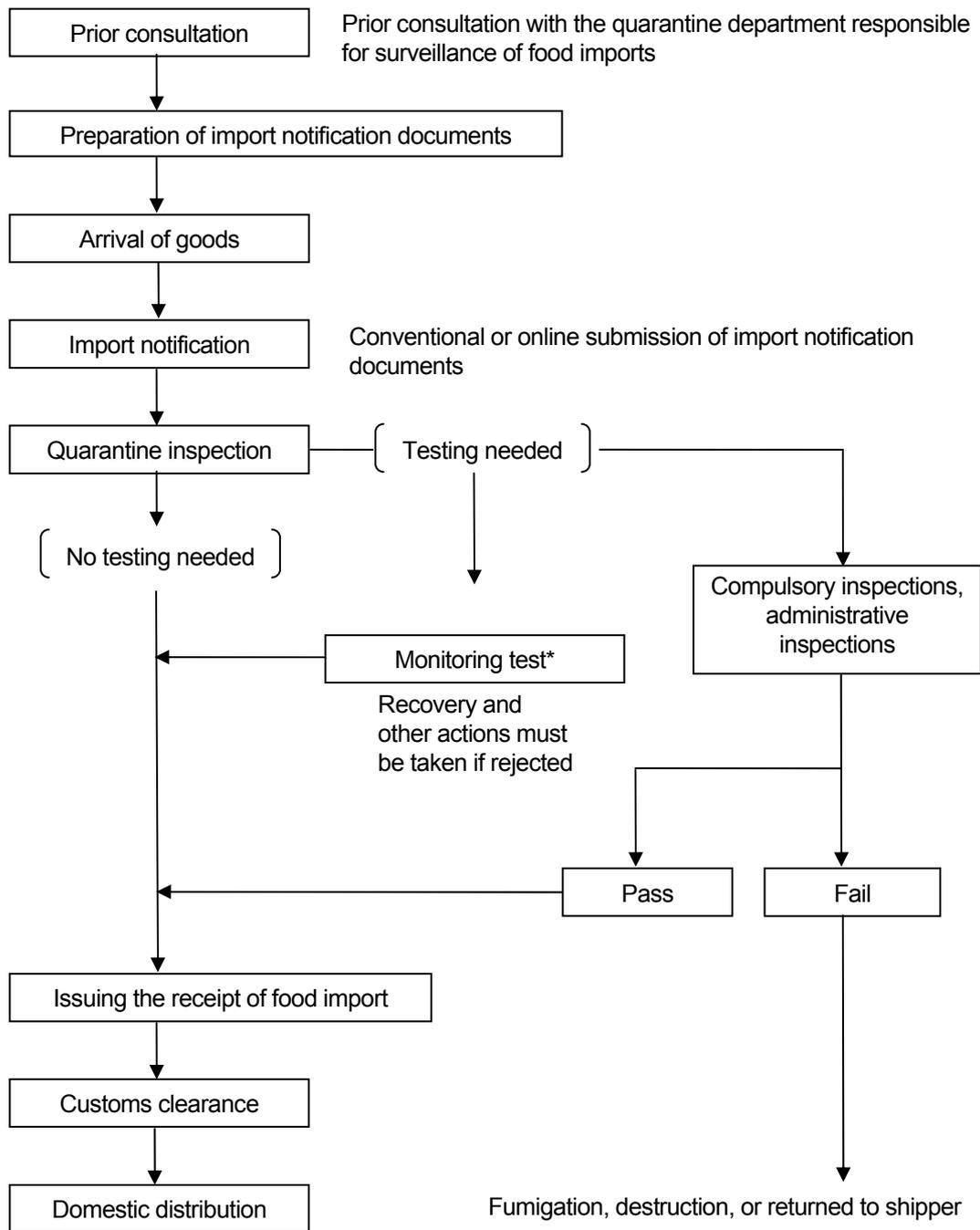
Under the Food Sanitation Act, the required documents (Fig. 6-3) must be submitted when filing an application for the inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or returned to shipper are taken (Fig. 6-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry to Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, import permit may be given in principle.

Fig. 6-2: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 6-3 according to the authorities to which each document is submitted.

Fig. 6-3: Documents required for import clearance

Submitted to	Required documents	Fresh products	Processed products
International Economic Affairs Division, International Affairs Department, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries	Tariff rate quota application	△	—
	Import clearance record	△ Leguminous vegetables	—
	Sales results and plan	△ Leguminous vegetables	—
	Documents to prove that the applicant is the genuine entity that will import the products	△ Leguminous vegetables	—
	List of experience (use, purchase, manufacture, sale, import)	△ T, P, M, K	—
	Copy of purchase agreement with manufactures, etc.	△ P	—
	List of plans (use, purchase, manufacture, sale, import)	△ T, P, M, K	—
	Documents including the name and location of manufacturing plants	△ T, M, K	—
	Layout of the plant	△ T, M, K	—
	Simplified illustration of manufacturing machine placement	△ T, M, K	—
	Sketch of processes in the plant	△ T, M, K	—
	List of manufacturing machines and equipment	△ T, M, K	—
	Written oath stating no use for import quota purpose	△ T, M, K	—
Quarantine Information Office, Ministry of Health, Labour and Welfare(Plant quarantine under the Plant Protection Act)	Certificate of Registered Matters (corporate body)	△ T, P, M, K	—
	Residence certificate (individual)	△ P	—
Quarantine Information Office, Ministry of Health, Labour and Welfare(Plant quarantine under the Plant Protection Act)	Application for import inspection	○	—
	Phytosanitary certificate issued by the plant quarantine service of the exporter	○	—
Departments responsible for surveillance of food imports of Quarantine Stations, Ministry of Health, Labour and Welfare(Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	○	○
	Material/ingredient table	—	○
	Production flow chart	—	○
	Sanitary certificate	△	—
Quarantine Stations, Ministry of Health, Labour and Welfare(Food sanitation inspection under the Food Sanitation Act)	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	—	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○

○: Required △: Required for particular articles —: Not required

Abbreviations: T: Tomato puree and paste P: Canned pineapples
M: Maize (corn) K: konjac

Sanitary certificates may be required for certain countries of origin or items, such as spinach produced in China and mangoes produced in Thailand, for which it is necessary to check in advance.

As a phytosanitary (inspection) certificate, in principle the original copy that indicates the absence of pathogen or pest contamination, issued by the plant protection authority of the exporting country in a form in compliance with the International Plant Protection Convention, must be submitted. While the Convention stipulates that the phytosanitary certificate submitted to the authorities of the importing country be the original copy, the following two are deemed valid in Japan, taking into consideration such cases where the original copy is lost or the delivery of the original copy is delayed:

- a) A "carbon copy" of the original copy produced simultaneously; and
- b) A copy that has been proven as being identical to the original copy by the plant protection authority of the exporting country.

3. Competent Authorities

Fig. 6-4: Contacts of competent authorities

Plant Protection Act	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Measurement Act	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Health Promotion Act	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act against Unjustifiable Premiums and Misleading Representations	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Product Liability Act	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions	Consumer Advice Office, Ministry of Economy, Trade and Industry Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3581-3351 http://www.env.go.jp TEL: +81-3-3502-8111 http://www.maff.go.jp
Unfair Competition Prevention Act / Trademark Act	Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3581-1101 http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of vegetables, fruits, and processed products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) Unfair Competition Prevention Act and Trademark Act.

When selling vegetables and fruits as fresh products, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 1) product name, 2) country of origin, 3) content, and 4) name and address of importer.

When selling vegetables and fruits as processed foods, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act prescribes detailed quality labeling standards for some foods, and requires that appropriate quality labeling be carried out based on correct understanding of the corresponding standards when importing.

Fig. 6-5: Quality labeling standards for processed vegetables and fruits under Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act

Governing law	Quality labeling standards or type of applicable food
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Quality labeling standards for processed tomatoes
	Quality labeling standards for jams
	Quality labeling standards for canned or bottled agricultural products
	Quality labeling standards for prepared food, canned or bottled
	Quality labeling standards for frozen vegetables
Food Sanitation Act	Frozen or irradiated food
	Processed foods, citrus fruits, and bananas, packed in containers

Source: Ministry of Agriculture, Forestry and Fisheries

< Product name >

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients >

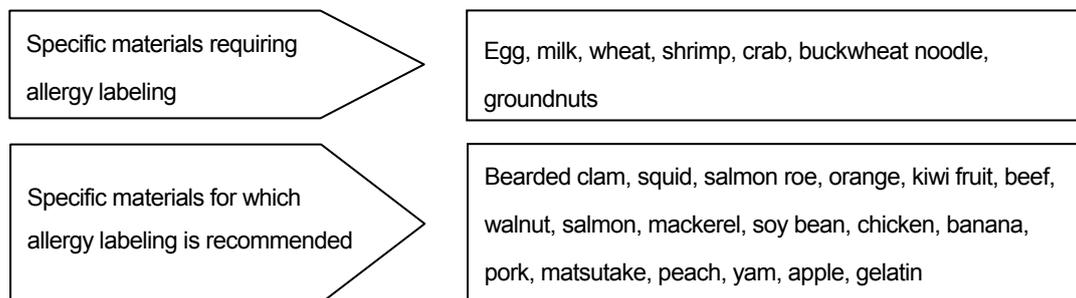
The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives >

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

<Allergies >

When products containing the specific ingredients shown in Fig. 6-6 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies. However, omission of labeling is allowed if such ingredients can be easily identified in the products.

Fig. 6-6: Specific materials related to allergy labeling

Source: Ministry of Health, Labour and Welfare

<Recombinant foods>

The farm products listed in Fig. 6-7 and their processed products require labeling of recombinant foods. Labeling is mandatory for all food products containing recombinant crops under the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and the Food Sanitation Act. The recombinant food labeling system consists of: (1) mandatory labeling stating “Recombinant food” for products made from recombinant ingredients whose genetic identity is preserved, (2) mandatory labeling stating “The identity of ingredients is not preserved” for products made from ingredients whose genetic identity is not preserved, and (3) voluntary labeling stating “Non-recombinant food” for products made from non-recombinant ingredients whose genetic identity is preserved. The applicable labeling is determined based on the acquisition of Identity Preserved (IP) Handling certificates for the production, distribution, and processing stages.

However, labeling can be omitted for foods in which any recombinant ingredient is not the main ingredient (one of the top three ingredients, accounting for 5% or more of the total weight) and for foods in which recombinant DNA and protein generated via such DNA do not remain after processing (e.g., edible oil, soy sauce).

Fig. 6-7: Agricultural and processed products requiring labeling of recombinant foods

Agricultural products	Processed products
Coleseeds	—
Cottonseeds	—
Potatoes	The major ingredients include frozen or dried potatoes, potato starch, and/or potato snack, otherwise potato (for cooking).
Alfalfa	The major ingredients include alfalfa.
Sugar beets	The major ingredients include sugar beets (for cooking).

Source: Ministry of Agriculture, Forestry and Fisheries

<Content weight>

When importing and selling vegetables, fruits, and their processed products, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in grams or liters on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. Expiration date labeling consists of expiry date and “best by” date. The former applies to foods whose quality deteriorates rapidly within five days inclusive of the date of manufacture, while the latter applies to foods whose quality does not deteriorate easily in comparison.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the “best by” date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. Foods requiring the labeling of the expiry date should be marked “Preserve under 10°C” while those requiring “best by” date labeling should be marked “Keep out of direct sunlight at room temperature,” etc. However, the preservation method can be omitted from the label for foods that can be stored at room temperature.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

This Act also requires the country of origin to be labeled for the vegetables, fruits, and processed foods listed in Fig. 6-8. All other processed foods do not require labeling.

Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

Fig. 6-8: Processed foods made from vegetables and fruits requiring country of origin labeling

Labeling standards	Applicable processed foods	For example
Quality labeling standards for processed foods	Dried mushrooms, vegetables, fruits	Dried shiitake
	Salted mushrooms, vegetables, fruits	Salted mushrooms
	Boiled or steamed mushrooms, vegetables, and beans; and sweet bean pastes	Boiled bamboo shoots, raw bean pastes
	Mixture of cut vegetables and fruits, mixture of vegetables, fruits, and mushrooms	Cut vegetable/fruit mix
	Konjac	Konjac bar, konjac ball
	Mixture of fresh agro-, animal, and fishery fresh products	<i>Nabe set</i> (set of fishery products and vegetables for <i>nabe</i>)
Quality labeling standards for frozen vegetable products	Frozen vegetable products	Frozen vegetable mix
Quality labeling standards for pickled agroproducts	Pickled agroproducts	Vegetables pickled in rice-bran paste or soy sauce, umeboshi

Source: Consumer Affairs Agency

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of cereals in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat).

Components must be indicated in the following order and unit:

- ee) Calories (kcal or kilocalories)
- ff) Protein (g or grams)
- gg) Fat (g or grams)
- hh) Carbohydrate (g or grams)
- ii) Sodium
- jj) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include vegetable and fruits, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark can be labeled as “organic agricultural product,” “organically grown product,” or “organic tomato” in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark, to be permitted to have organic labeling.

- k) Labeling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- l) Labeling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As

of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 6-9: JAS-certified organic mark



<Containers and packaging>

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When the following two types of containers and packaging are used for cereals, either or both marks (Fig. 6-10) must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 6-10: Labels for promoting sorted collection



Plastic containers and packaging



Paper containers and packaging

<Description>

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

<National Canned Food Fair Trade Conference>

The National Canned Food Fair Trade Conference grants Fair Trade Mark labeling to the products of members certified to follow appropriate packaging and labeling requirements in accordance with the Fair Competition Code for Canned Food Labeling.

< Fair Competition Code for Canned Food Labeling > <http://www.jfftc.org/cgi-bin/data/bunso/A-11.pdf>

Contact: National Canned Food Fair Trade Conference TEL: +813-5256-4801 (in Japan Cannery Association)

<National Processed Tomato Fair Trade Conference>

The National Processed Tomato Fair Trade Conference grants Fair Trade Mark labeling to the products of members certified to follow appropriate packaging and labeling requirements in accordance with the Fair Competition Code for Processed Tomato Labeling. The Conference has also provided the Fair Competition Code for restrictions on giving away premiums in the processed tomato food industry.

< National Processed Tomato Fair Trade Conference > <http://www.jfftc.org/cgi-bin/data/bunso/A-12.pdf>

Contact: National Processed Tomato Fair Trade Conference TEL: +81-3-3639-9666 (in Japan Tomato Processors Association)

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on vegetables, fruits, and processed products are shown in the table below. Caution should be exercised since rates vary according to the time of importation for articles such as bananas, oranges, grapefruit, and grapes. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin (Form A) issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance. If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the prior instruction system in which one can make inquiries and receive replies in person, in writing, or via e-mail.

6. Vegetables, Fruits, and Processed Products

Fig. 6-11: Tariff duties on vegetables (FY2011)

<Fresh vegetables>

H.S. code			Description	Tariff rate					
				General	Temporary	WTO	GSP	LDC	
0701	10	-000	Potatoes, fresh or chilled	5.0%		3.0%	Free	Free	
	90	-000	Seed	5.0%		4.3%			
			Other	5.0%					
0702	00	-000	Tomatoes, fresh or chilled	5.0%		3.0%		Free	
0703	10		Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	10.0%	(73.70 yen - the value for customs duty)/kg	8.5		Free	
			Onions and shallots						
			1 Onions						
			-011	- Not more than 67 yen/kg in value for customs duty					Free
			-012	- More than 67 yen/kg but not more than 73.70 yen/kg in value for customs duty					Free
			-013	- More than 73.70 yen/kg in value for customs duty					Free
			-020	2 Shallots	5.0%		3.0%		Free
	20	-000	Garlic	5.0%		3.0%		Free	
	90	-000	Leeks and other alliaceous vegetables	5.0%		3.0%		Free	
		-010	- Welsh onions (<i>Allium Fistulosum</i> L.)					Free	
		-090	- Other					Free	
0704	10	-000	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	5.0%		3.0%		Free	
		20	-000						Cauliflowers and headed broccoli
		90	-000						Brussels sprouts
			-010	Other					Free
			-020	- Broccoli					Free
			-030	- Head cabbage					Free
			-090	- Chinese cabbage					Free
		-090	- Other					Free	
0705	11	-000	Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium</i> spp.), fresh or chilled	5.0%		3.0%		Free	
		19	-000						Lettuce
			-000	- Cabbage lettuce (head lettuce)					Free
			-000	- Other					Free
	21	-000	Chicory	5.0%		3.0%	1.5%	Free	
29	-000	- Witloof chicory (<i>Cichorium intybus</i> var. <i>foliosum</i>)	5.0%		3.0%	1.5%	Free		
		-000	- Other					Free	
0706	10	-000	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled	5.0%		3.0%		Free	
		90	-000						Carrots and turnips
			-010						Other
		-090	- Burdock			3.0%		Free	
		-090	- Other					Free	
0707	00	-000	Cucumbers and gherkins, fresh or chilled	5.0%		3.0%		Free	
0708	10	-000	Leguminous vegetables, fresh or chilled	5.0%		3.0%		Free	
	20	-000	Peas (<i>Pisum sativum</i>)	5.0%		3.0%		Free	
	90	-000	Beans (<i>Vigna</i> spp., <i>Phaseolus</i> spp.)	5.0%		3.0%		Free	
0709	20	-000	Other vegetables, fresh or chilled	5.0%		3.0%		Free	
		30	-000						Asparagus
		40	-000						Aubergines (egg-plants)
	60	-000	Celery other than celeriac	5.0%		3.0%		Free	
		-000	Fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i>	5.0%		3.0%		Free	
			-010	- Sweet peppers (Large bell type)					Free
			-090	- Other					Free
	70	-000	Spinach, New Zealand spinach and orache spinach (garden spinach)	5.0%		3.0%		Free	
	90	-000	Other						Free
		-010	1. Sweet corn	10.0%		6.0%		Free	
		-091	2. Other	5.0%		3.0%		Free	
		-091	- Pumpkins					Free	
		-092	- Globe artichokes					Free	
		-099	- Other					Free	
0714	90	-210	- Taros, fresh					Free	

Source: Ministry of Finance

Fig. 6-11: Tariff duties on vegetables (FY2011) (continued)
<Frozen vegetables>

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
0710			Vegetables (uncooked or cooked by steaming or boiling in water), frozen					
	10	-000	Potatoes	10.0%		8.5%		Free
			Leguminous vegetables					
	21	-000	Peas (<i>Pisum sativum</i>)	10.0%		8.5%		Free
	22	-000	Beans (<i>Vigna</i> spp., <i>Phaseolus</i> spp.)	10.0%		8.5%		Free
	29	-000	Other	10.0%				Free
		-010	- Green soya beans			6.0%		
		-090	- Other			8.5%		
	30	-000	Spinach, New Zealand spinach and orache spinach (garden spinach)	10.0%		6.0%		Free
	40	-000	Sweet corn	12.5%		10.6%		Free
	80		Other vegetables					
		-030	1. Burdock	20.0%		12.0%		Free
			2. Other	10.0%		6.0%		Free
		-010	- Broccoli					
		-090	- Other					
	90		Mixtures of vegetables					
		-100	1. Chiefly consisting of sweet corn	12.5%		10.6%		Free
			2. Other	10.0%		6.0%		Free

Source: Ministry of Finance

Fig. 6-11: Tariff duties on vegetables (FY2011) (continued)
<Other prepared vegetable / dried vegetables>

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
2004			Vegetables (prepared or preserved), frozen					
	10		Potatoes					
		-100	1. Cooked, not otherwise prepared	10.0%		8.5%		Free
	90		2. Other					
		-210	- Mashed potatoes	16.0%		13.6%		Free
		-220	- Other	9.6%		9.0%		Free
			Asparagus and leguminous vegetables	20.0%		17.0%		Free
		-211	- Asparagus					
		-212	- Leguminous vegetables					
		-220	Bamboo shoots	16.0%		13.6%		Free
		-230	Sweet corn	12.5%		7.5%		Free
			Young corn cobs					
		-240	- In airtight containers	25.0%		15.0%		Free
		-291	- Other				9.0%	
		-299	Other	9.6%		9.0%		Free
0712			Dried vegetables					
	20	-000	Onions	15.0%		9.0%		Free
	90		Other vegetables; mixtures of vegetables					
			1. Sweet corn			(Free)		
		-031	- Rendered suitable solely for sowing by chemical treatment	Free				
		-039	- Other	15 yen / kg		9 yen / kg		Free
			2. Other	15.0%				Free
		-050	- Potatoes			12.8%	10.0%	
			- Other			9.0%		
		-010	- Bamboo shoots				7.5%	
			- Other					
		-020	- Osmund					
		-040	- Radishes					
		-060	- Dried gourd shavings					
		-090	- Other					

Source: Ministry of Finance

6. Vegetables, Fruits, and Processed Products

Fig. 6-12: Tariff duties on fruits and processed products (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
0803	00	-100	Bananas, fresh or dried					
			1. Fresh					
			- If imported during the period from 1st April to 30th September	40.0%		20.0%	10.0%	Free
			- If imported during the period from 1st October to 31st March	50.0%		25.0%	20.0%	Free
0804	20	-010	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried					
			Figs	10.0%		6.0%	3.0%	Free
			- Fresh					
			Pineapples	20.0%		17.0%		Free
			- Fresh					
			Avocados	6.0%			Free	
0805	10	-000	Citrus fruits, fresh or dried					
			Oranges					
			- If imported during the period from 1st June to 30th November	20.0%		16.0%		Free
			- If imported during the period from 1st December to 31st May	40.0%		32.0%		Free
			Mandarins (including tangerines and satsumas), clementines, wilkings and similar citrus hybrids	20.0%		17.0%		Free
			Grapefruit, including pomelos	10.0%				Free
			- If imported during the period from 1st June to 30th November			(10.0%)		
			- If imported during the period from 1st December to 31st May			(10.0%)		
			Lemons (Citrus limon, Citrus limonum) and limes (Citrus aurantifolia, Citrus latifolia)	Free		(Free)		
			- Lemons (Citrus limon, Citrus limonum)					
			- Limes (Citrus aurantifolia, Citrus latifolia)					
			Other					
			1. Limes (other than Citrus aurantifolia, Citrus latifolia)	Free		(Free)		
			2. Other	20.0%		17.0%		Free
0806	10	-000	Grapes, fresh or dried					
			Fresh					
			- If imported during the period from 1st March to 31st October	20.0%		17.0%		Free
			- If imported during the period from 1st November to the last day of February	13.0%		7.8%		Free
0807	11	-000	Melons (including watermelons) and papaws (papayas), fresh					
			Melons, including watermelons					
			- Watermelons	10.0%		6.0%		Free
			- Other	10.0%		6.0%		Free
			Papaws (papayas)	4.0%		2.0%	Free	
0808	10	-000	Apples, pears and quinces, fresh					
			Apples	20.0%		17.0%		Free
			Pears and quinces	8.0%		4.8%		Free
0809	10	-000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh					
			Apricots	10.0%		6.0%		Free
			Cherries	10.0%		8.5%		Free
			Peaches, including nectarines	10.0%		6.0%		Free
			Plums and sloes	10.0%		6.0%		Free

Source: Ministry of Finance

Fig. 6-12: Tariff duties on fruits and processed products (FY2011) (continued)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
0810	10	-000	Other fruit, fresh					
	20	-000	Strawberries	10.0%		6.0%		Free
			Raspberries, blackberries, mulberries and Loganberries	10.0%		6.0%	3.0%	Free
	40	-000	Cranberries, bilberries and other fruits of the genus Vaccinium	10.0%		6.0%	3.0%	Free
	50	-000	Kiwifruit	8.0%		6.4%		Free
	60	-000	Durians	10.0%		5.0%	2.5%	Free
	90	-000	Other	10.0%				Free
		-210	- Rambutan, passionfruit, litchi and carambola (star-fruit)			5.0%	2.5%	
		-291	- Other			6.0%		
		-299	- Black, white or red currants and gooseberries				3.0%	
		- Other						
2007	91		Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes					
			Citrus fruit					
			1. Jams, fruit jellies and marmalades					
			- Containing added sugar	28.0%		16.8%		Free
			- Jams					
			- Fruit jellies and marmalades					
			- Other	20.0%		12.0%		Free
			- Jams					
			- Fruit jellies and marmalades					
			2. Fruit purée and fruit pastes					
			- Containing added sugar	40.0%		34.0%		Free
			- Other	25.0%		21.3%		Free
			Other					
			1. Jams and fruit jellies					
			- Containing added sugar	28.0%		16.8%		Free
			- Jams					
	- Fruit jellies							
	- Other	20.0%		12.0%		Free		
	- Jams							
	- Fruit jellies							
	2. Other							
	- Containing added sugar	40.0%				Free		
	- Fruit purée and fruit pastes			34.0%				
	- Other	25.0%				Free		
	- Fruit purée and fruit pastes			21.3%				
	- Other							

Source: Ministry of Finance

Note 16) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 17) Special preferential rate is applicable only for the Least Developed Countries.

Note 18) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

(CIF + Tariff duties) × 5%

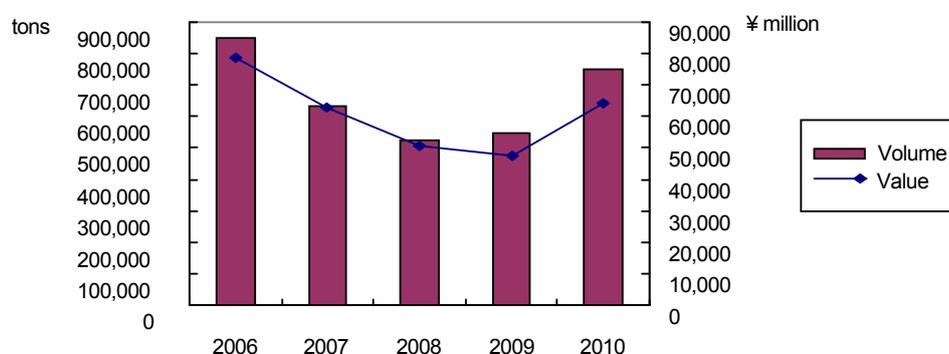
IV. Trade Trends

1. Changes in Imports

<Fresh vegetables>

As a result of the Chinese frozen dumpling food poisoning incident (in 2008, consumers eating frozen dumplings imported from China developed food poisoning symptoms, pesticides were later found in the dumplings), Chinese food products were cold-shouldered in the market and imports dropped drastically in 2008 especially from China. The situation slowly started to recover in 2009, with fresh vegetable imports at 748,987 tons in 2010, marking 136.8% compared to the previous year. Recovery was prevalent especially among onions, Welsh onions, cabbages/Chinese cabbages, and carrots/tumips, respectively showing significant increases from the temporary slump. Due to the effects of the financial crisis triggered by the Lehman Brothers' collapse in autumn of 2008, there has been more demand for low-priced products since 2009. Therefore, although imports increased in terms of volume, imports in value marked ¥47,678 million (94.5% vs. previous year), sinking below the previous year. Because import volumes recovered significantly in 2010, recovery was strong on a value basis as well, consequently exceeding records of 2007.

Fig. 6-13: Changes in fresh vegetable imports



Source: Trade Statistics (MOF)

Fig. 6-14: Changes in fresh vegetable imports by item

Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Potato	0	1	1	0	2	29	84	34	17	103
Tomato	5,450	4,260	1,976	2,338	2,971	1,808	1,464	580	636	1,042
Onion	291,072	228,172	184,179	207,575	339,477	12,785	9,102	6,369	7,877	14,395
shallot	502	472	484	401	437	104	131	137	95	99
Garlic	26,217	22,117	19,959	19,842	18,557	3,143	2,812	2,011	2,073	3,565
Leek	78,723	55,375	37,550	36,706	54,546	7,731	5,964	4,279	4,167	5,888
Cauliflower	47	18	34	26	14	9	5	6	5	3
Head cabbage	9	9	9	15	17	5	5	5	9	9
Broccoli	50,062	41,837	32,353	29,540	35,683	8,622	7,469	5,624	4,807	6,022
Cabbage / Chinese cabbage	34,805	11,150	6,884	13,506	23,761	1,482	498	302	539	942
Lettuce	4,171	2,441	2,072	3,220	5,990	692	387	285	337	654
Chicory	2,792	2,637	2,525	2,333	2,221	1,317	1,330	1,145	858	790

Fig. 6-14: Changes in fresh vegetable imports by item (continued)

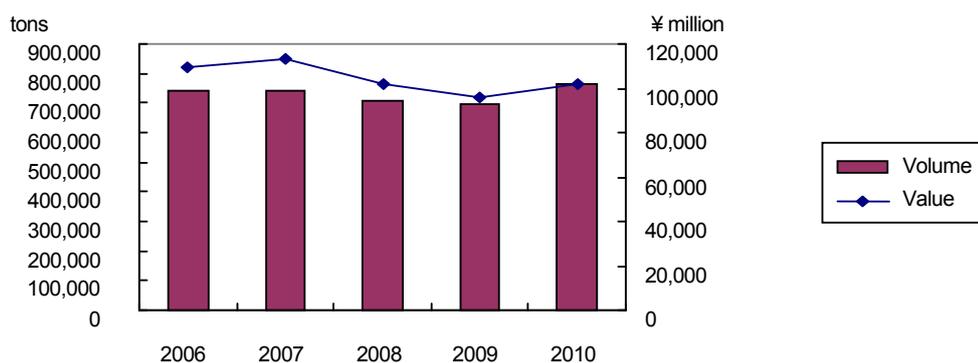
Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Carrot / turnip	104,115	46,283	43,005	41,818	65,187	5,292	2,287	2,809	2,117	2,800
Burdock	62,579	49,139	44,762	36,631	36,866	4,036	2,259	2,278	1,600	2,270
Cucumber	312	194	78	57	23	64	47	20	13	5
Leguminous vegetables	10,480	6,088	2,669	2,997	4,526	2,222	1,680	726	843	1,337
Asparagus	14,976	12,542	10,437	10,780	12,538	8,346	7,613	6,329	5,985	6,562
Aubergines (egg-plants)	408	340	330	259	78	99	83	79	59	20
Celery	6,166	4,311	4,666	2,354	4,946	460	342	349	156	354
Sweet peppers (Large bell type)	22,803	21,811	22,424	24,812	25,411	10,041	10,122	8,441	8,111	9,442
Sweet corn	320	255	85	38	51	57	40	25	10	13
Pumpkin	103,273	104,943	100,380	105,301	106,355	8,752	8,132	8,023	6,895	7,243
Taro	24,564	17,075	9,509	6,783	7,858	1,321	846	504	374	539
Other	6,498	1,344	349	255	1,472	345	159	115	94	144
Total	850,344	632,814	526,720	547,587	748,987	78,762	62,861	50,475	47,677	64,241

Source: Trade Statistics (MOF)

<Frozen vegetables>

In 2007, pesticide residue was found in frozen green soybeans from China, which led to a global sense of mistrust towards Chinese food products. Also in the following year of 2008, pesticide residues exceeding approved limits were detected in frozen dumplings and kidney beans from China. These cases received substantial coverage from the media, leading to a massive reduction in demand, thus pulling down figures largely for frozen vegetable imports. In addition to the recovery in Chinese vegetables in 2010, the steep rise in prices of fresh produce also led to a concentration in demand for stable-priced frozen vegetables, marking 764,239 tons (109.5% vs. previous year) in volume.

Fig. 6-15: Changes in frozen vegetable imports

Source: Trade Statistics (MOF)

Fig. 6-16: Changes in frozen vegetable imports by item

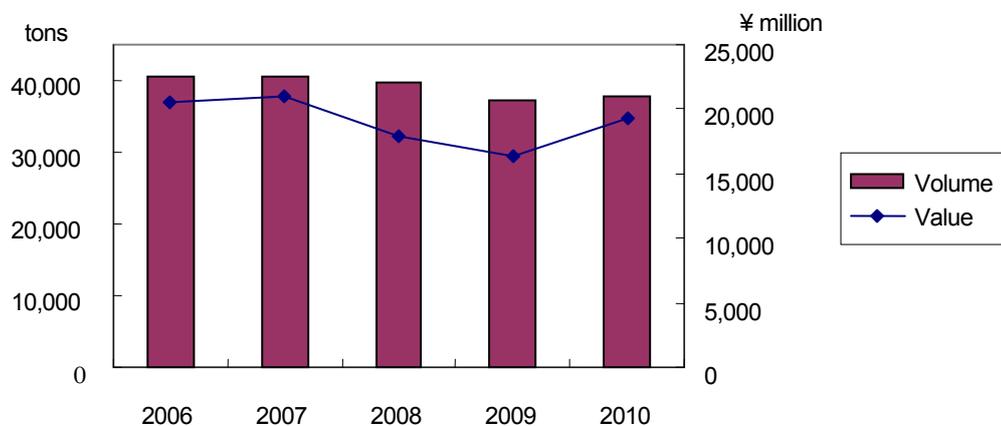
Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Potato	301,326	308,351	315,733	320,000	347,445	33,630	36,500	37,547	36,508	37,464
Peas (<i>Pisum sativum</i>)	16,637	15,612	15,341	13,577	13,407	2,352	2,319	2,257	1,937	2,009
Beans (<i>Vigna</i> spp., <i>Phaseolus</i> spp.)	29,795	27,968	25,284	20,098	24,491	3,669	3,543	3,153	2,408	2,847
Green soya bean	66,875	59,040	55,636	58,929	66,818	12,534	11,473	10,119	10,313	10,955
Spinach	21,585	24,212	23,118	22,084	27,088	3,131	3,546	3,138	2,710	3,226
Sweet corn	46,861	47,518	44,925	43,147	42,420	6,998	7,329	6,619	6,234	5,562
Burdock	8,259	8,045	7,897	7,768	7,930	995	1,031	849	775	1,002
Broccoli	24,979	23,788	22,712	23,116	26,577	3,928	3,881	3,664	3,522	3,858
Asparagus	41	59	26	26	22	18	29	12	10	9
Bamboo shoot	425	511	231	192	162	150	247	99	100	63
Other	225,367	226,065	194,065	189,028	207,879	41,886	43,476	34,337	31,553	34,717
Total	742,150	741,169	704,968	697,965	764,239	109,291	113,374	101,794	96,070	101,712

Source: Trade Statistics (MOF)

<Dried vegetables>

Dried vegetable imports showed sluggish growth in 2007 and started to decline in 2008, recording less than 40,000 tons for both 2009 and 2010. Seen by item, onions and bamboo shoots remain relatively stable, but many other items show no signs of hitting the bottom.

Fig. 6-17: Changes in dried vegetable imports

Source: Trade Statistics (MOF)

Fig. 6-18: Changes in dried vegetable imports by item

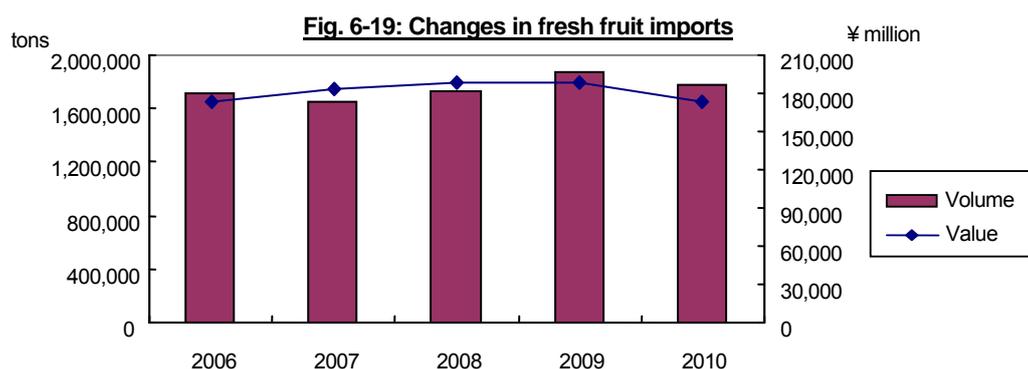
Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Onion	5,692	5,386	6,301	5,613	6,415	1,898	1,963	2,087	1,792	1,944
Sweet corn	1,463	1,223	1,320	1,067	1,241	2,120	1,905	1,939	1,381	1,600
Potato	149	112	236	543	337	44	47	76	171	111
Bamboo shoot	2,460	2,314	2,064	2,144	2,027	1,959	2,435	1,534	2,200	2,663
Osmund	906	676	509	391	325	1,180	996	773	522	436
Radish	4,292	3,487	3,494	3,660	3,101	956	791	780	748	956
Dried gourd shaving	2,848	2,361	2,453	2,112	1,732	1,321	1,160	1,189	975	819
Other	22,732	24,973	23,415	21,793	22,519	11,089	11,719	9,556	8,566	10,811
Total	40,542	40,532	39,792	37,323	37,697	20,567	21,016	17,934	16,355	19,340

Source: Trade Statistics (MOF)

<Fresh fruits>

Fresh fruit imports in 2010 marked 1.77 million tons (94.3% vs. previous year) or ¥173.2 billion (92.4% vs. previous year), falling below the previous year in both volume and value. Some of the factors for the decline include the end of the mango boom and effects from the overall decrease in consumption due to the recession. Grapes and kiwifruit are on the increase. On the other hand, bananas which are one of the key items, is marking 88.5% compared to the previous year in 2010.



Source: Trade Statistics (MOF)

Fig. 6-20: Changes in fresh fruit imports by item

Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Banana	1,043,634	970,594	1,092,738	1,252,606	1,109,068	65,560	68,616	85,440	94,420	73,874
Pineapple	152,479	165,794	144,464	143,981	142,577	9,981	10,958	10,288	10,347	8,869
Avocado	29,032	26,511	24,073	29,840	44,552	7,340	7,707	7,599	7,690	10,567
Mango	12,383	12,389	11,589	11,103	10,391	4,926	5,744	5,090	4,294	4,030
Orange	120,875	85,803	97,818	94,411	109,940	13,653	12,370	10,083	9,353	11,012
Grapefruit	170,881	212,838	184,038	178,912	174,771	21,116	23,263	18,577	16,864	16,358
Lemon	73,086	60,864	57,405	51,422	52,594	11,444	13,455	11,115	6,406	6,840
Lime	2,237	2,176	1,981	1,890	1,847	1,044	1,026	884	744	725
Grape	9,949	8,069	6,612	7,550	12,625	1,998	1,938	1,609	1,600	2,484

Fig. 6-20: Changes in fresh fruit imports by item (continued)

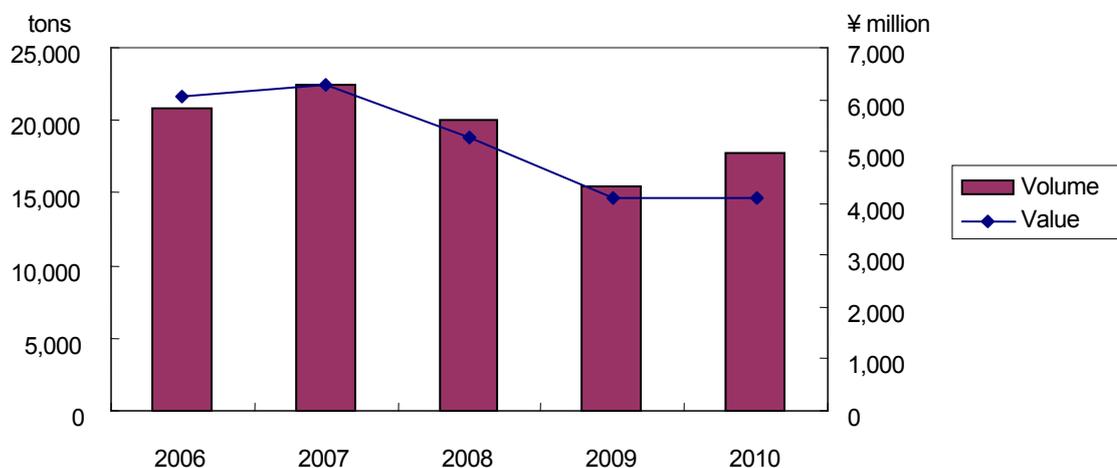
Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Watermelon	74	68	99	288	799	14	9	14	35	101
Melon	33,522	26,372	31,025	29,355	29,518	3,602	3,342	3,183	2,794	2,919
Papaws (papayas)	4,168	3,996	3,817	3,089	2,779	1,256	1,121	972	746	653
Apple	0	0	37	63	134	0	0	8	15	30
Cherry	6,947	9,374	8,525	10,013	11,009	7,117	8,044	7,428	7,403	8,264
Kiwifruit	54,479	59,618	59,222	58,501	62,963	16,876	18,991	19,420	19,668	21,045
Strawberry	4,038	3,842	3,278	2,992	3,259	4,070	3,900	3,321	2,660	2,666
Raspberry, blackberry, mulberry and loganberry	433	459	447	444	473	1,212	1,266	1,163	1,039	1,020
Cranberry, bilberry and other fruits of the genus Vaccinium	1,379	1,243	1,114	1,225	1,547	2,144	2,042	1,600	1,462	1,760
Total	1,719,596	1,650,010	1,728,281	1,877,686	1,770,847	173,355	183,791	187,796	187,542	173,217

Source: Trade Statistics (MOF)

<Processed fruits>

Processed fruit products mainly include jams and other products such as fruit purée, jellies, or paste. Trade trends tend to be affected by the domestic market situation. Market performance dropped drastically due to the heavy influence of the worsened business confidence in 2009, marking 77.5% compared to the previous year. Due in part to reactions from the year before, signs of recovery were seen in 2010, recording 114.8% compared to the previous year.

Fig. 6-21: Change in processed fruit imports

Source: Trade Statistics (MOF)

Fig. 6-22: Changes in processed fruit imports by item

Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Citrus fruits jam	54	23	20	18	4	31	17	12	7	3
Citrus fruits jelly and marmalade	3,735	2,897	2,261	2,846	3,416	1,274	1,136	818	836	927
Citrus fruits purée and fruit paste	0	0	6	0	0	0	0	2	0	0
Other fruits Jam	11,426	10,083	7,723	7,308	7,807	3,480	3,383	2,680	2,283	2,212
Other fruits jelly	459	574	486	525	742	133	150	128	136	154
Other fruits purée and fruit paste	3,856	7,569	8,305	3,928	4,962	406	865	957	436	458
Other	1,351	1,255	1,189	872	857	716	723	671	401	364
Total	20,881	22,401	19,990	15,497	17,788	6,040	6,274	5,268	4,099	4,118

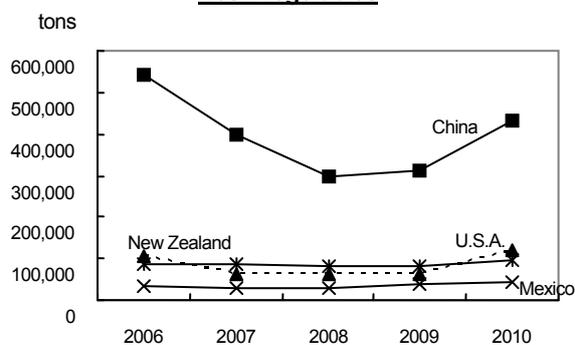
Source: Trade Statistics (MOF)

1. Regional breakdown

<Fresh vegetables>

Chinese imports account for an overwhelming share in fresh vegetables, but figures dropped considerably in 2008 to 296,243 tons, due to various safety issues. Recovery was seen later up to 429,846 tons in 2010. The United States is second in line after China, but also experienced a slowdown in growth after a slump from 2007 to 2009, letting New Zealand take over their position. Africa has almost no exports to Japan.

China is the biggest import trading partner with 429,846 tons (138.8% vs. previous year) in 2010, followed by the United States with 117,873 tons (193.1% vs. previous year), New Zealand with 94,454 tons (114.0% vs. previous year), and Mexico with 43,595 tons (114.9% vs. previous year). Because of the geographical proximity, vegetables shorter in shelf life such as cabbage, Chinese cabbage, Welsh onions, and shiitake mushrooms are imported from China. Other imports include sweet corn and potatoes from the United States, pumpkins and onions from New Zealand, pumpkins, asparagus, and tomatoes from Mexico.

Fig. 6-23: Trends in leading partner imports: fresh vegetables

Source: Trade Statistics (MOF)

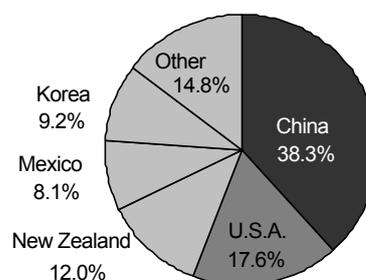
Fig. 6-24: Shares of imports in 2010 (value basis): fresh vegetable

Fig. 6-25: Principal places of origin of fresh vegetables

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
China	544,371	399,254	296,243	309,715	429,846	33,200	22,739	15,556	16,180	24,585
U.S.A.	107,213	60,200	61,423	61,039	117,873	12,842	10,370	8,344	7,373	11,284
New Zealand	85,194	87,961	79,986	82,878	94,454	8,471	8,468	7,538	6,491	7,736
Mexico	35,045	27,237	29,731	37,935	43,595	4,237	3,560	3,721	3,871	5,233
Korea	19,178	17,209	20,066	25,044	21,018	6,252	6,401	6,159	5,813	5,906
Other	59,343	40,953	39,271	30,976	42,121	13,760	11,323	9,157	7,949	9,497
Total	850,344	632,814	526,720	547,587	748,987	78,762	62,861	50,475	47,677	64,241

Source: Trade Statistics (MOF)

Fig. 6-26: Principal places of origin of fresh vegetables by item (2010) Units: volume = tons, value = ¥ million

Item	Total vol. imports	First place					Second place				
		Country	Volume	Share	Value	Ave. unit price	Country	Volume	Share	Value	Ave. unit price
Onion	339,477	China	236,945	69.8%	9,513	40.1	U.S.A.	69,500	20.5%	2,861	2,861
leek	54,546	China	54,002	99.0%	5,636	104.4	Taiwan	196	0.4%	56	285.7
Broccoli	35,683	U.S.A.	35,281	98.9%	5,967	169.1	China	299	0.8%	36	36
Carrot and turnip	65,187	China	55,817	85.6%	2,173	38.9	New Zealand	3,588	5.5%	238	238
Burdock	36,866	China	34,882	94.6%	2,121	60.8	Taiwan	1,984	5.4%	149	149
Asparagus	12,538	Mexico	4,687	37.4%	1,943	414.6	Australia	2,683	21.4%	1,557	1,557
Sweet pepper	25,411	Korea	16,252	64.0%	5,328	327.8	Holland	5,416	21.3%	2,341	2,341
Pumpkin	106,355	New Zealand	64,684	60.9%	4,912	75.9	Mexico	38,283	36.0%	3,108	3,108

Source: Trade Statistics (MOF)

Note) The share is calculated on a kg basis in the original data source and is not always in agreement with the percentage in the above table, which is calculated on a tonnage basis.

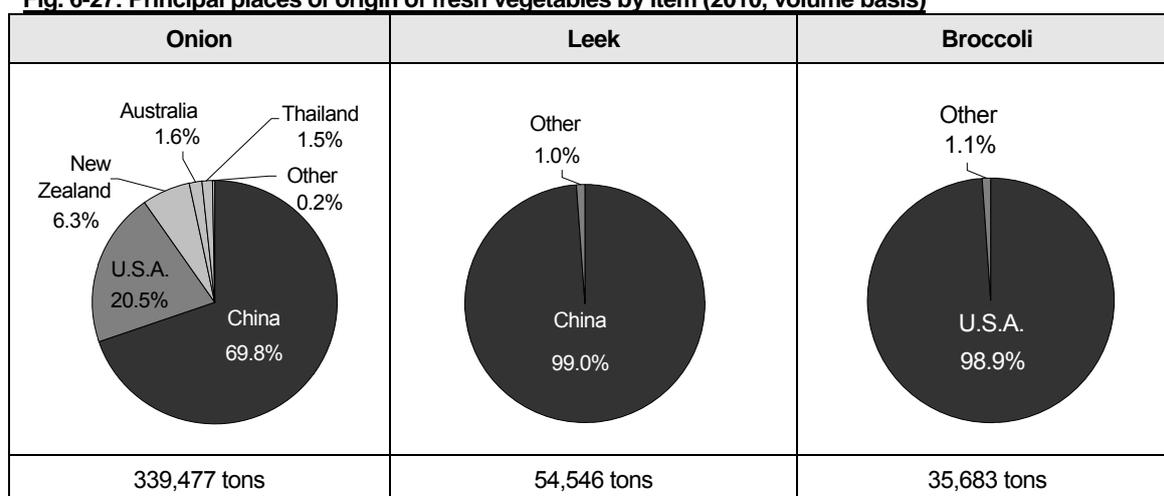
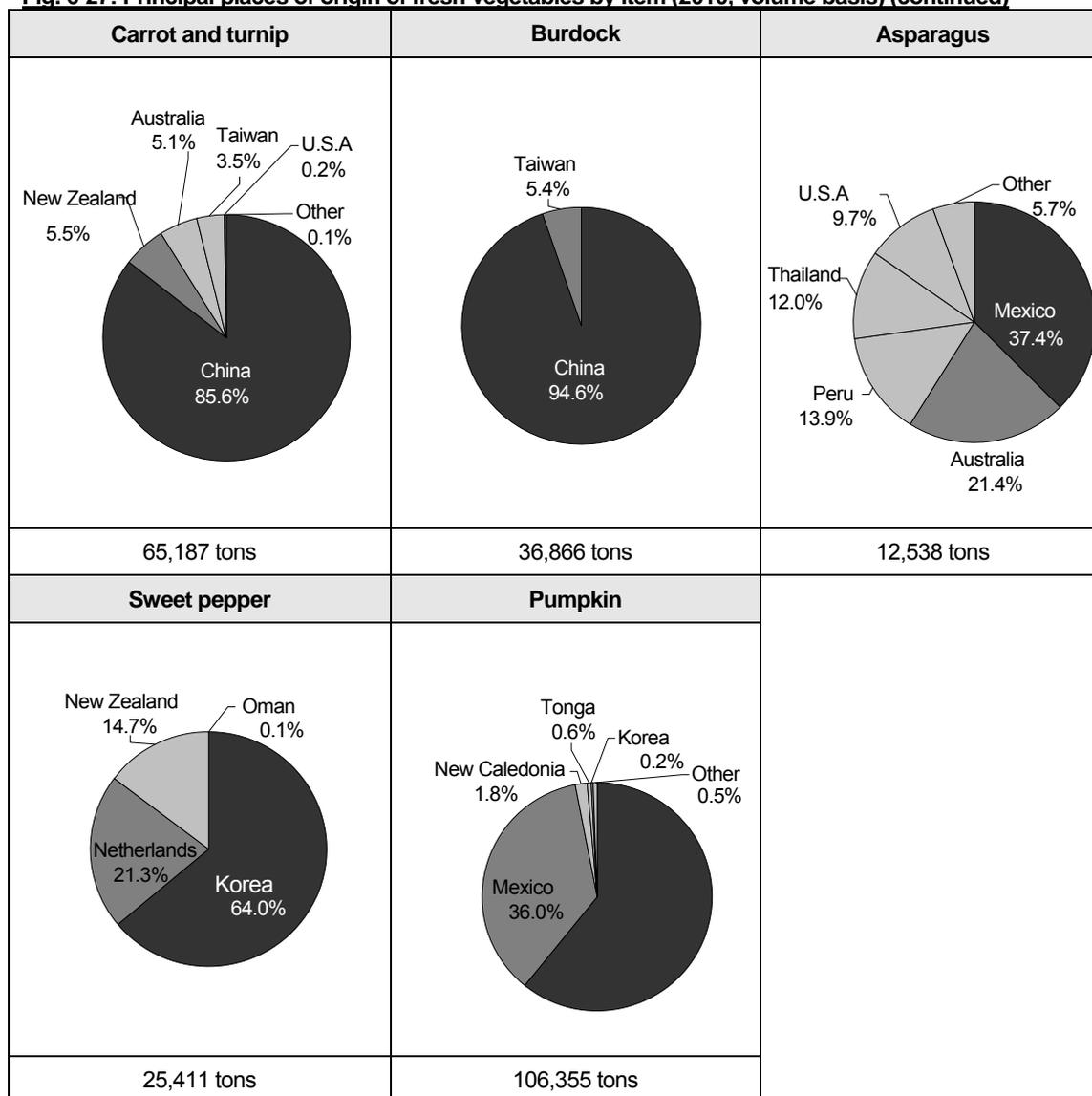
Fig. 6-27: Principal places of origin of fresh vegetables by item (2010, volume basis)

Fig. 6-27: Principal places of origin of fresh vegetables by item (2010, volume basis) (continued)

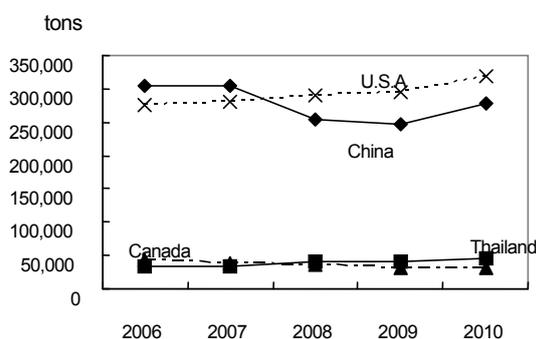


Source: Trade Statistics (MOF)

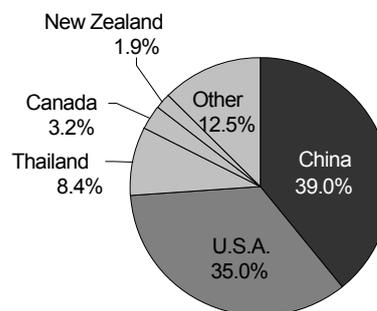
<Frozen vegetables>

As in the case of fresh vegetables, the main trading partner for frozen vegetables is also China. However, due to continuous problems of safety, large slumps were experienced in 2008 and 2009. In 2010, criticism diminished, and demand for frozen vegetables is showing a recovering trend, due partly to rising prices of domestic produce.

Frozen vegetables often use vegetables from China, but measures were taken to switch the country of origin to other countries such as Taiwan and Thailand, due to a sense of mistrust towards Chinese vegetables triggered by the detection of pesticide residue in Chinese frozen vegetables after 2000. As a result, bean production is being distributed to other countries since weather conditions allow them to be grown in other areas besides China.

Fig. 6-28: Trends in leading partner imports: frozen vegetables

Source: Trade Statistics (MOF)

Fig. 6-29: Shares of imports in 2010 (value basis): frozen vegetable**Fig. 6-30: Principal places of origin of frozen vegetables**

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	276,612	280,471	289,421	294,112	318,853	32,282	34,625	35,565	34,989	35,559
China	305,075	303,332	252,927	247,506	277,711	49,617	51,087	38,095	35,159	39,701
Thailand	33,804	34,035	39,811	41,377	45,608	6,839	7,124	8,155	8,239	8,584
Canada	42,442	39,481	35,581	30,329	30,474	4,818	4,596	4,045	3,310	3,251
New Zealand	22,471	22,564	18,883	16,459	14,081	3,185	3,309	2,859	2,282	1,905
Other	61,746	61,287	68,345	68,182	77,514	12,549	12,633	13,074	12,092	12,712
Total	742,150	741,169	704,968	697,965	764,239	109,291	113,374	101,794	96,070	101,712
(African countries)	104	98	47	114	72	14	13	5	10	6

Source: Trade Statistics (MOF)

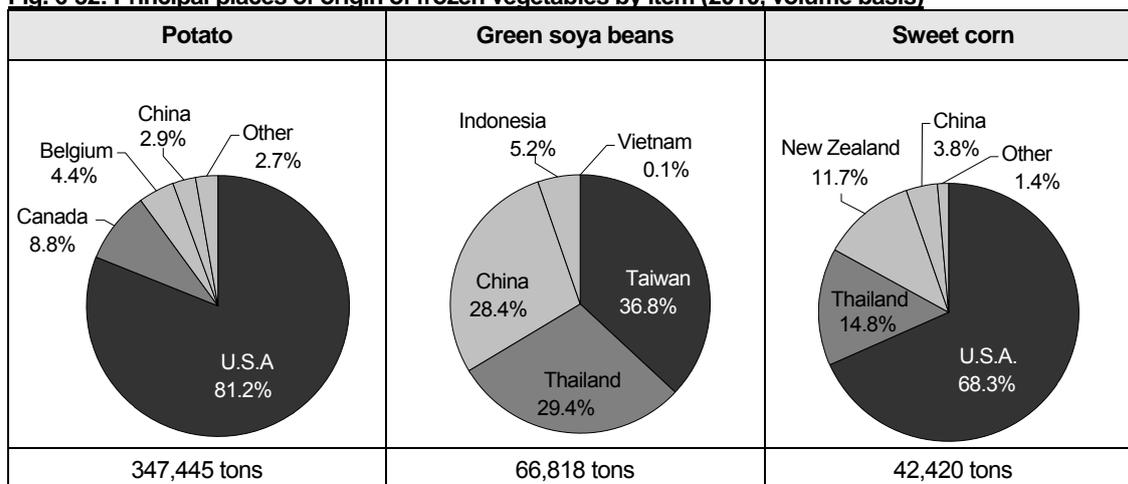
Fig. 6-31: Principal places of origin of frozen vegetables by item

Units: volume = tons, value = ¥ million

Item	Total vol. imports	First place					Second place				
		Country	Volume	Share	Value	Ave. unit Price (kg/¥)	Country	Volume	Share	Value	Ave. unit Price (kg/¥)
Potato	347,445	U.S.A.	282,243	81.2%	30,497	108.1	Canada	30,449	8.8%	3,244	106.5
Green soya beans	66,818	Taiwan	24,617	36.8%	4,389	178.3	Thailand	19,661	29.4%	3,401	173.0
Sweet corn	42,420	U.S.A.	28,993	68.3%	135.1	3,916	Thailand	6,270	14.8%	115.9	727

Source: Trade Statistics (MOF)

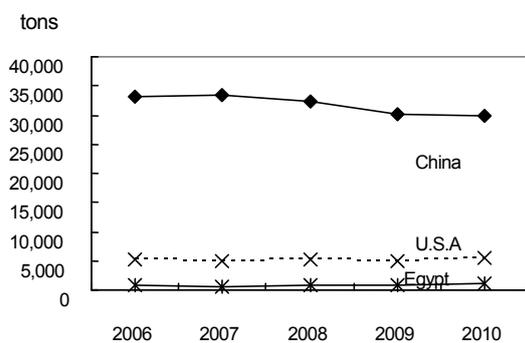
Note) The share is calculated on a kg basis in the original data source and is not always in agreement with the percentage in the above table, which is calculated on a tonnage basis.

Fig. 6-32: Principal places of origin of frozen vegetables by item (2010, volume basis)

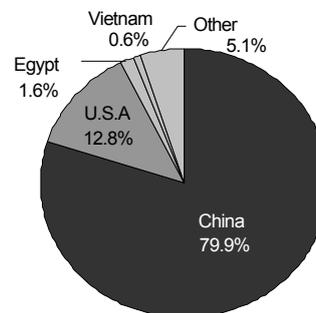
Source: Trade Statistics (MOF)

<Dried vegetables>

As in the case of fresh and frozen vegetables, the principal trading partner for dried vegetables is also China. Fluctuations in imports of dried vegetables are not seen as much as in fresh or frozen vegetables, but the total import volume has gone from being flat to a decrease in growth. Among African countries, Egypt exported 1,195 tons (171.9% vs. previous year) of onions to Japan in 2010.

Fig. 6-33: Trends in leading partner imports: dried vegetables

Source: Trade Statistics (MOF)

Fig. 6-34: Shares of imports in 2010 (value basis): dried vegetable**Fig. 6-35: Principal places of origin of dried vegetables**

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
China	33,157	33,500	32,274	30,270	29,789	15,629	16,227	13,450	12,639	15,450
U.S.A.	5,130	4,852	5,127	4,982	5,419	3,099	2,923	2,740	2,400	2,472
Egypt	795	602	899	695	1,195	219	213	285	171	312
India	127	222	270	135	139	26	64	63	22	28
Vietnam	195	136	125	67	71	428	327	231	134	124
Other	1,137	1,220	1,098	1,174	1,084	1,166	1,262	1,165	988	954
Total	40,542	40,532	39,792	37,323	37,697	20,567	21,016	17,934	16,355	19,340

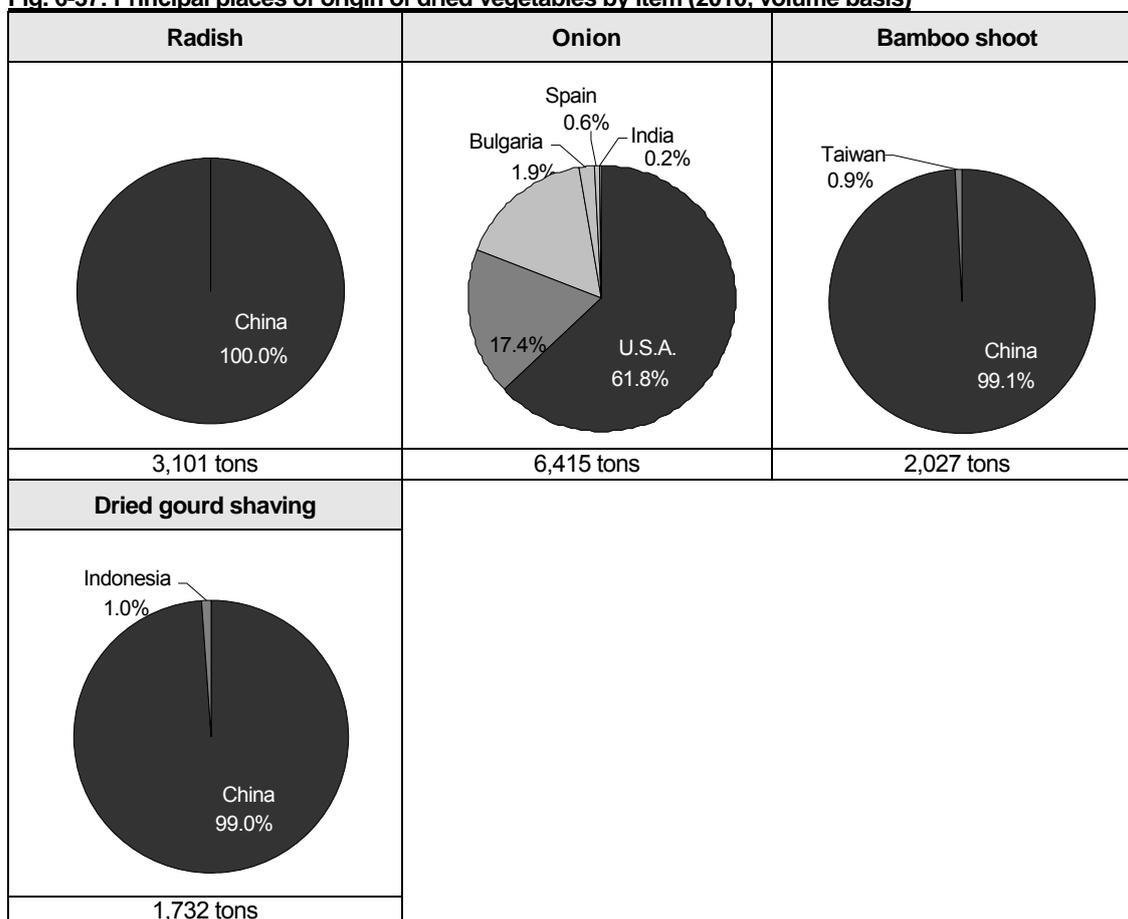
Source: Trade Statistics (MOF)

Fig. 6-36: Principal places of origin of dried vegetables by item Units: volume = tons, value = ¥ million

Item	Total vol. imports	First place					Second place				
		Country	Volume	Share	Value	Ave. unit price	Country	Volume	Share	Value	Ave. unit price
Radish	3,101	China	3,100	100.0%	308.1	955	*	*	*	*	*
Onion	6,415	U.S.A.	3,966	61.8%	315.4	1,251	Egypt	1,119	17.4%	252.9	283
Bamboo shoot	2,027	China	2,007	99.0%	1311.4	2,632	Taiwan	19	0.9%	1526.3	29
Dried gourd shaving	1,732	China	1,715	99.0%	467.6	802	Indonesia	17	1.0%	941.2	16

Source: Trade Statistics (MOF)

Note) The share is calculated on a kg basis in the original data source and is not always in agreement with the percentage in the above table, which is calculated on a tonnage basis.

Fig. 6-37: Principal places of origin of dried vegetables by item (2010, volume basis)

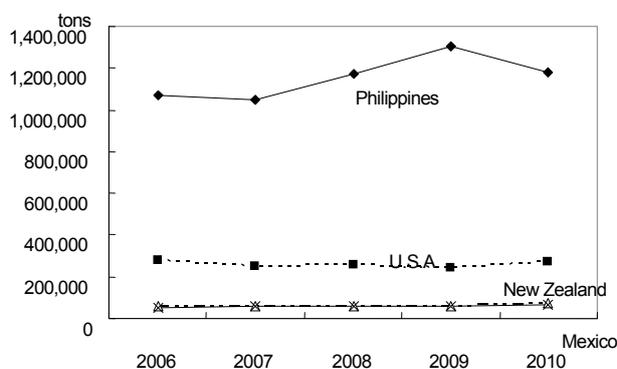
Source: Trade Statistics (MOF)

<Fresh fruits>

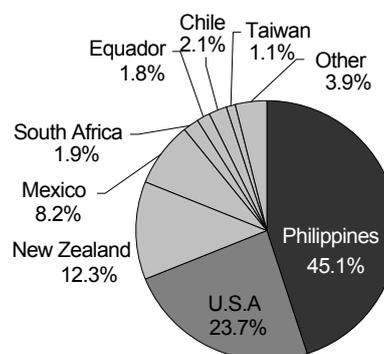
Imports of fresh fruits marked 1,770,847 tons or ¥173,217 million in 2010, both figures dipping below the previous year. The main factor for this decline was the drop in volume from the Philippines, which accounts for the highest percentage of import share. This indicates a decrease in the import of bananas, and the same can be said for Ecuador's figures.

Bananas are a typical fruit imported from overseas, of which 90% or more comes from the Philippines. 1,035,231 tons were imported in 2010, commanding 93.3% of the total share. The main exporter for grapefruits and oranges is the United States, but South Africa is next in line after the United States for grapefruit exports with 44,602 tons in 2010, accounting for 25.5% of the total share. Moreover, although the amount is small, grapefruits are also imported from Swaziland, Israel, and Chile. Oranges are also imported from South Africa and Chile. Kiwifruits are mostly imported from New Zealand. ZESPRI International (Japan) is in charge of marketing activities including importing kiwifruits from New Zealand, managing products, broadcasting TV commercials, and promoting sales at mass merchandisers. Avocados are eaten with soysauce or used in hamburgers, usually sold at mass retailers. Most of them come from Mexico, but the United States, New Zealand, and Chile are also exporters. Since the mango boom in 2006, fresh mangoes are also being sold at volume retailers. Mangoes are imported from Mexico, Thailand, and the Philippines. In 2006, mango imports from India were allowed with some restrictions, followed by a lift on the ban of mango imports from Peru in 2010.

In April of 2010, South Africa succeeded in completely eradicating Mediterranean fruit flies by pasteurization and Taiwan also developed measures to wipe out oriental fruit flies and melon flies through a steaming process. Consequently, the ban was lifted for barlinka table grapes from South Africa and a type of dragon fruit from Taiwan.

Fig. 6-38: Trends in leading partner imports: fresh fruits

Source: Trade Statistics (MOF)

Fig. 6-39: Shares of imports in 2010 (value basis): fresh fruits**Fig. 6-40: Principal places of origin of fresh fruits**

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Philippines	1,070,247	1,050,646	1,169,134	1,307,462	1,181,898	67,527	73,740	90,826	98,403	78,161
U.S.A.	275,616	247,465	256,424	241,314	270,263	48,940	48,362	42,022	35,443	40,974
Mexico	61,730	56,566	59,619	60,600	71,865	12,462	13,739	13,134	12,013	14,125
New Zealand	53,374	59,614	59,763	59,799	62,579	16,838	19,388	19,814	20,129	21,231
South Africa	59,417	77,308	60,610	66,523	52,124	5,859	7,790	5,509	5,090	3,262
Ecuador	101,343	52,067	46,153	61,677	46,060	6,540	3,670	3,151	4,429	3,173
Chile	37,324	31,181	28,481	21,997	24,669	5,671	5,680	4,985	3,461	3,557
Taiwan	16,787	20,137	10,549	10,579	11,483	2,493	2,813	2,438	2,053	1,953
Other	43,758	55,026	37,547	47,735	49,906	7,025	8,610	5,917	6,521	6,782
Total	1,719,596	1,650,010	1,728,281	1,877,686	1,770,847	173,355	183,791	187,796	187,542	173,217
(African countries)	62,258	82,535	66,006	70,164	54,672	6,192	8,376	6,006	5,454	3,470

Source: Trade Statistics (MOF)

Fig. 6-41: Principal places of origin of fresh fruits by item

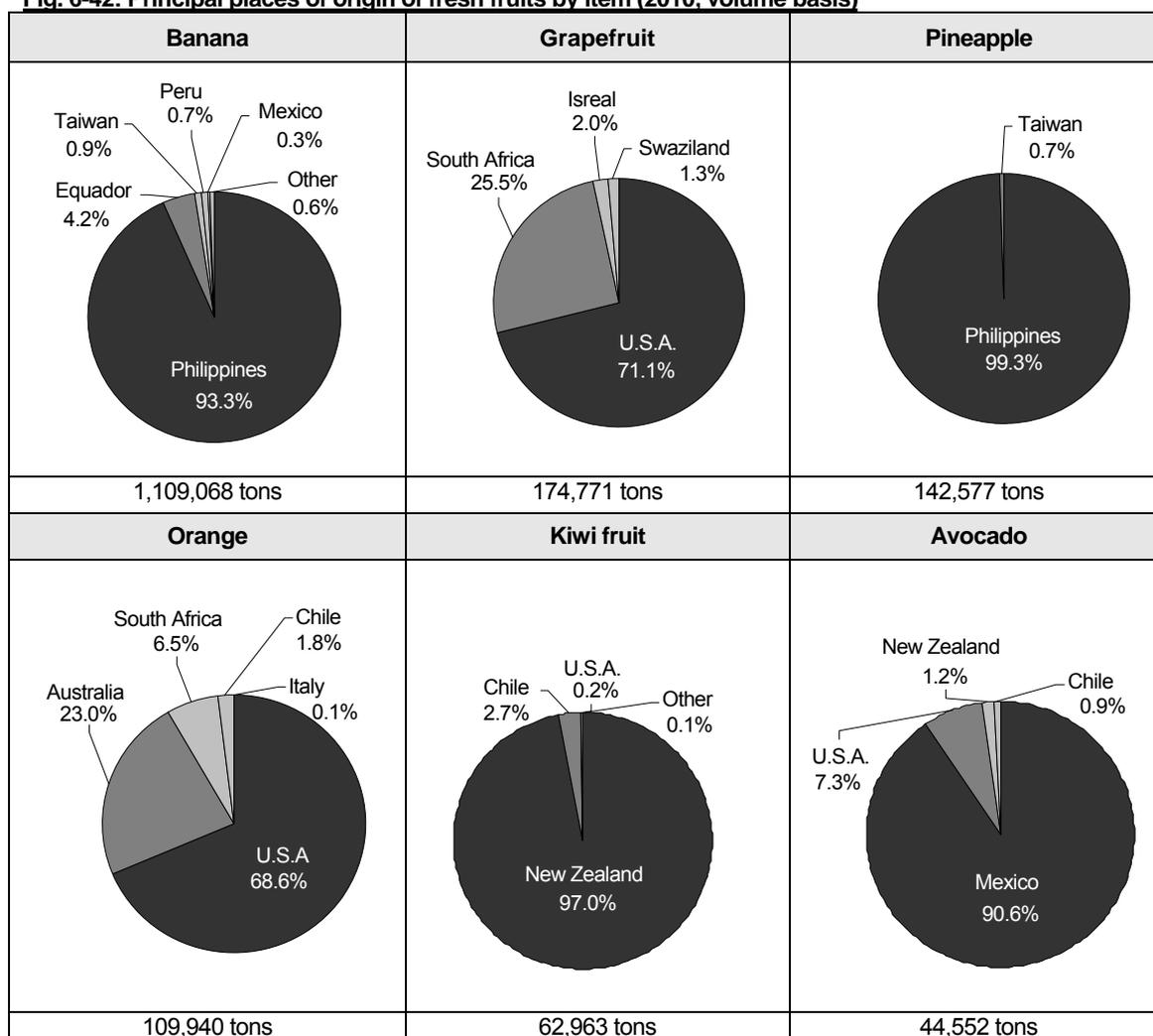
Units: volume = tons, value = ¥ million

Item	Total vol. imports	First place					Second place				
		Country	Volume	Share	Value	Ave. unit price	Country	Volume	Share	Value	Ave. unit price
Banana	1,109,068	Philippines	1,035,231	93.3%	68,099	65.8	Ecuador	46,060	4.2%	3,173	68.9
Grapefruit	174,771	U.S.A.	124,252	71.1%	13,059	105.1	South Africa	44,602	25.5%	2,768	62.1
Pineapple	142,577	Philippines	141,556	99.3%	8,764	61.9	Taiwan	971	0.7%	102	105.0
Orange	109,940	U.S.A.	75,393	68.6%	7,289	96.7	Australia	25,312	23.0%	7,289	288.0
Kiwi fruit (Note 1)	62,963	New Zealand	61,098	97.0%	20,808	340.6	Chile	1,730	2.7%	215	124.3
Avocado (Note 1)	44,552	Mexico	40,372	90.6%	9,554	236.6	U.S.A.	3,248	7.3%	796	245.1
Mango (Note 1)	10,391	Mexico	3,974	38.2%	1,298	326.6	Philippines	2,834	27.3%	827	291.8

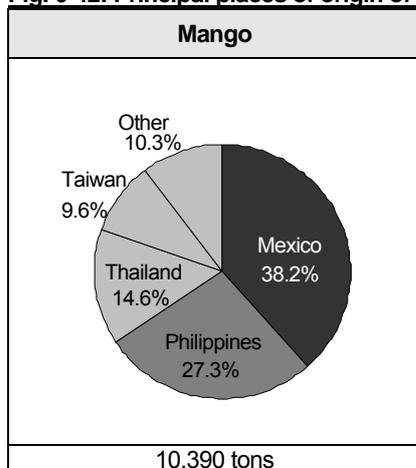
Source: Trade Statistics (MOF)

(注 1) Figures for kiwi fruit, avocado, and mango were as of March 2010, while other items were as of February 2010.

(注 2) The share is calculated on a kg basis in the original data source and is not always in agreement with the percentage in the above table, which is calculated on a tonnage basis.

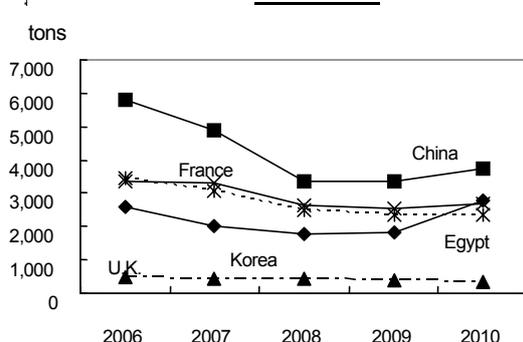
Fig. 6-42: Principal places of origin of fresh fruits by item (2010, volume basis)

Source: Trade Statistics (MOF)

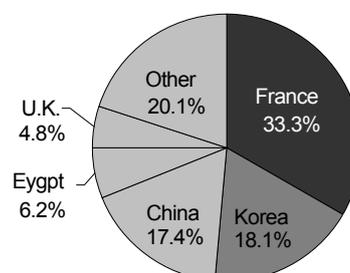
Fig. 6-42: Principal places of origin of fresh fruits by item (2010, volume basis) (continued)**<Processed fruits>**

Due to the series of incidents with Chinese food products in 2008, demand has shifted toward domestic products for processed food products, and consequently imports have dropped significantly. Also in 2009, polarization between low-priced products and high value-added products was seen in the domestic market. Only products meeting customer requirements were selected, leading to an even deeper plunge in import volumes. As a reaction to the previous year, figures bottomed out in 2010, showing recovery signs at 114.8% compared to the previous year.

Fruit jam is imported from China, Korea, and also from Chile, Egypt, and Mexico. Fruit jellies and marmalade are also imported from Egypt.

Fig. 6-43: Trends in leading partner imports: dried fruits

Source: Trade Statistics

Fig. 6-44: Shares of imports in 2010 (value basis): dried fruits**Fig. 6-45: Principal places of origin of dried fruits**

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
China	5,806	4,882	3,372	3,367	3,743	1,054	960	704	678	717
Korea	2,573	2,035	1,763	1,834	2,778	934	763	591	515	746
France	3,368	3,320	2,623	2,551	2,697	2,192	2,236	1,803	1,542	1,373
Egypt	3,447	3,091	2,509	2,341	2,373	498	486	328	251	256
U.K.	493	453	429	380	338	359	399	371	216	199
Other	5,195	8,620	9,293	5,024	5,858	1,002	1,429	1,472	898	826
Total	20,881	22,401	19,990	15,497	17,788	6,040	6,274	5,268	4,099	4,118
(African countries)	3,453	3,097	2,513	2,343	2,376	501	487	329	251	257

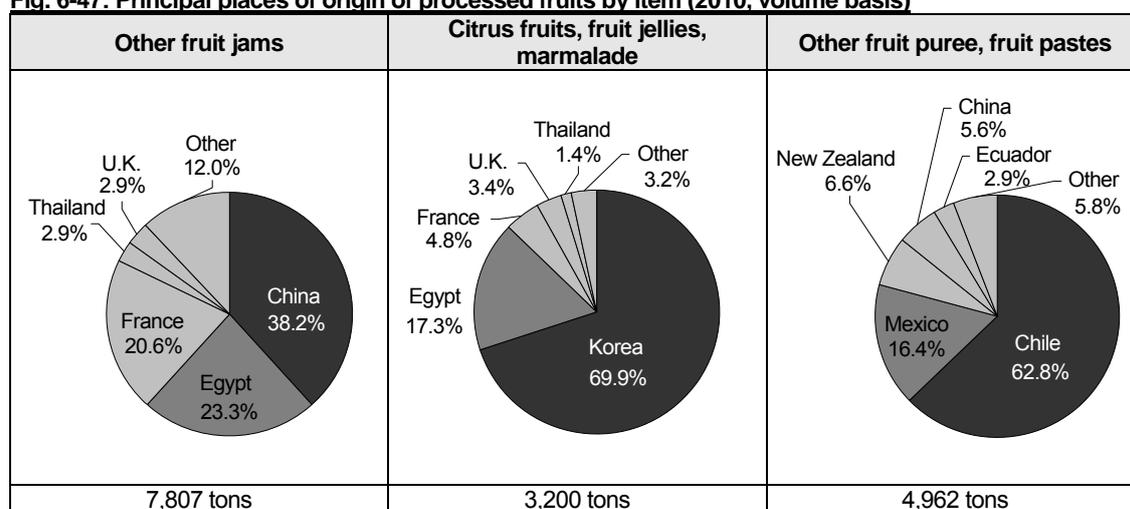
Source: Trade Statistics (MOF)

Fig. 6-46: Principal places of origin of dried fruits by item Units: volume = tons, value = ¥ million

Item	Total vol. imports	First place					Second place				
		Country	Volume	Share	Value	Ave. unit price	Country	Volume	Share	Value	Ave. unit price
Other fruit jams	7,807	China	2,984	38.2%	586	197.7	Egypt	1,821	23.3%	199	109.3
Citrus fruits, fruit jellies, marmalade	3,200	Korea	2,236	69.9%	612	273.7	Egypt	552	17.3%	57	103.3
Other fruit puree, fruit pastes	4,962	Chile	3,114	62.8%	214	68.7	Mexico	814	16.4%	94	115.5

Source: Trade Statistics (MOF)

Note) The share is calculated on a kg basis in the original data source and is not always in agreement with the percentage in the above table, which is calculated on a tonnage basis.

Fig. 6-47: Principal places of origin of processed fruits by item (2010, volume basis)

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

According to research by the Japan Frozen Food Association, domestic production of frozen vegetables in 2008 marked a 5.9% growth compared to the previous year with 106,595 tons. Imports decreased in 2008 due to the series of incidents involving Chinese food products, and demand for domestic products increased as an alternative. Nevertheless, the structure remains unchanged in which a majority of the demand is dependent on imported goods, and the share of imported products in frozen vegetables in 2008 marks 86.8%.

Fig. 6-48: Share of import vegetables in Japanese market

Unit: 1,000 tons

Item	Statistics	2004	2005	2006	2007	2008
Overall vegetables	Domestic production	12,344	12,492	12,356	12,527	12,654
	Import volume	3,151	3,367	3,244	2,992	2,810
	Export volume	4	10	9	14	13
	Domestic supply	15,491	15,849	15,591	15,505	15,451
	Share of imports	20.3%	21.2%	20.8%	19.3%	18.2%
Frozen vegetables	Domestic production	93	95	100	101	107
	Import volume	761	703	742	741	705
	Total	854	798	842	842	812
	Share of imports	89.1%	88.1%	88.1%	88.0%	86.8%

Source: Food balance sheet for overall vegetables (annual data [April–March]). All figures are production equivalent except for fresh article data: Japan Frozen Food Association, Trade Statistics (MOF) for frozen vegetables

Fig. 6-49: Share of import fresh and processed fruits in Japanese market

Unit: 1,000 tons

Statistics	2004	2005	2006	2007	2008
Domestic production	3,464	3,703	3,215	3,444	3,411
Import volume	5,353	5,437	5,130	5,162	4,889
Export volume	44	64	32	54	44
Increase in inventory	5	40	△ 60	0	△ 62
Domestic supply	8,768	9,036	8,373	8,552	8,318
Share of imports	61.1%	60.2%	61.3%	60.4%	58.8%

Source: Food balance (MAFF)

(Note) Import volume is the total of fresh and processed fruits (fresh equivalent).

4. Background of Changes in Volume of Imports and Other Trends

Vegetable imports dropped due to issues such as pesticide residue found in frozen green soybeans from China in 2007, triggering a global sense of mistrust towards Chinese vegetables. Similar incidents also occurred with frozen dumplings and kidney beans from China in 2008. Figures have stabilized in 2009, and are showing recovery in 2010 for Chinese products. Recently, Japanese companies have been trying to restore trust by enhancing traceability of Chinese vegetables and improving safety. There are also efforts to search for alternative suppliers other than China including the United States and Thailand, and imports from other countries besides China are increasing.

Meanwhile, due to the high costs of domestic fruits triggered by the extremely hot summer in 2010, imported fruits such as grapefruits and oranges have become popular. Wholesale prices for grapefruits from South Africa rose due to a sense of scarcity in supply, and inventory was reduced for some imported fruits.

V. Domestic Distribution

1. Trade Practice, Etc.

Prices for fresh vegetables and fruits are generally decided at auctions or negotiation transactions taking place in local wholesale markets. In recent years, direct transactions have also been witnessed where the quantity and price are prearranged with restaurant chains, retail chains, or food manufacturers that require large volumes of vegetables and fruits.

2. Domestic Market Situations

According to the “self-sufficiency table” issued by the Ministry of Agriculture, Forestry and Fisheries of Japan, the Japanese self-sufficiency ratio of vegetables (excluding soya beans) on a production value basis in 2009 was 83%, and for fruits it was 69% (80% on a calorie basis for vegetables (excluding soya beans), 37% for fruits). Although the aging of vegetable and fruit farmers and their decrease in number is becoming an issue in Japan, the ratio of domestic products can still be stated as high.

Some of the main processed vegetable products include pickles, which are a traditional Japanese preserved food, processed tomato products increasing in number due to the spread of Western food, frozen vegetables, and others. Frozen vegetables tentatively saw a decline in sales due to problems such as pesticide residue found in frozen vegetables from China, but is now on a recovery trend since 2009.

As for processed fruits, canned fruits boast the most in sales. Jelly with fruits, jams, and frozen vegetables are also distributed in the market. Most of the frozen vegetables are for commercial use, but they are also spreading to households, where popular usage includes mixing them in yogurts or adding them to homemade desserts.

<Fresh vegetables>

In Japan, the self-sufficiency ratio for fresh vegetables is over 80% on both a calorie and value basis, and 95% of the vegetables sold at local fresh produce markets are domestic products. Vegetables with the highest transaction volumes are cabbages, followed by radishes and onions. Vegetables ranked high in transaction volume are vegetables consumed in the household through the year, but Chinese cabbages increase in consumption in the winter as ingredients for Japanese style hot pot dishes. Among imported fresh vegetables, pumpkins are the highest in volume followed by onions and broccoli, which are mainly vegetables that are cheaper in price compared to domestic products. In reaction to food poisoning incidents caused by processed foods imported from China, there is a recent trend to promote domestic products as high value-added products.

Fig. 6-50: Volume of domestically grown fresh vegetable trade in wholesale market in 2010

Item	Wholesale volume	Wholesale value		Wholesale price per kg (¥)
	(10,000 tons)	(¥100 million)	Share	
Cabbage	102	1,028	6.1%	101
Radish	78	685	4.0%	88
Onion	75	936	5.5%	125
Chinese cabbage	64	456	2.7%	71
Potato	53	813	4.8%	154
Carrot	50	678	4.0%	136
Lettuce	42	842	5.0%	199
Cucumber	39	1,118	6.6%	285
Tomato	34	1,193	7.1%	350
leek	24	929	5.5%	386
Egg plant	19	610	3.6%	314
Other	195	7,629	45.1%	526
Total, domestically grown vegetables	776	16,916	100.0%	218

Fig. 6-51: Volume of import fresh vegetable trade in wholesale market in 2010

Item	Wholesale volume	Wholesale value		Wholesale price per kg (¥)
	(10,000 tons)	(¥100 million)	Share	
Pumpkin	8.5	117	20.9%	137
Onion	6.6	55	9.9%	84
Broccoli	1.6	46	8.3%	290
Garlic	0.9	24	4.3%	267
Ginger	0.7	18	3.3%	273
Asparagus	0.6	46	8.3%	728
Shitake mushroom	0.3	10	1.7%	373
Split pea	0.2	8	1.4%	467
Other	6.4	235	42.0%	367
Total, import vegetables	25.8	560	100.0%	217

Source: Report of Survey on Vegetables and Fruits Wholesale Markets (MAFF)

<Processed vegetables>

The main processed vegetable products produced domestically are displayed in the table below. Pickles, which are a traditional Japanese preserved food, show a considerable amount of sales.

A variety of vegetables such as cabbage, Chinese cabbage, radishes, and cucumbers are used to make pickles, and some use imported vegetables as ingredients.

Tomatoes used as an ingredient (excluding highly processed foods with added flavor such as tomato sauce and tomato ketchup) include stewed tomatoes, boiled tomatoes, tomato juice in cartons, retort pouches, and BiBs (Bag-in-Box: container made of a special type of plastic, packaged in a cardboard box. Sterility is maintained to a certain extent as long as no air enters the container). Italian cuisine is widely spread in Japan, and cooking with tomatoes has become

well-accepted not only in restaurants but also in general households. Canned cut tomatoes that are convenient for use, are on the market as well as canned whole tomatoes. Packages have become diversified including cartons and retort pouches, but cans still remain the major form of packaging. The majority of imported canned tomatoes are from Italy, but economical products from Turkey and China have also been introduced on the market in recent years. Tomato ketchup, tomato purée/paste, and tomato sauce are also condiments/seasoned food products widespread among standard homes. Recently, tomato sauce that has already been flavored in order to save the trouble of seasoning has also entered the market. Furthermore, since cooking with tomato flavor has become a familiar custom, Kagome launched a tomato mix for Japanese style hot pot dishes called “Kanjuku tomato nabe (fully-ripened tomato hot pot)” in 2009, being served at homes as well as at restaurants.

Salads are distributed chilled or frozen, and principal products include mayonnaise-flavored potato salads, egg salads, macaroni/pasta salads, and burdock salads. They are not only eaten directly, but also used as fillings for bread. Types of salads seen in the market are now becoming diverse, including varieties such as bean and pumpkin salads.

Canned ingredients refer to boiled vegetable cans. Lately, frozen vegetables and boiled vegetables in retort pouch containers have been introduced and demand has been leaning toward these products since they are easy to store and the empty containers are easy to dispose of. Hence, the volume of shipment for canned boiled vegetables has been decreasing. The types of canned boiled vegetables include bamboo shoots, sweet corn, asparagus, mushrooms, and mixed beans. Low-priced products are imports mainly from China and Thailand, and domestic products are considered as premium products. Leading seafood processor Higoromo Foods also tops this market, but their share is below 10%. Many small- and medium-sized businesses are involved in the production/import and distribution.

Because of their preservative qualities and stable prices, frozen vegetables are often used for commercial use. Among frozen vegetables, processed potatoes (frozen) including french fries served at fast-food restaurants are the most common. Due also to demand as prepared foods, the shipping volume for these products is on an upward trend. Processed potato products (frozen) are mainly from the United States, but some are also from Egypt. Frozen vegetables other than processed potatoes (frozen) include beans such as green soybeans, kidney beans, and corn and spinach. Demand for greens such as spinach tends to increase when prices seem cheap compared to fresh greens, triggered by prices rising due to bad weather or other conditions. Major frozen food manufacturer Nichirei Foods, and other companies mainly handling processed potato products such as Mitsui & Co., Kyoka Shokuhin, and Nosui are some of the leading suppliers.

Fig. 6-52: Shipping volume of processed vegetables

品 Item	2006	2007	2008	2009	2010
Pickles	1,157,000	1,133,900	1,125,900	1,085,000	1,042,000
Tomato for processing	—	50,300	54,000	52,300	54,200
Tomato ketchup	197,500	200,000	202,000	201,200	205,000
Tomato puree, pastes	41,250	40,750	41,000	41,000	40,500
Tomato sauce	25,600	26,200	27,100	28,000	28,900
Saladas	100,800	100,700	100,000	99,600	99,200
Canned ingredients	429,700	420,300	414,000	403,700	392,400
Frozen vegetables	445,500	427,400	380,200	351,900	362,800
Processed potatoes (frozen)	341,500	349,400	357,800	372,800	371,300

Source: 2011 Food Marketing Handbooks No. 4&5, Fuji Keizai

<Fresh fruits>

Over 70% of the fresh fruits distributed in Japan are local products, and imported fruits only account for 25.9% (refer to Fig. 6-53 and Fig. 6-54). Mandarin oranges are consumed the most during winter. They are popular because they are easy to eat small and easy to peel, and have the highest share in trade volume (refer to Fig. 6-53). Apples also used to be fruits during the winter, but due to recent improvements in refrigeration technology, retailers selling them throughout the year are now commonly seen. Furthermore, strategies of branding have been promoted to differentiate the products among domestic products that have high transaction volumes.

Tropical fruits and citrus fruits which are difficult to grow in Japan top the list of imported fruits. Unlike vegetables, many of these fruits are not produced locally. Hence the competition against domestic products is low, and they are consumed as fruits with stable prices throughout the year.

Fig. 6-53: Volume of domestically grown fresh fruit in wholesale market in 2010

Item	Wholesale volume (10,000 tons)	Wholesale value		Wholesale price per kg (¥)
		(¥100 million)	Share	
Mandarin	484	11,147	16.4%	230
Apple	358	9,140	13.4%	255
Water melon	233	4,316	6.3%	186
Melon	121	5,208	7.7%	429
Japanese pear	116	3,895	5.7%	335
Strawberry	115	11,939	17.6%	1,039
Persimmon	86	2,739	4.0%	318
Iyokan	83	1,045	1.5%	126
Grape	69	5,231	7.7%	756
Peach	66	3,158	4.6%	482
Other	311	10,201	15.0%	328
Total, domestically grown vegetables	2,042	68,019	100.0%	333

Fig. 6-54: Volume of import fresh fruit trade in wholesale market in 2010

Item	Wholesale volume (10,000 tons)	Wholesale value		Wholesale price per kg (¥)
		(¥100 million)	Share	
Banana	432	5,563	46.0%	129
Grapefruit	78	1,140	9.4%	145
Orange	56	998	8.3%	178
Pineapple	47	795	6.6%	168
Lemon	30	644	5.3%	215
Kiwi fruit	27	1,198	9.9%	444
Melon	12	144	1.2%	124
Yellow peach	4	346	2.9%	970
Other	29	1,255	10.4%	435
Total, import vegetables	715	12,084	100.0%	169

Source: Report of Survey on Vegetables and Fruits Wholesale Markets (MAFF)

<Processed fruits>

Major processed fruit products include dried jelly, jams, canned fruits, and frozen fruits.

Some of the main jelly products (room temperature) are ones that include orange and peach pulps. In addition to allowing for easy consumption of fruits, other additives such as dietary fiber and collagen have been added to new products. These products are meeting the demands of consumers who are highly interested in beauty and health, and as a result, sales are increasing.

Since bread has become part of the Japanese diet, jam is widely consumed in homes and in manufacturing bread for commercial use. The main flavors are strawberry, blueberry, and marmalade. Since it is a mature market with high price competition, a polarization of prices is seen with inexpensive Chinese products on one hand, and growth of high-cost homemade or domestic/Western fruit jams on the other. Products in which the texture of fruits is preserved, such as “Kajitsu jikkan (sense of fruit)” by Meidi-ya and “Greenwood tezukuri jam (Greenwood homemade jam)” by Kato Sangyo, are considered as high-value products. Rosehip jam from Turkey, sour cherry jam, marmalade from Madagascar, and apricot jam are also being sold through mail order. Moreover, Mexican strawberries are used for private label (PL) strawberry jams of Queens Isetan, an upscale supermarket.

Canned fruits are commonly eaten out of the can, or as ingredients for desserts. Price competition is intense with countless imported products from China, but in response to the heightening of distrust of Chinese products through a series of pesticide residue problems and other issues, leading manufacturers are making efforts to sell products using domestic fruits as value-added products. Furthermore, demand is rising for low-priced small packs that can be eaten at once in response to the decreasing number of people in the Japanese household as a result of the trend toward nuclear families. Hagoromo Foods, the top manufacturer in the market, is selling a series of “Asa kara fruits (fruits in the morning),” which come in small sizes to be eaten in one meal. The cans contain 110g of fruits in drained weight, which is half the amount of a regular can.

Frozen fruits are often used as a method to procure low-cost fruits in bulk from overseas to be used commercially as raw material for processing. They have also been used widely in homes in recent years. Shipments of frozen fruits (home use) marked over 7,000 tons, but imports of frozen fruits in 2010 marked 59,374 tons (figures released by the Ministry of Finance). Hence, most is seen to be applicable for industrial use. Fruits that are low in domestic production or are expensive as local products such as strawberries, blueberries, mangoes, and lychee are some of the major types seen in imports. Some products also pursue pesticide-free production in order to target health-conscious consumers. Frozen strawberries are imported from China, the United States, and Egypt. Other imports include frozen mangoes from Mexico, apple mangoes from Peru, grapes from Chile, and pineapples and papaya from Costa Rica. Frozen fruits are also distributed by the same manufacturers handling frozen vegetables.

- * Private label (PL) products are those for which a retail company or wholesaler is involved in product development and labels under its own brand. Advertising or handling by a wholesaler is not required, and items can thus be priced lower than manufacturer brands.

National brand (NB) products, meanwhile, are those that are developed and marketed by manufacturers.

Fig. 6-55: Shipping volume of processed fruits

Item	Unit: tons				
	2006	2007	2008	2009	2010
Dried jelly	62,100	64,100	67,400	72,500	76,900
Jams	89,350	85,550	86,100	84,100	83,800
Canned fruit	352,000	337,900	321,000	313,600	301,700
Frozen fruit (home use)	8,000	8,200	7,600	7,300	7,200

Source: 2011 Food Marketing Handbooks No. 5&6, Fuji Keizai

3. Distribution Channels

<Fresh vegetables and fruits >

Distribution channels for fresh vegetables and fruits are classified into market trades that go through the wholesale market, and off-market trades that do not. In the case of market trades, domestic agricultural products collected from farmers are sent to consolidators such as agricultural cooperatives, where they are sorted by quality and then shipped to the wholesale market. Imported vegetables and fruits are shipped from the trading firms to the wholesale market. Fresh produce gathered in the wholesale market is put up for auction or goes through negotiation transactions by wholesalers to be sold to purchasers (intermediary wholesalers handling trades according to orders from retailers, or retailers purchasing produce from intermediary wholesalers or wholesalers).

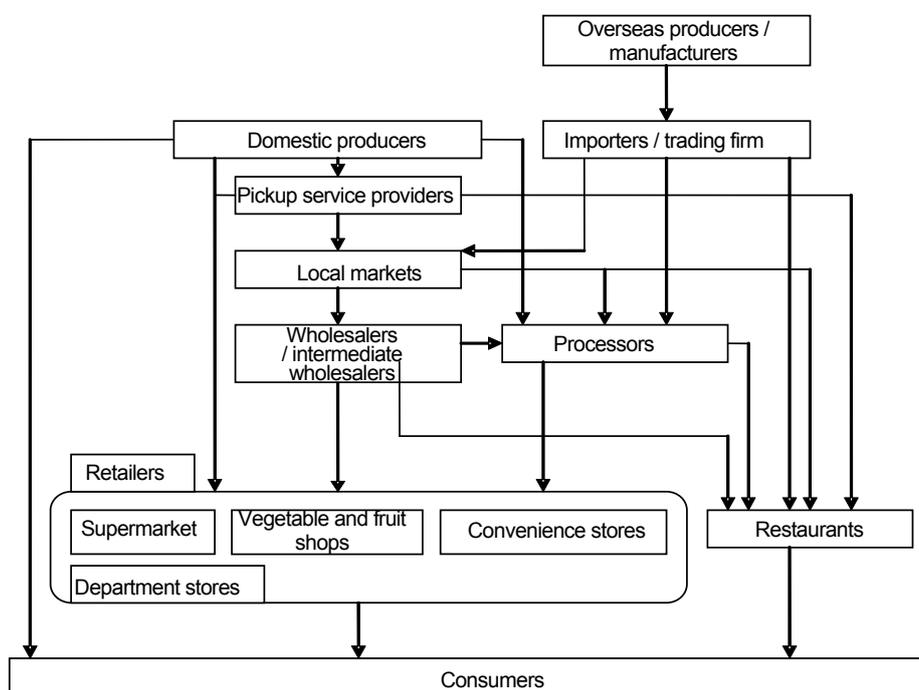
On the other hand, off-market distribution includes trade agreements reached by large-lot retailers or restaurant chains directly negotiating volume and price with farmers or producer's groups, or direct transactions between farmers and consumers using the internet. Off-market distribution reduces the lead time from harvest to delivery since products do not go through the wholesale market, and supply is stable since quantity and price are prearranged. This is why off-market trades have been increasing especially for commercial-scale customers.

<Frozen vegetables and fruits>

Frozen vegetables and fruits rarely go through the wholesale market. Local frozen food suppliers deliver domestic products to retailers or restaurants via food wholesalers, as in the case of other frozen foods. In the case of imported products, some are shipped through importers and then repackaged by local suppliers. Some domestic frozen food suppliers package products in retail size at overseas production areas and then import them into Japan. In other cases, processed food suppliers also directly import products to be used as ingredients.

<Processed vegetables and fruits>

Ingredients, process of manufacturing, and packages are often specified for processed vegetable and fruit products shipped to commercial-scale consumers such as processed food suppliers or restaurant chains, and are generally imported in bulk or BiBs (Bag-in-Box: container made of a special type of plastic packaged in a cardboard box. Sterility is maintained to a certain extent as long as no air enters the container). Other small-lot products targeting small-and-medium-sized food suppliers, individually managed restaurants or general consumers, are imported through import traders to special wholesalers for commercial use, and then delivered and sold retail.

Fig. 6-56: Distribution channels for vegetables, fruits, and processed products

Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

When entering the Japanese vegetable and fruit market, one must consider the preferences and dietary habits of the Japanese. In the Japanese market, importance is placed not only on class and quality of the fresh vegetables and fruits, but also on appearance such as size, color, and gloss.

Quite a large number of consumers have developed a sense of distrust towards imported food products as a result of pesticide residue and food poisoning issues with Chinese frozen vegetables and processed foods since around 2000. A positive list system is installed regarding residual pesticides to restrict sales of food products with pesticide residues exceeding a designated amount, and consumers show great sensitivity to noncompliance. Also, due to a spate of fabrications in production areas for domestic processed foods, food traceability is receiving increased attention. Because of this, thorough management is required in production methods and in the quality of production at the place of origin. Hence, there are cases where domestic manufacturers handling frozen vegetables sometimes even give guidance starting with the production of vegetables. Therefore, suppliers are at times requested to submit inspection results for residual pesticides or production flow charts in order to sell vegetables, fruits, or their processed products to Japanese companies. Documents must be prepared in advance.

In order to ensure safety and reliability of agricultural products in Japan, the introduction of GAP (Good Agricultural Practice: agricultural production process management method for the purpose of ensuring safety in agricultural products and preserving the environment. Agricultural tasks are planned, checksheets are prepared, and tasks are executed based on the checksheets. Tasks are recorded and inspected to check where improvements can be made in the next crop) is being widely applied. GAP introduction has not reached the point of becoming a purchasing standard for retailers in Japan. However, imported agricultural products are under closer scrutiny in terms of safety compared to domestic products as a result of the pesticide residue issues in agricultural products from China, and it will be easier to import farm products into Japan if GAP is introduced as a method to demonstrate the safety of imported farm produce.

Furthermore, for processed food products, Japan is in the process of introducing HACCP (Hazard Analysis Critical Control Point), a food sanitation control technique that continually monitors and records points to prevent physical, chemical, and biological hazards in the production process, from material acceptance to manufacturing and shipping. Therefore, suppliers can demonstrate that necessary sanitary precautions are taken in processed food production by introducing HACCP, when importing processed foods to Japan.

Some fresh vegetables and fruits are banned from imports into Japan depending on the country or region. Banned items are stipulated under Appendix 2 of Ordinance for Enforcement of the Plant Protection Act. As a basic rule, fresh produce banned from imports cannot be imported. However, if it is confirmed that disinfective technologies against agricultural pests have been thoroughly established and proven flawless in the exporting country, items considered as having no issues as a result of

government-level talks between the exporter and Japan, will gain approval from the Ministry of Agriculture, Forestry and Fisheries of Japan and the ban will be lifted. In order to gain approval, examination officers must be invited for inspection from Japan, of which the period sometimes lasts for a few years.

<Exhibitions>

Fig. 6-57: Exhibitions for vegetables, fruits, and processed products

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	Supermarket Trade Show	
	http://www.smts.jp	TEL: +81-3-5209-1056
Home-meal replacement (takeout food)	FABEX	
	http://www.fabex.jp	TEL: +81-3-3523-2755
Dessert, cake, beverage	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL: +81-3-5294-0071
Organic products	BioFach Japan	
	http://www.biofach.jp/	TEL: +81-3-5369-6788

5. Failure Cases

<Pesticide residues>

Since 2002, pesticides and agricultural chemicals exceeding Japanese standards were detected in frozen spinach and kidney beans from China, and imports were tentatively banned. In the case of frozen kidney beans, a housewife who had eaten the beans was hospitalized, worsening the image of Chinese vegetables.

<Detection of tin>

A retailer selling imported foodstuffs found a case of imported apple juice exceeding the amount of tin elution allowed for domestic beverages (150 ppm) and initiated a voluntary recall of the juices being sold.

6. Import Associations & Related Organizations

Fig. 6-58: Importer associations for vegetables, fruits, and processed products and related organizations

Japan Fresh Produce Import and Safety Association	http://www.fruits-nisseikyo.or.jp/ TEL: +81-3-5833-5141
Japan Association for Fruits and Vegetables Wholesale Markets	http://www.zenseikyou.jp/ TEL: +81-3-3251-3873
Japan Federation of Fruits and Vegetables Stores Cooperatives	TEL: +81-3-3251-5261
Japan Association for Central Fruits and Vegetables Markets	TEL: +81-3-3251-6221
Japan Center for Vegetable Supply Demand Adjustment	TEL: +81-3-3251-8310
Japan Federation of Fruits and Vegetables Wholesalers Cooperatives	TEL: +81-3-5492-2557
The Japan Banana Importers Association	http://www.banana.co.jp/index.html TEL: +81-3-3263-0461
Japan Federation of Banana Processors Cooperatives	TEL: +81-3-5492-2566
Japan Dehydrated Vegetable Association (in Japan Primelo)	TEL: +81-3-3669-0286
Association for Beans Import Funds	http://www.mame.or.jp/ TEL: +81-3-5570-0071

7. Alcoholic Beverages

This chapter defines alcoholic beverages according to the H.S. code of the Tariff Schedule (Fig. 7-1), covering imports as well as sake, shochu (distilled spirits), and low-alcoholic beverages (ready-to-drink [RTD] beverages unique to Japan, such as chu-hai, which are mixed drinks composed of shochu, vodka or other spirits with soft drinks such as carbonated water with fruit juice added to it, and highball [whisky mixed with carbonated water]) that are distributed in Japan.

Fig. 7-1: Scope of coverage for alcoholic beverages in this chapter

Category	Description	H.S. code
Wine	Sparkling wine	2204.10
	Sherry, port and other fortified wines (holding less than 2ℓ)	2204.21-010
	Still bottled wine (in a 2-liter or less container)	2204.21-020
	Other wine (bulk wine)	2204.29-010, -090
	Vermouth and other wine	2205.10, 2205.90-100, -200
Beer, low-malt beer	Beer made from malt	2203
	Low-male beer	2206
Whisky	Bourbon whisky	2208.30-011, 019
	Rye whisky	2208.30-021, 029
	Other whisky	2208.30-031, 032
Other	Brandy, fruit brandy	2208.20-100, 200, 2208.90-111, -119
	Rum	2208.40
	Gin	2208.50
	Vodka	2208.60
	Liqueurs and cordials	2208.70

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of alcoholic beverages is subject to 1) the Food Sanitation Act, 2) the Liquor Tax Act, and 3) the Customs Act.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, alcoholic beverages are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, alcoholic beverages should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of 2011, there is no alcoholic beverage that is subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act). Medicinal liquors do not fall into a food category under the provisions of the Food Sanitation Act, and are exempt from the food sanitation inspection.

Past cases in which destruction or returning to the shipper were ordered include wine produced in New Zealand that was found during an inspection by authorities to contain copper sulfate which is a banned substance, a liqueur produced in Azerbaijan in which sorbic acid was detected at a level above the approved limit in a voluntary inspection, and rum produced in Australia which was found to contain an unapproved additive also in a voluntary inspection. It is preferable to fully check the approved use of additives in advance.

<Liquor Tax Act>

The Liquor Tax Act defines alcoholic beverages as beverages with an alcohol content of 1 percent or higher; those that contain less than 1 percent are handled as soft drinks.

Under the law, wholesaling of alcoholic beverages is operated in a licensing system, in which those that have obtained a wholesale dealer's license for all alcoholic beverages or imported alcohol beverages from the director of a tax office are authorized to wholesale imported alcoholic beverages. Alcoholic beverages can be imported independently if they are intended to be offered for drinking within the applicant's place of business (such as a bar, restaurant, etc.).

The Liquor Tax is a specific duty that is imposed according to the type and alcohol content of an item, and its provisions are summarized as shown in Fig. 7-2.

Fig. 7-2: Summary of Liquor Tax rates by type

Classification	Alcoholic beverage	Customs		Liquor Tax	
		General tariff	Simplified tariff (Note 1)	Alcohol by volume	Rates /kL
Low-malt beers	Beer made from malt	Free	—	< 20% vol	¥220,000
	Low-malt beer	* Tariff rates vary according to the malt concentration and alcohol by volume (ABV).			
Brews	Wine (fruit wine)	15% or ¥125/L, whichever is lower. If the tariff rate is < ¥67/L, it is fixed at ¥67/L (Note 2)	¥70/L	—	¥80,000
Spirits	Whisky, brandy, spirits	* Tariff rates vary according to ABV		≥37% vol	¥10,000 added per percentage point of ABV over 37% vol
				< 37% vol	¥370,000
Liqueurs	Liqueur, sweet fruit liquor	* Tariff rates vary according to ABV.		< 13% vol	¥120,000 (Note 3)

Source: National Tax Agency

(Note 1) Simplified tariff rates are applicable to general import goods or international mail the custom value of which is ¥100,000 or lower.

(Note 2) Limited to those in containers holding 2ℓ or less, excluding sparkling and fortified wines (e.g., Sherry, port).

(Note 3) If the alcohol by volume exceeds 12%, ¥10,000/kℓ is added for every % vol. For liqueurs <12%, excluding sparkling products, tariff rates are ¥80,000/kℓ if the alcohol by volume is <9%, while they are calculated by ¥80,000/kℓ combined with an incremental ¥10,000 per percentage point exceeding 8% if it is between 9% and 12%.

<Customs Act>

Under the Customs Act, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned.

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

Regulations and restrictions relevant to the sales of alcoholic beverages are explained below.

<Liquor Tax Act>

The Liquor Tax Act rules that one may not sell alcoholic beverages unless possessing a wholesale dealer's license for all alcoholic beverages or for imported alcoholic beverages in order to be able to sell to retailers, etc., a general retail dealer's license for alcoholic beverages to sell to general consumers, owners of eating and drinking establishments, or confectionery manufacturers, and a mail-order retail dealer's license for alcoholic beverages to sell by mail order retailing (Fig. 7-3).

While wholesaling licenses may be obtained on a permit basis as mentioned above, retail licenses may be obtained in principle on a notification basis.

Fig. 7-3: Characteristics of major licenses to sell liquors

License	Characteristics
Wholesale dealer's license for all alcoholic beverages	All kinds of alcoholic beverages, irrespective of domestic or import products can be sold wholesale; retail distribution of any alcoholic beverage is prohibited.
Wholesale dealer's license for Western liquor	Western liquors other than beer can be sold wholesale; retail distribution of any alcoholic beverage is prohibited.
Wholesale dealer's license for imported alcoholic beverages	Imported alcoholic beverages can be sold to retailers; retail distribution of any alcoholic beverage is prohibited.
General retail dealer's license for alcoholic beverages	Alcoholic beverages, including import products, can be directly sold to general consumers in the distribution area; wholesale distribution of any alcoholic beverage is prohibited.
Mail-order retail dealer's license for alcoholic beverages	Alcoholic beverages can be sold by mail order to consumers, restaurants, etc.; note that the maximum allowable volume of imports is less than 100 kℓ per year.

Source: National Tax Agency

<Liquor Business Association Act (Act on Securing of Liquor Tax and on Liquor Business Associations)>

The Liquor Business Association Act governs various matters concerning labeling for the purpose of ensuring stable trading of alcoholic beverages, and labeling in accordance with the Liquor Business Association is obligatory in selling alcoholic beverages. (Refer to II. Labeling)

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of alcoholic beverages in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable. (Refer to II. Labeling)

<Pharmaceutical Affairs Act>

To prevent general alcoholic beverages and medicinal liquors from being mixed up, it is prohibited under the Pharmaceutical Affairs Act to label or advertise a general alcoholic beverage in a manner that misleadingly promotes it as having the effect of a pharmaceutical product. Medicinal liquors are subject to the Pharmaceutical Affairs Act and the Liquor Tax Act, although it is out of the scope of this chapter.

<Product Liability Act>

As a processed product, alcoholic beverages are included in items subject to the Product Liability Act, and care should be taken with regard to the safety management of relevant contents, containers, and packaging.

The Product Liability Act stipulates the liability of manufacturers, etc. for damages to consumers in association with product defects, and importers are included in the category of manufacturers, etc. This is based on a policy to make importers liable for damages because it is difficult for victimized consumers to hold overseas manufacturers liable for damages.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of alcoholic beverages in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

Note that a mail-order retail dealer's license for alcoholic beverages requires to sale of alcoholic beverages by mail-order.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (glass bottle, plastic bottles, paper containers and packaging and plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

<Minor Drinking Prohibition Act>

The Minor Drinking Prohibition Act bans the intake of alcoholic beverages by minors, and provides for the punishment of those that sell or offer them. For the purpose of ensuring this, it is recommended to label containers and packaging of alcoholic beverages to indicate that "underage drinking is prohibited by law," "you must be 20 years of age or older to drink alcohol," etc.

At shops, etc. that sell alcoholic beverages, meanwhile, a sign shall be placed in a visible spot to indicate that "this is an alcoholic beverage corner" or "this is an alcoholic beverage isle" and that "we do not sell alcoholic beverages when a customer is not confirmed to be over 20 years of age" in a font size larger than 100 points.

2. Procedures

(1) Procedures for Authorization of Importing and Sales

<Food Sanitation Inspection>

Under the Food Sanitation Act, the required documents must be submitted (Fig. 7-5) when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted within the bonded area if it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 7-4).

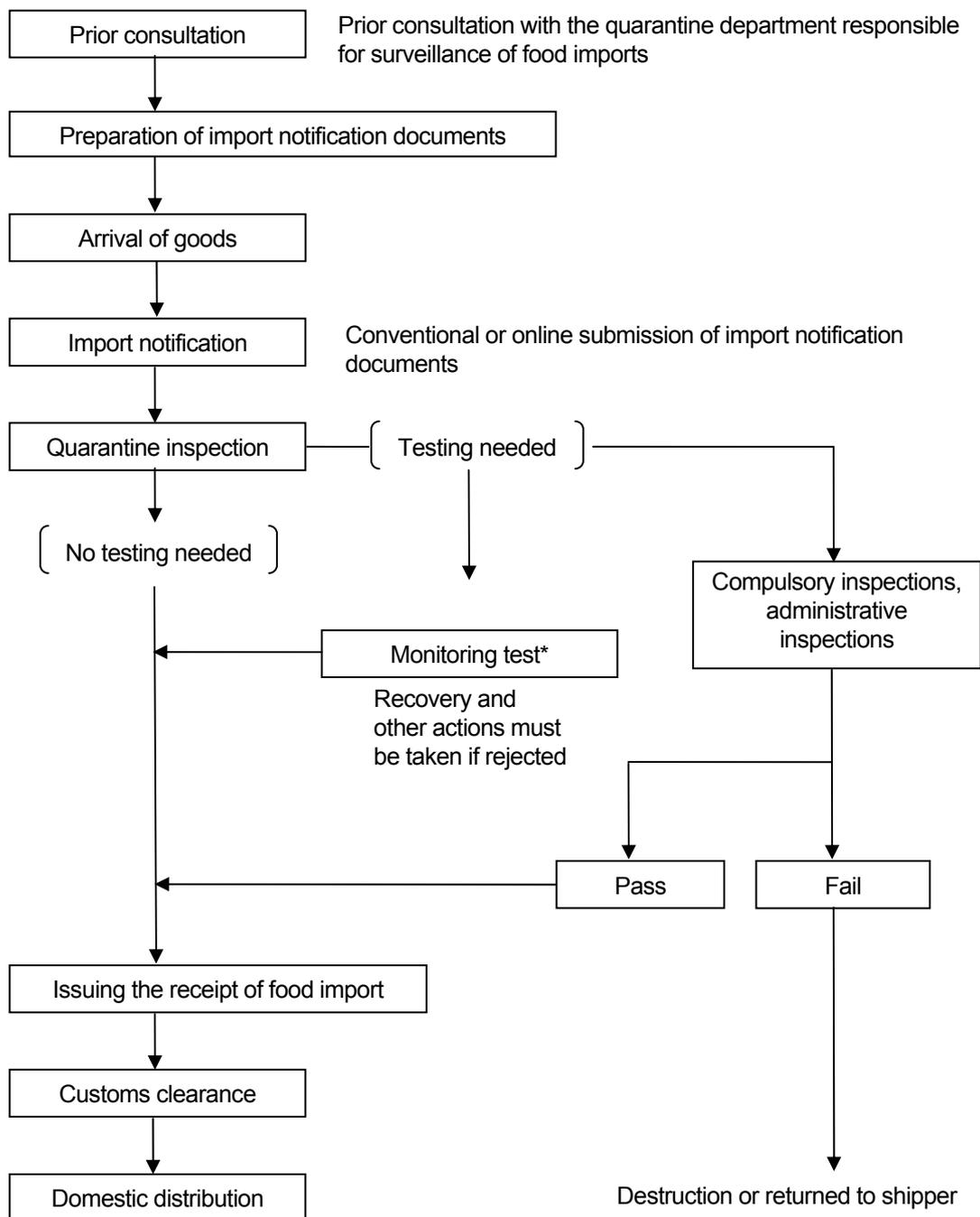
<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry into Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, an import permit may be given in principle.

To transfer import cargo of alcoholic beverages out of the bonded area, a notification should be filed with the director of the competent tax office before the time of accepting it.

Fig. 7-4: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

<Required Documents>

Documents required for importing are summarized below in Fig. 7-5 according to the authorities to which each document is submitted.

Fig. 7-5: Documents required for import clearance

Submitted to	Required documents
Imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods
	Material/ingredient table
	Production flow chart
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)
Local customs offices (Customs clearance under the Customs Act)	Declaration of import
	Invoice
	Packing list
	Bill of lading (B/L) or airway bill
	Two copies of labeling notification under the Liquor Business Association Act*
	Copy of liquor license under the Liquor Tax Act*

Source: Ministry of Health, Labour and Welfare

*Documents should be submitted before import application.

(3) Contact Information for Competent Authorities, Institutions, and Sections**Fig. 7-6: Contacts of competent authorities**

Food Sanitation Act		
Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp	
Liquor Tax Act / Liquor Business Association Act / Minor Drinking Prohibition Act		
Liquor Tax and Industry Division, Taxation Department, National Tax Agency	TEL: +81-3-3581-4161	
Customs Tariff Act /		
Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp	
Act for Standardization and Proper Labeling of Agricultural and Forestry Products		
Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp	
Measurement Act		
Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
Health Promotion Act		
Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Pharmaceutical Affairs Act		
Compliance and Narcotics Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp	
Act against Unjustifiable Premiums and Misleading Representations		
Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Product Liability Act		
Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Act on Specified Commercial Transactions		
Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	

Fig. 7-6: Contacts of competent authorities (continued)

Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources

Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry TEL: +81-3-3501-1511
http://www.meti.go.jp

Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment TEL: +81-3-3581-3351
http://www.env.go.jp

Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries TEL: +81-3-3502-8111
http://www.maff.go.jp

Unfair Competition Prevention Act / Trademark Act

Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry TEL: +81-3-3501-1511
http://www.meti.go.jp

General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry TEL: +81-3-3581-1101
http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of liquor products must be in Japanese and conform to the following laws and regulations: 1) Food Sanitation Act, 2) Liquor Tax Act, 3) Liquor Business Association Act, 4) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 5) Measurement Act, 6) Health Promotion Act, 7) Act on the Promotion of Effective Utilization of Resources, 8) Pharmaceutical Affairs Act, 9) Act against Unjustifiable Premiums and Misleading Representations, and 10) intellectual asset-related laws (e.g., Unfair Competition Prevention Act, Trademark Act).

Liquor products require labeling of the name of the manufacturer, weight, and type of alcohol on the packaging of the container in accordance with the method submitted to the Ministry of Finance. For this reason, when importing and selling liquor products, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the similar requirements for processed foods packed in containers under the Food Sanitation Act, and Liquor Business Association Act: 1) product name, 2) type, 3) ingredients, 4) alcohol percentage, 5) content, and 6) expiration rate, 7) storage method, 8) country of origin, and 9) name and address of importer.

The Food Sanitation Act prescribes quality labeling standards for alcohol products, and requires that appropriate quality labeling be carried out based on correct understanding of the corresponding standards when importing the concerned foods.

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

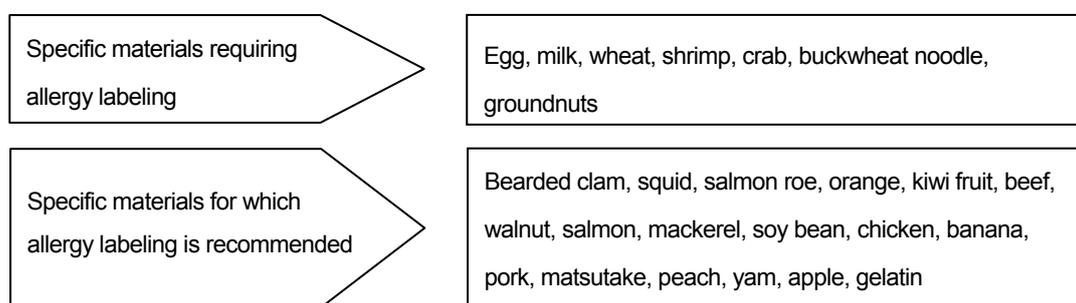
<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article

<Allergies>

When products containing the specific ingredients shown in Fig. 7-7 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies.

Some alcohol products such as low alcohol beverages added with orange contain ingredients subject to allergy labeling. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label does not identify specific ingredients, labeling is required or recommended.

Fig. 7-7: Specific materials related to allergy labeling

Source: Ministry of Health, Labour and Welfare

<Recombinant foods>

The following liquor products containing ingredients such as recombinant crops, etc. require recombinant foods labeling on the container or package in compliance with the quality labeling standards of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products:

- a) Liquors made from the concerned crops (soya beans produced using recombinant DNA techniques, including green soya beans and soya bean sprouts, maize or corn, potatoes, rapeseed, cotton seeds) or processed foods made from such ingredients, which contain residual recombinant DNA or protein produced as a result.
- b) Liquors made from soya beans with strong oleic acid traits (including processed foods made from them), which are classified as specific recombinant crops (concerned crops whose composition and nutritional value are extremely different from normal crops because they are produced using recombinant DNA technology), if such soya beans are a main ingredient (one of the top three ingredients, accounting for 5% or more of the total weight), and liquor products made from such liquors.

Labeling stating that the product is not recombinant is prohibited for liquor products made from crops whose recombinant products are not available and processed foods made from such crops.

<Alcohol percentage>

The Liquor Business Association Act requires that the labeling of the alcohol level be in “degrees” or “%.”
The Liquor Tax Acts prescribes alcohol ± 1 degrees difference as the permissible value.

<Content weight>

When importing and selling liquor, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in liters on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

The weight of products must be indicated in liters, milliliters, ℓ, or mℓ according to the Liquor Business Association Act.

<Expiration date>

The expiration date labeling prescribed by the Food Sanitation Act can be omitted for liquor products, but liquor products requiring preservation precautions to be observed must be labeled with the expiration date and preservation precautions in accordance with the sake manufacturing method quality labeling standards and the code of fair competition.

The Food Sanitation Act and Liquor Business Association Act do not require labeling of date of manufacture but require appropriate labeling of the type of alcohol for sake products to ensure smooth liquor trade and consumer benefits. These laws thus have labeling standards for manufacturing method and quality for sake products and require the labeling of the date of manufacture.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the best-by date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For alcoholic beverages which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The labeling standards for geographical labeling prescribed by the National Tax Agency Notice prohibit labeling for which use is prohibited in countries other than the member production countries of the WTO. For this reason, products unique to a particular region such as Bordeaux wine, Champagne, and brandy Cognac must be labeled that they have been produced in regions other than the production site under the same protection regulations as copyright, etc.

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods. This Act also requires the country of origin to be labeled for ingredients listed in the attached table. The requirement is not applicable to all other ingredients.

Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of cereals in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat).

Components must be indicated in the following order and unit:

kk)Calories (kcal or kilocalories)

ll) Protein (g or grams)

mm) Fat (g or grams)

nn)Carbohydrate (g or grams)

oo)Sodium

pp)Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

Labels for specified health foods or those for special dietary uses must follow the respective standards and be screened for approval.

<Organic labeling>

The Liquor Business Association Act allows the labeling of “organic wine” on the container or packaging of alcoholic beverages meeting the following standards prescribed by the act, in accordance with the “organic JAS standard.” (Fig. 7-8)

a) Ingredients and their content volume

- Organic agricultural products and processed foods rated based on the Act for Standardization and Proper Labeling of Agricultural and Forestry Products must be used as ingredients.
- The content of organic agricultural products is 95% or more.
- Use of food additives is the required minimum for manufacturing.

b) Management of manufacturing and other processes

- The manufacturing method meets certain conditions such as method using physical and biological functions.

c) Labeling of product type

- Must be labeled as “liquor made from organic agricultural and livestock products” or “liquor made from organic agricultural products” (limited to products not using organic livestock products as ingredients) according to the labeling of the alcoholic beverage type.
- The font and size of the characters of the “liquor made from organic agricultural and livestock products” or “liquor made from organic agricultural products” labeling must be the same as the labeling of the alcoholic beverage type.

If the above requirements are not met, labeling as “organic wine,” etc. is not allowed, but “use of organic grapes xx %” may be allowed. In this case, the labeling method differs depending on whether the organic agricultural or livestock products used account for above or below 50% of the total weight.

If the amount of organic agricultural and livestock products used is 50% or more, attention must be paid to the following:

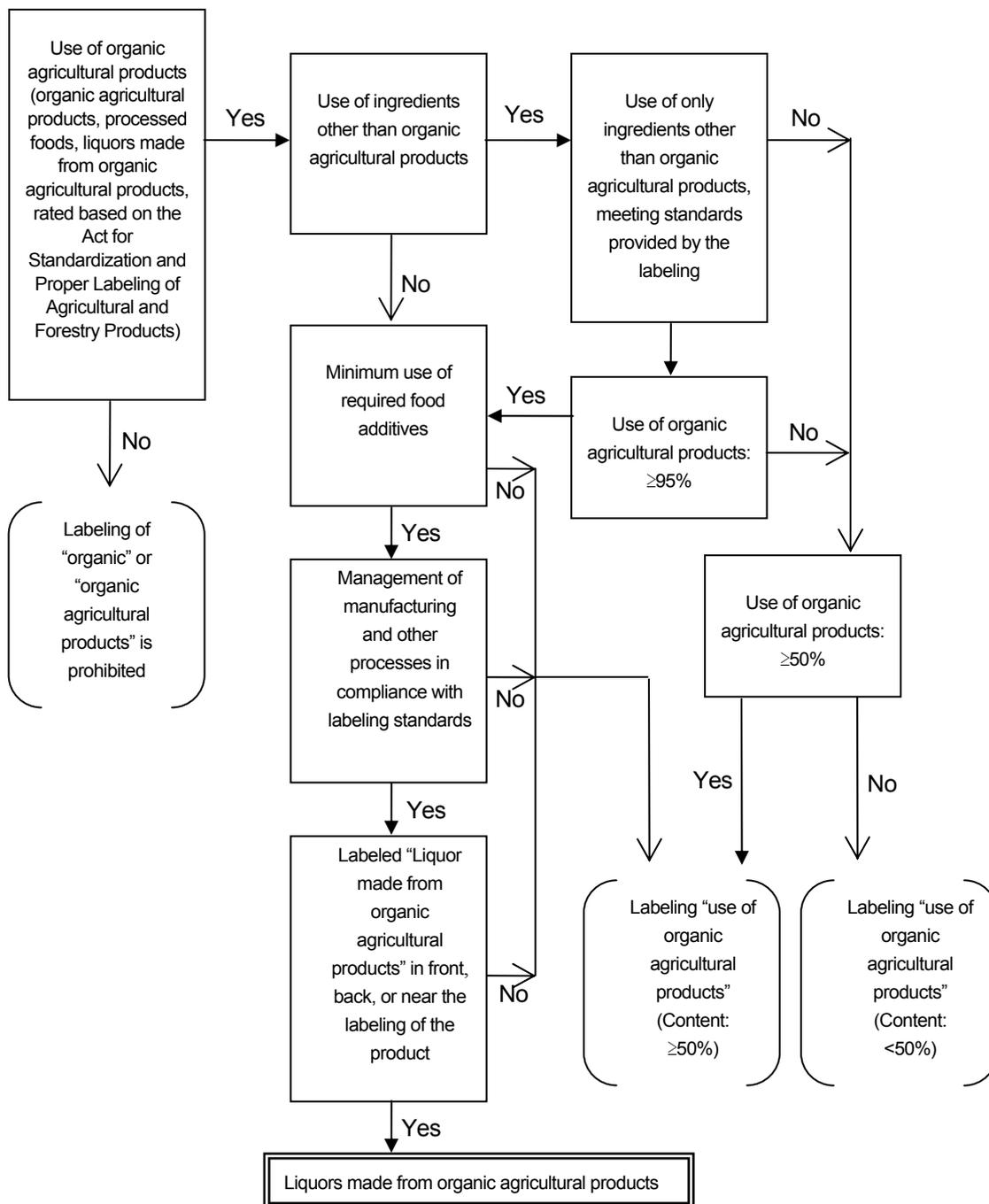
- i. The amount of organic agricultural and livestock product (Contains x% organic agricultural and livestock product) must be labeled in the front, back, or near the labeling of the type of liquor. The characters used for the labeling of “(Contains x% organic agricultural and livestock product)” must be the same font and size as used for the labeling of the type of liquor. “x%” must be in numerical units of 1% or 5% (decimals rounded down). The same applies to the following.
- ii. The labeling on the use of organic agricultural and livestock products must not be joined to the general name or product name of the liquor.
- iii. The characters used for the labeling on the use of organic agricultural and livestock product must be smaller than the size of the characters used to indicate the general product name of the liquor.

If the amount of organic agricultural and livestock product used is below 50%, attention must be paid to the following:

- i. The amount of organic agricultural and livestock product (Contains x% organic agricultural and livestock product) must be labeled in the front, back, or near the labeling of the type of liquor.
- ii. The labeling on the use of organic agricultural and livestock product must not be joined to the general name or product name of the liquor.
- iii. The characters used for the labeling on the use of organic agricultural and livestock product must not exceed the size of the characters for the labeling prescribed in article 86-5 (labeling requirements on type of liquor, etc.) (excluding type of

product) and that of article 2 of labeling standards on prevention of drinking by minors (1989 National Tax Agency Notice No. 9) which are labeled on the container or packaging of the concerned liquor product must be smaller than the size of the characters used for indicating the general product name of the liquor.

Fig. 7-8: Flowchart of organic, etc. labeling standards for alcoholic beverages



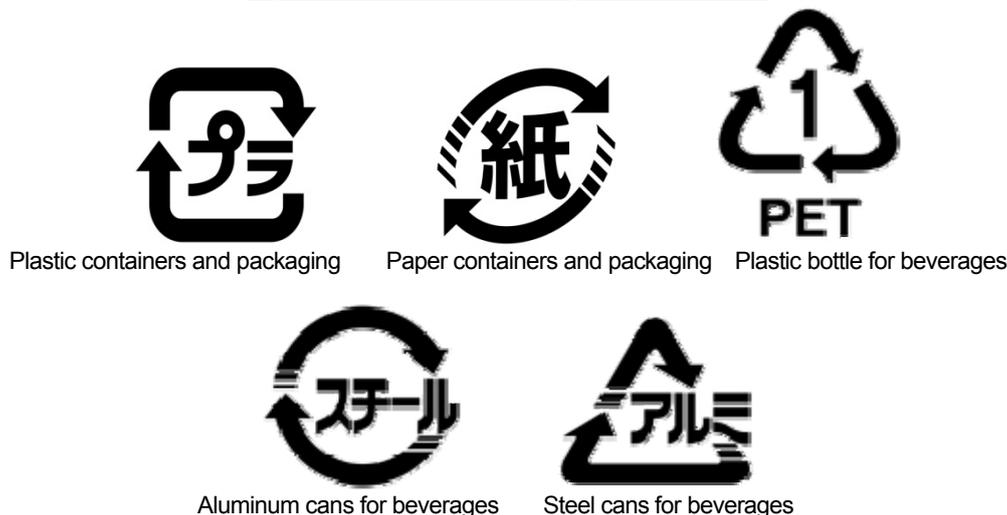
Source: National Tax Agency

Fig. 7-9: JAS-certified organic mark**<Containers and packaging>**

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When using plastic containers, paper containers, plastic bottles for beverages, aluminum cans for beverages, or steel cans for beverages for liquor products, the identification marks shown in Fig. 7-10 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 7-10: Labels for promoting sorted collection**<Description>**

The Pharmaceutical Affairs Act allows labeling of medical indications or efficacy on the package only for medical use liquor products that have been approved under the Act.

Product descriptions with false or misleading expressions are prohibited by the Liquor Business Association Act, Act against Unjustifiable Premiums and Misleading Representations and the Unfair Competition Prevention Act, which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

To prevent the induction of customers through illegal labeling, labeling which may cause misunderstanding by general consumers is prohibited by the following quality labeling standards and the code of fair competition by type of liquor.

- Articles 2 and 6, sake manufacturing method quality labeling standards (November 1989 National Tax Agency Notice)
- Article 6, fair competition code on beer labeling (December 1979 Brewery Association of Japan)
- Article 6, fair competition code on import beer labeling (March 1982 Japan Wines and Spirits Importers' Association)
- Article 6, fair competition code on whiskey labeling (August 1980 Japan Spirits and Liquors Makers Association)
- Article 6, fair competition code on import whiskey labeling (August 1980 Japan Wines and Spirits Importers' Association)
- Article 6, fair competition code on pot-distilled shochu labeling (June 1986 Japan Sake and Shochu Makers Association)

- Article 6, fair competition code on awamori (November 1983 Japan Sake and Shochu Makers Association)

<Fair competition code and the Ordinance for Enforcement on beer labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-1.pdf>

< Fair competition code and the Ordinance for Enforcement on import beer labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-2.pdf>

< Fair competition code and the Ordinance for Enforcement on whiskey labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-3.pdf>

< Fair competition code and the Ordinance for Enforcement on import whiskey labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-4.pdf>

< Fair competition code and the Ordinance for Enforcement on pot-distilled shochu labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-5.pdf>

< Fair competition code and the Ordinance for Enforcement awamori labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-6.pdf>

< Fair competition code and the Ordinance for Enforcement on liquor labeling by liquor retailers>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-7.pdf>

To ensure appropriate product choice by consumers and fair competition, the “fair competition code on restrictions of giving away premiums in the liquor import and sales industry” prescribe voluntary rules based on the Act against Unjustifiable Premiums and Misleading Representations.

Import beer products require labeling of the expiration date and preservation method in accordance with the “fair competition code on beer and import beer labeling.”

Contacts:

Brewery Association of Japan TEL: +81-3-3561-8386 <http://www.brewers.or.jp>

Japan Wines and Spirits Importers' Association TEL: +81-3-3503-6505 <http://www.youshu-yunyu.org>

Japan Spirits and Liquers Makers Association TEL: +81-3-6202-5728 <http://www.yoshu.or.jp>

Japan Sake and Shochu Makers Association TEL: +81-3-3501-0101 <http://www.japansake.or.jp>

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on alcoholic beverages are shown in the table below. Tariff duties on wine are based on a selective taxation system of either specific or ad valorem duty, in which different rates of duties are applicable depending on the item and origin of export. Under the agreement of WTO Uruguay Round, beer and whiskey have been free of duty since 2002; and brandy since 2004.

Tariff rates for bourbon or rye whisky are applicable only to those that have been certified as authentic by the Government or a Government instrumentality of the country of origin. As for liqueurs, where it is difficult to judge whether or not an item is liqueur during import clearance procedures, a mixed alcoholic beverage that contains sugar or sweeteners added to it for the purpose of sweetening shall be deemed as a liqueur. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the Advance Classification Ruling System in which one can make inquiries and receive replies in person, in writing, or via e-mail.

7. Alcoholic Beverages

Fig. 7-10: Tariff duties on alcoholic beverages (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
22.03	00	-000	Beer made from malt	6.40 yen/l		Free	Free	
22.04	10	-000	Wine of fresh grapes, including fortified wines Sparkling wine	201.6 yen / ℓ		182 yen / ℓ	145.6 yen / ℓ	Free
		21	In containers holding 2ℓ or less 1. Sherry, port and other fortified wines	123.20 yen / ℓ		112 yen / ℓ		Free
	29	-020	2. Other	21.3% or 156.80 yen / ℓ, whichever is the less, subject to a minimum customs duty of 93 yen / ℓ		15% or 125 yen / ℓ, whichever is the less, subject to a minimum customs duty of 67 yen / ℓ		Free
		-010	Other 1. In containers holding 150ℓ or less	21.3% or 156.80 yen / ℓ, whichever is the less, subject to a minimum customs duty of 93 yen / ℓ		15% or 125 yen / ℓ, whichever is the less, subject to a minimum customs duty of 67 yen / ℓ		Free
		-090	2. Other	64 yen / ℓ		45 yen / ℓ	24 yen / ℓ	Free
22.05	10	-000	Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances In containers holding 2 ℓ or less	70.6 yen / ℓ		69.3 yen / ℓ	50.4 yen / ℓ	Free
		90	Other 1. Of an alcoholic strength by volume of less than 1% vol	22.5%		19.1%		Free
		-200	2. Other	70.6yen / ℓ		69.3yen / ℓ	50.4 yen / ℓ	Free
22.06	00	-225	Other fermented beverages (a) Sparkling beverages made, in part, from malt	(6.40yen / ℓ)	Free	(42.4yen / ℓ)		
22.08	20	-100	Spirits obtained by distilling grape wine or grape marc 1. Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(193.2 yen / ℓ)	Free	(Free)		
		-200	2. Other	(227.9 yen / ℓ)	Free	(Free)		
	30	-011	Whiskies 1. Bourbon whisky, authentic - Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(13.7%)	Free	(Free)		
		-019	- Other					
		-021	2. Rye whisky, authentic - Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(15.7%)	Free	(Free)		
		-029	- Other					
		-031	3. Other - Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(207.2 yen / ℓ)	Free	(Free)		
		-032	- Other	(172.5 yen / ℓ)	Free	(Free)		
	40	-000	Rum and other spirits obtained by distilling fermented sugar-cane products	(20.2%)	Free	(18.0%)		
	50	-000	Gin and Geneva	(19.6% or 86.20 yen / ℓ, whichever is the less)	Free	(17.5% or 77 yen / ℓ, whichever is the less)		
	60	-000	Vodka	(17.9%)	Free	(16.0%)		
	70	-000	Liqueurs and cordials	(141.10 yen / ℓ)	Free	(126 yen / ℓ)		
	90	-111	Other 1. Ethyl alcohol and distilled alcoholic beverages - Fruit brandy - Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(193.2 yen / ℓ)	Free	Free		
-119		- Other - Other spirituous beverages	(227.9 yen / ℓ)	Free	Free			

Source: Ministry of Finance

Note 19) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 20) Special preferential rate is applicable only for the Least Developed Countries.

Note 21) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

$(\text{CIF} + \text{Tariff duties}) \times 5\%$

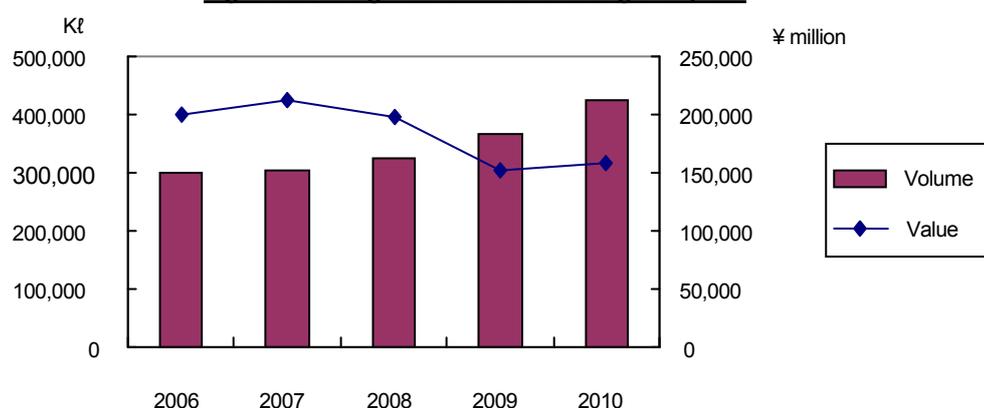
IV. Trade Trends

1. Changes in Imports

Imports of alcoholic beverages (alcohol content of 1 % or greater) to Japan have been on the increase particularly on a volume basis in recent years. In 2010, total imports of alcoholic beverages (including undiluted alcohol) reached 426,457 kiloliters in volume (116.8% vs. previous year) and ¥158,212 million (104.0% vs. previous year) in value. The growth is mainly due to the sharp increase in imports of beer (160,955 kiloliters, 142.6% vs. previous year), as well as the increase in imports of wine (196,054 kiloliters, 107.1 % vs. previous year) and whisky (19,639 kiloliters, 123.3% vs. previous year). However, it is important to note that this growth is based on volume, and that the import value is not growing as much due to the sharp downward trend of the unit price of wine and whisky. This is a reflection of the uncertain business confidence in Japan and also attributable to the consumers' tendency to prefer reasonably priced wine and highball cocktails. Also, in the case of beer, imports have increased by 42.8 % compared to 2006 on a volume basis due to an increase of the importation of low-malt beer known in Japan as *happo-shu* from South Korea as a private label (PL) product of large retail chains. However, on a value basis, imports of beer have decreased by 21.1 % compared to 2006.

7. Alcoholic Beverages

Fig. 7-11: Changes in alcoholic beverages imports



Source: Trade Statistics (MOF)

Fig. 7-12: Changes in alcoholic beverages imports by item

Units: volume = kℓ, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Beer, low-malt beer	57,468	60,223	83,034	112,839	160,955	7,809	8,288	9,834	11,155	14,645
Beer	37,707	31,830	33,706	30,729	29,429	6,142	5,867	5,969	4,965	4,572
Low-malt beer	19,762	28,393	49,328	82,110	131,526	1,666	2,421	3,865	6,191	10,073
Wine (subtotal)	168,113	168,796	174,051	183,082	196,054	135,415	146,095	136,772	99,731	101,509
Sparkling wine	19,799	20,713	23,046	20,528	23,794	39,111	42,832	40,617	23,164	28,755
Sherry, port and other fortified wines	825	902	791	718	735	922	933	808	616	607
Still bottled wine	119,405	119,044	118,937	127,787	133,517	91,036	97,781	90,831	71,592	67,414
Other wine	26,214	26,005	28,986	31,708	35,807	3,684	3,718	3,649	3,564	4,055
Vermouth and other wine	1,870	2,131	2,290	2,341	2,201	662	829	868	796	678
Brandy	4,600	4,463	3,535	2,798	2,875	12,271	11,863	9,261	6,334	6,416
Bourbon whisky	2,752	2,218	2,312	2,011	2,525	2,394	2,012	1,824	1,559	1,831
Rye whisky	65	61	29	55	11	56	66	29	25	16
Other whisky	15,179	14,650	13,553	13,860	17,103	23,205	23,276	21,354	16,418	17,980
Rum	2,068	1,984	2,074	1,940	1,975	1,206	1,254	1,247	1,066	1,055
Gin and geneva	2,863	2,736	2,555	2,654	2,664	1,523	1,589	1,344	1,316	1,359
Vodka	3,060	3,036	2,768	2,954	2,805	1,947	2,269	2,002	1,964	1,874
Liqueurs and cordials	18,752	21,014	18,477	18,714	18,176	12,077	12,191	10,728	9,884	9,096
Fruit brandy	202	187	165	152	170	256	357	328	241	247
Imitation sake and white sake	17,362	17,693	15,596	16,301	12,434	1,517	1,671	1,416	1,474	1,174
Other fermented beverages	6,091	6,726	6,782	7,614	8,709	740	858	876	935	1,010
Total	298,575	303,786	324,932	364,974	426,457	200,417	211,787	197,015	152,103	158,212

Source: Trade Statistics (MOF)

2. Regional breakdown

(1) Beer / low-malt beer

The world's major beer brands such as Budweiser (US), Heineken (Holland), Löwenbräu (Germany), and Carlsberg (Denmark) produce their beer in Japan under license, and they only export limited small-can types of beer to Japan. Domestic beer consumption has remained stagnant in Japan, and with the worsening confidence in business, the demand for low-malt beer (*happo-shu*) and so-called "new-genre beer" or "third-category beer" is growing. However, low-malt beer produced by major Japanese brewers is experiencing a sharp decline in demand due to a shift to "new-genre" or "third-category beer." Under these circumstances, low-malt beer from South Korea was launched as a private label (PL) product of major retail chains, and the amount of imports is growing rapidly these days.

Fig. 7-13: Trends in leading partner imports

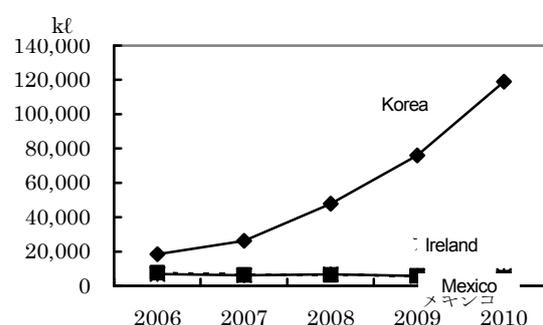
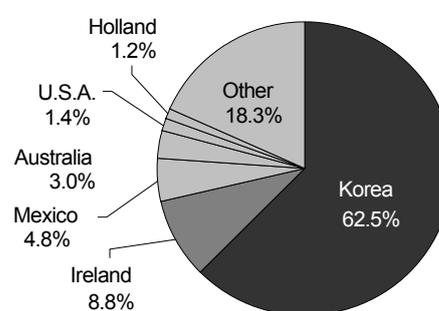


Fig. 7-14: Shares of imports in 2010 (value basis)



Source: Trade Statistics (MOF)

Fig. 7-15: Principal places of origin of beer / low-malt beer

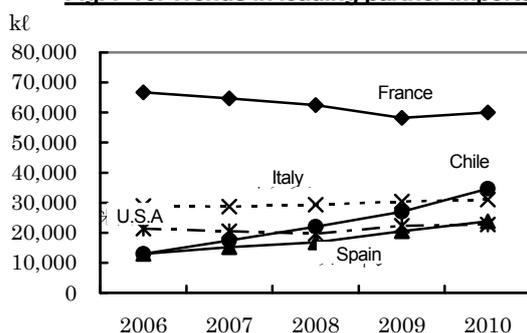
Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Korea	18,356	26,318	47,825	75,918	118,951	1,452	2,126	3,646	5,692	9,157
Mexico	6,869	6,161	6,727	5,861	5,829	1,043	951	940	753	704
Ireland	7,569	6,413	6,401	5,746	4,739	1,810	1,794	1,900	1,588	1,286
Australia	4,568	5,338	5,972	5,545	4,602	451	594	602	475	435
U.S.A.	2,284	1,429	1,102	1,258	1,526	284	217	184	178	205
Holland	4,498	627	825	901	1,497	448	109	137	131	176
Other	13,324	13,937	14,182	17,611	23,812	2,322	2,497	2,425	2,339	2,683
Total	57,468	60,223	83,034	112,839	160,955	7,809	8,288	9,834	11,155	14,645
(African countries)	29	15	15	40	63	3	3	3	6	9

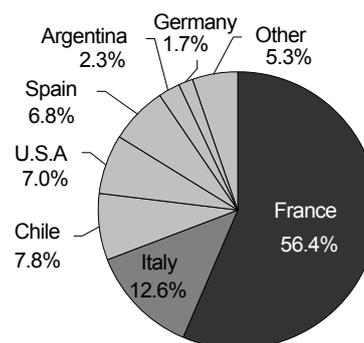
Source: Trade Statistics (MOF)

(2) Wine

Total imports of wine in 2010 were 196,054 kiloliters (107.1% vs. previous year) and ¥101,509 million (101.8% vs. previous year). On first glance, imports seem to be on the increasing trend. However, if we compare these figures with those of 2006, while the import volume grew to 116.6% from 2006, the import value shrank to 75.0% of 2006, showing a strong declining trend of the unit price over the years. In the domestic market, low-price wine, with its retail price below ¥500, is becoming the mainstream, contributing to the sharp decline in the consumption of high-end wine. Due to this trend, the total import volume from France, Japan's biggest trading partner, has been decreasing. Among African countries, the South African Republic is our major trading partner, importing 3,350 kiloliters (124.9% vs. previous year) on a volume basis and ¥1,103 million yen (124.6%) on a value basis in 2010.

Fig. 7-16: Trends in leading partner imports

Source: Trade Statistics (MOF)

Fig. 7-17: Shares of imports in 2010 (value basis)**Fig. 7-18: Principal places of origin of wine**

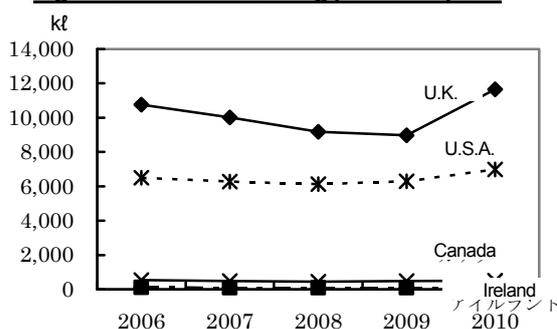
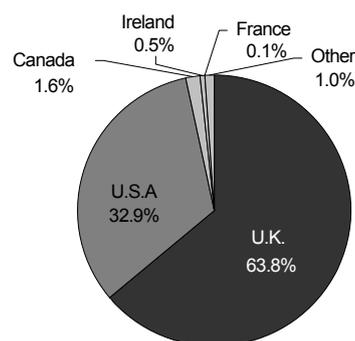
Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
France	66,697	64,753	62,504	58,217	60,014	90,378	96,272	86,690	56,253	57,278
Chile	12,996	17,455	21,949	27,000	34,596	4,126	5,412	6,171	6,704	7,881
Italy	28,940	28,656	29,338	30,376	31,054	15,809	17,527	17,328	14,056	12,823
Spain	12,915	15,153	16,755	20,541	23,806	5,819	6,988	7,738	6,919	6,946
U.S.A.	21,325	20,473	19,699	22,264	22,685	7,877	8,734	7,930	6,545	7,105
Argentina	12,032	11,652	12,615	11,541	10,258	2,191	2,230	2,495	2,335	2,292
Germany	5,804	4,289	4,137	3,472	3,497	3,491	2,825	2,600	1,890	1,771
Other	7,405	6,367	7,054	9,670	10,143	5,724	6,107	5,819	5,028	5,412
Total	168,113	168,796	174,051	183,082	196,054	135,415	146,095	136,772	99,731	101,509
(African countries)	1,163	2,563	1,716	2,711	3,369	502	1,162	665	900	1,110

Source: Trade Statistics (MOF)

(3) Whiskies

The majority of whisky that comes to Japan is made in Scotland, making Great Britain one of our major trading partners in this product area. In 2010, the import of whisky from Great Britain marked 11,660 kiloliters (130.0% vs. previous year), contributing to the increase of total import volume. Recently, Japan's domestic market is experiencing a "highball boom," that is working to the advantage of whisky sales. However, as with wine, while whisky imports on a volume basis have grown to 109.1% compared to 2006, it has experienced a negative growth on a value basis down to 77.3% from 2006 figures, showing a significant decline in unit price.

Fig. 7-19: Trends in leading partner imports**Fig. 7-20: Shares of imports in 2010 (value basis)**

Source: Trade Statistics (MOF)

Fig. 7-21: Principal places of origin of whiskies

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.K.	10,764	10,007	9,176	8,969	11,660	18,428	18,387	16,686	11,401	12,643
U.S.A	6,506	6,267	6,122	6,288	6,989	6,554	6,372	5,974	6,101	6,528
Canada	540	483	453	482	508	450	404	384	360	322
Ireland	113	95	91	96	103	115	109	106	90	103
France	11	3	4	40	74	10	5	7	17	24
Other	62	73	48	52	305	98	76	50	33	206
Total	17,996	16,929	15,894	15,926	19,639	25,655	25,354	23,207	18,002	19,827
(African countries)	—	—	—	—	—	—	—	—	—	—

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

The percentage of imports of alcoholic beverages in 2008 is 1.0% for beer, 3.4% for low-malt beer, 71.5% for wine, and 21.1% for whisky (all on a volume basis). As seen in these figures, the market share of imports in beer and low-malt beer is significantly small; exhibiting how strong Japanese brewing companies are in their domestic market. On the other hand, Japan highly depends on overseas makers for the production of wine, with imports accounting for 71.5% of the market. The market share of imported wine demonstrated a continuous growth until 2004. Since then it has reached a plateau and hovered around 70%. As for whisky, although domestic whisky has enjoyed a higher market share, imports have managed to maintain a significant percentage. Given the recent "highball boom," the demand for both domestic and imported whisky has increased in 2009 and 2010, leading to an increase in the import volume.

Fig. 7-22: Market share of alcoholic beverages in Japan Unit: kl (on a taxable volume basis)

Item	Statistics	2004	2005	2006	2007	2008
Beer	Domestic production	3,844,468	3,649,732	3,536,114	3,469,953	3,212,874
	Import volume	26,321	37,921	37,707	31,830	33,706
	Total	3,870,789	3,687,653	3,573,821	3,501,783	3,246,580
	Share of imports	0.7%	1.0%	1.1%	0.9%	1.0%
Low-malt beer	Domestic production	2,282,146	1,694,167	1,593,622	1,527,755	1,382,947
	Import volume	30,515	24,842	19,762	28,393	49,328
	Total	2,312,661	1,719,009	1,613,384	1,556,148	1,432,275
	Share of imports	1.3%	1.4%	1.2%	1.8%	3.4%
Wine	Domestic production	65,293	89,345	65,355	66,855	69,532
	Import volume	167,808	160,152	168,113	168,796	174,051
	Total	233,101	249,497	233,468	235,651	243,583
	Share of imports	72.0%	64.2%	72.0%	71.6%	71.5%
Whisky	Domestic production	63,894	61,717	60,749	56,468	59,582
	Import volume	17,754	17,926	17,996	16,928	15,894
	Total	81,648	79,643	78,745	73,396	75,476
	Share of imports	21.7%	22.5%	22.9%	23.1%	21.1%

Source: National Tax Agency, Ministry of Finance

Note) Figures calculated on taxable volume basis are different from import data above.

The taxable volume is the volume of alcoholic beverages whose liquor taxes have been paid. It is included in the domestic distribution category. Liquor taxes for domestic products are paid when they are shipped from factories while such taxes for import liquors are paid when they are taken out of bond.

4. Background of Changes in Volume of Imports and Other Trends

The consumption of imported beer suffered a drop in the face of the weakening economy during the second half of 2008, and the consequent stagnation of consumer spending in the food-service industry. This is because the main sale destination of imported beer, such as Corona, is within the food-service industry. In 2009, while the sales of imported beer from Europe, and North and South America dropped due to their higher price compared to domestic beer, the sale of private label (PL) beers of major distributors made in South Korea has increased.

As for imported wine, France, the largest exporter of wine to Japan, has lost market share to so-called New World wine from Chile, Australia, and New Zealand. However, given the intensifying decline of unit price, the import value of total imports has been on the decline as well. In 2011, thanks to the promotional campaign linked to the World Cup in South Africa, South African wine has demonstrated strong sales.

Domestic whisky has enjoyed strong sales as well given the highball boom that the Suntory group started, drawing increasing attention to whisky in general. This has helped recover sales of imported whisky that had struggled due to the sluggish economy.

V. Domestic Distribution

1. Trade Practice, Etc.

As regulations on alcohol sales have been gradually relaxed since 2001, the number of retailers that sell alcohol has increased accordingly. Also, as major retail chains started selling alcohol, price competition intensified. As a result, practices such as volume-based rebates that had fueled excessive bargain promotions were demolished along with the quotation price system (a system for makers to ensure that a fixed margin will be paid to wholesalers and retailers by determining the retail price in advance.). Today, the open price system has become a more common practice in which manufacturers only determine the wholesale price instead of a suggested retail price. And the practice of rebates is on the decline accordingly.

2. Domestic Market Situations

The legal drinking age in Japan is 20 years of age. The total, as well as per-capita consumption of alcohol is on the decline in the Japanese market. This is a reflection of the declining proportion of young adults in a rapidly

aging population combined with a very low birthrate in Japan's population demographics. Decreasing alcohol consumption among young adults is another contributing factor to this decline.

As seen by category, beer consumption is the largest category in Japan. Given the fact that household size is also shrinking, canned beer is preferred over bottled because it is lighter to carry and it can be finished with ease by fewer people. However, in recent years, young people seem to have changed their preference to the more reasonably priced low-malt beer and beverages that have a beer flavor, and thus, the consumption of beer has been rapidly decreasing. Moreover, there is a growing tendency among young adults in Japan to shy away from the bitter taste of beer and as a result the consumption of low-alcohol blended beverages (with an alcohol content of 3-9%, which is categorized as liquor) which are made with distilled liquor such as spirits, vodka, and *shochu* (traditional distilled liquor) mixed with soda and fresh juice has increased.

* "Low-alcohol beverages" refer to types of drinks called RTD (Ready to drink: all you need to do is open the bottle or can) unique to Japan. Among them is *chu-hai*, made by mixing distilled liquor such as shochu, vodka or other spirits with soft drinks such as fruit (i.e. lemon, grapefruits) soda. Another popular one is a highball that is made by mixing whisky with soda. They mainly come in 250ml or 350ml cans with an approximate alcohol content between 3 to 9%.

Among traditional Japanese alcoholic beverages, there are mainly shochu and sake (refined sake and synthetic sake). Shochu is a distilled beverage with an alcoholic content of 45% or below, and sake, which is not diluted when consumed, contains 10 to 15% alcohol. As more and more consumers tend to prefer low-alcoholic beverages, both shochu and sake have seen sluggish growth in consumption.

As for fruit wines, wine has established itself as a popular alcoholic beverage in the lifestyle of Japanese since the wine boom of the 1990's. European wine has traditionally been imported from France and Italy, however, in recent years, an increasing number of consumers prefer low-end wine, and imports from Chile have been on the increase as a result (refer to Fig. 7-18). Wine is produced domestically, with some catering to the needs of health-conscious consumers by not using any additives such as antioxidants and some producing organic wine.

The consumption of whiskies (whisky and brandy) had been on the decline because of their high alcohol content and price. However, the growing popularity of the highball since 2009, a blended beverage of whisky and soda, has put a brake on this declining trend. Now the consumption of whiskies is increasing after years of decline.

In Japan, alcoholic beverages are commonly consumed at home and at restaurants during the evening, and are less likely to be consumed during the day on weekdays. Most places that serve dinner also serve alcoholic beverages. However, the *Izakaya* is the most representative type of food-service operation in Japan that serves alcohol. The *Izakaya* is a type of bar unique to Japan. People usually go to an *Izakaya* in a group, and enjoy both food and alcohol while in the company of others. The *Izakaya* is a very Japanese style bar, but it not only serves sake and shochu, but also beer, wine, and other alcoholic beverages such as cocktails. Some places have introduced an "all-you-can-drink" system, in which people can drink as much as they want within a certain amount of time by paying a certain amount of money. In this way, the *Izakaya* boasts a very casual atmosphere for enjoying various types of alcoholic beverages.

In Japan, people drink alcohol in everyday situations. Drinking plays a crucial role in ceremonial functions such as weddings and funerals as well as special events like New Year celebrations. On special occasions and events, not only sake, but also beer, wine and other alcoholic beverages are served.

As for comprehensive alcohol manufacturers in Japan, there are the Asahi Breweries, the Kirin Holdings, the Suntory group, and the Sapporo Breweries. With beer and beer-like alcoholic beverages at the core of their business, they also manufacture and sell wines, spirits and shochu. They also produce overseas beer under license, with Asahi producing Löwenbräu, Kirin producing Budweiser and Heineken, and Suntory producing Carlsberg.

Fig. 7-23: Alcoholic beverage market in Japan (consumption) Unit: 1000 kl

	2006	2007	2008	2009	Ratio (2010 forecast)
Beer	3,305	3,215	2,986	2,844	33.7%
Law-malt beer	1,516	1,473	1,307	1,117	13.2%
Shochu	1,000	1,005	973	961	11.4%
Sake	745	717	683	663	7.9%
Liqueurs	745	945	1,161	1,495	17.7%
Fruit liquors	238	239	237	248	2.9%
Spirits	79	93	146	192	2.3%
Whiskies	90	85	84	92	1.1%
Other	1,032	884	838	822	9.7%
Total	8,750	8,656	8,415	8,434	100.0%

Source: National Tax Agency

Fig. 7-24: Annual alcohol consumption per capita Unit: 1000 consumers, l

	2006	2007	2008	2009
Population aged over 20	103,910	104,196	104,360	104,421
Personal consumption	85.2	84.1	81.6	81.8

Source: 2009 Japan Statistics of Liquor Taxation (National Tax Agency), Population Projections (Ministry of Internal Affairs and Communications)

(1) Beer and beer-like beverages

Beer and beer-like beverages refer to beer, beer-tasting sparkling beverages called *happo-shu*, so-called “new genre beer,” and non-alcoholic beer. Beer and beer-like beverages in Japan are taxed according to their malt content, with beer having the highest tax rate, followed by *happo-shu*, and new-genre beer. Non-alcoholic beer is categorized as a soft drink, so there is no regulation on the malt content, and therefore no alcohol tax is applied. In recent years, the strengthened penalties on drunk driving have contributed to the growing demand of non-alcoholic beverages that contain zero to less than 1 % alcohol.

In the weakening economy, low-end consumers are increasing. A number of these consumers are creating a new style of enjoying beer and beer-like beverages; they drink beer on special occasions such as when they dine out or on weekends and then drink reasonably priced *happo-shu* or new-genre beer on normal occasions. As the price of *happo-shu* falls between beer and new-genre beer, there is an increasing trend for consumers who value price to choose new-genre beer, and consumers who value taste to choose beer. As a result of these market trends, manufacturers are seeing the biggest decline in their shipments of *happo-shu*.

Among beer and beer-like beverages, shipments of new-genre beer are on the increase, replacing *happo-shu* as a reasonable alternative to beer. This rapid increase in new-genre beer shipments in recent years is due to its low tax rate, making it possible for consumers to enjoy the taste of beer at low cost.

Both *happo-shu* and new-genre beer have less restrictions in terms of ingredients and manufacturing methods compared to beer, so manufacturers take advantage of this and develop various low-calorie and low-sugar products.

A recent trend in the import beer category is that low-price new-genre beer is imported as a private label (PL) product. Conventional imported beer mainly comes from Europe and the United States and is primarily sold at bars, *Izakayas*, as well as volume retailers. Imported beer from countries other than Europe and the United States are primarily provided through restaurants that serve the local cuisine of their respective country and through mail order purchasing. The retail price of imported beer in a 350ml container range from ¥300 to ¥350 (average price of 350 ml domestic beer is around ¥230).

The alcohol manufacturers that produce and sell beer and beer-like beverages in Japan are Asahi Breweries, Kirin Holdings, the Suntory group, Sapporo Breweries and Orion Breweries. These five companies account for almost the entire market share. Asahi and Kirin compete for the biggest share in the market, each accounting for close to 40% of total market share.

Imported beer is handled by domestic beer manufacturers such as, Kirin and Asahi, as well as companies that produce, import and sell alcoholic beverages such as Nippon Beer and Konishi Brewing company.

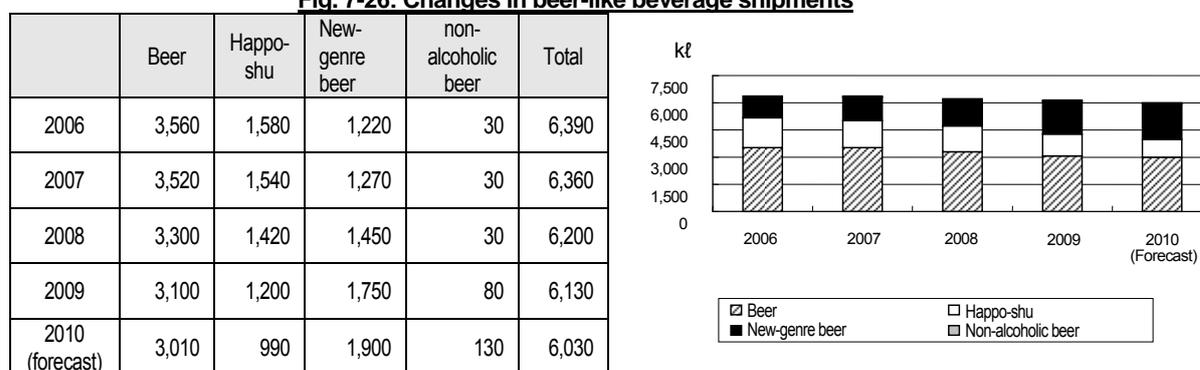
* Private label (PL) products are those for which a retail company or wholesaler is involved in product development and labels under its own brand. Advertising or handling by a wholesaler is not required, and items can thus be priced lower than manufacturer brands.

Fig. 7-25: Details of beer-like beverages

Item		Malt content	Tariff rate (per kℓ)
Beer		The amount of malt accounts for 2/3 or more of raw materials (excluding water and hops)	¥220,000
Law-malt beer		Malt or barely/wheat is used. Malt content is not defined.	¥134,250 -220,000
New-genre beer	Other brews (sparkling) (1)	Liquors produced by fermenting cereals, saccharides, and other materials. Use of malt is prohibited.	¥80,000
	Liqueurs (sparkling) (2)	Liquors made from liquors, saccharides, and other products (containing liquors)	¥80,000

Source: National Tax Agency

Fig. 7-26: Changes in beer-like beverage shipments



Source: 2011 Food Marketing Handbook No. 2, Fuji Keizai

(2) Sake

Sake is categorized into Seishu and Gosei-seishu (synthetic sake). Seishu is a traditional alcoholic beverage in Japan made from rice and rice koji (rice mold or “starter” consisting of *Aspergillus oryzae*), and Gosei-seishu, or synthetic seishu, is sake-tasting alcohol made by mixing sugars, organic and amino acids to alcohol. They both contain 10 to 20 % of alcohol, making it difficult to expand their market share where more and more consumers prefer low-alcoholic beverages (refer to Fig. 7-23). Sake is produced at small breweries located throughout Japan.

(3) Shochu

Shochu is a type of distilled alcoholic beverage with an alcohol content of 45% or lower. There are three types of shochu: kou-ru, otsu-ru, and blended shochu. Kou-ru is often made with various types of molasses and requires several continuous distillations, while otsu-ru is made with a single raw material such as rice and/or barley and involves only a single round of distillation. Kou-ru shochu is relatively inexpensive and sales of large-volume products such as those sold in 2.7 liter and 4 liter plastic bottles (PET bottles) are expanding against the backdrop of increasing low-end consumers. Otsu-ru shochu, made through a single distillation process, makes it possible for the natural flavor of the raw material to come through. Although it is more expensive, consumers craved for quality shochu in 2003 and 2004. However, the increased consumption of shochu leveled off as the boom ended and the economy became stagnant.

Kou-ru shochu is mainly produced by the following four companies which occupy about 70% of the market: Takara Shuzo, the Asahi Breweries, the Suntory group, the Oenon group. Like sake, kou-ru shochu is produced by a number of small breweries throughout Japan, and even the top brewer, Sanwa Shurui only accounts for 10 % of the market share.

(4) Wine

Since the wine boom of the 1990's, wine has established itself in Japan as an alcoholic beverage to be enjoyed in everyday situations. Today, wine is widely served at home as well as at restaurants of various styles including Italian and French cuisine and *Izakaya*-style restaurants. Wine is sold not only at alcohol sales outlets but also at mass merchandise outlets, convenience stores, and wine shops. In the domestic wine market, imported wines account for over 60% of the market share, with France selling the largest volume (refer to Fig. 7-18). Sparkling wines such as champagne are also gaining popularity as beverages to be consumed at home. Since 2009, with the increasing number of low-end consumers, the demand for more reasonably priced wines from countries like Chile, Australia, and the Republic of South Africa has been growing as alternatives to European wine (refer to Fig. 7-18).

In addition to keeping prices low, a number of domestic wine makers are trying to appeal to consumers by producing wines with no antioxidant additives. This is a way to differentiate their products from imported wines and to meet the growing demands from health-conscious consumers in Japan.

Also, there are a number of wine shops that specialize in organic wine, catering to the needs of consumers who are highly conscious about their health and the environment. Some major Japanese alcohol manufacturers are involved in the production of domestic organic wines. Organic wines are imported mainly from Europe but also from countries like Chile and the Republic of South Africa.

Imported wines account for approximately 70% of the market share (refer to Fig. 7-22). Top wine makers in Japan such as Mercian, the Suntory group, Sapporo beer, and Asahi beer, are not only producing their own wine, but are also involved in the distribution of imported wines. For your reference, Mercian is a subsidiary of Kirin Brewery Co.

(5) Other wines and spirits.

Other wines and spirits include whiskies, brandies, spirits, sweetened fruit wine (beverages made by adding sugar and/or brandy to fruit wine) and liqueurs.

As more consumers prefer low-alcohol beverages, the demand for high-alcohol beverages such as whiskies and brandies has declined, resulting in reduced shipments. However, this trend changed around 2009 after the successful release of a series of canned highball products (RTD products made by mixing whisky with soda, which is categorized as liqueurs under the Liquor Tax Act), which consequently brought about increased attention to whiskies. As a result, the consumption of whiskies among young adults has increased, and the demand and the market for whiskies have expanded. On the other hand, most brandy products are priced on the high end, thus the demand for brandies has been hindered due to overall consumer trends that prefer low-alcohol and low-price products.

As for the spirits market, gin, vodka and rum are the main products and 70% of them are distributed to bars and nightclubs to be used in the making of cocktails. Recently, the demand for rum has been growing as the Mojito cocktail is gaining popularity. Premium quality "rhum agricole" has also become more visible in the marketplace although still limited in amount. Also, premium type tequila called "Patron" by Bacardi is gaining exposure in the market. Overall, shipments of spirits are increasing in Japan (refer to Fig. 7-28). Other than Bacardi Japan, the Suntory group, Kirin Holdings, and Asahi Breweries, distribute foreign brand spirits, such as Beefeater, Gilbey's, Jose Cuervo and Wilkinson, respectively.

Liqueurs such as Cointreau and Bols were introduced to nightclubs and *Izakaya* in Japan in the late 90's as cocktails gained wider popularity in Japan. These liqueurs were introduced as authentic liqueurs meaning that they were used as a cocktail base. The term authentic liqueur was used to distinguish it from other liqueurs blended with soda. At one time, people would first order beer and then start ordering cocktails. However, the trend has changed, and now many people skip beer and start with cocktails. In 2006, the Suntory group, a major alcoholic beverage maker, released a liqueur called Macadia made with maca and rosehip. Macadia with its high vitamin content derived from maca and rosehip spoke to consumers who seek health and beauty and has gained its reputation and place as a healthy liqueur.

Umeshu, is one of most popular Japanese liqueurs that is made by pickling plums in sugar and alcohol. It is enjoyed on the rocks, or mixed with water and soda. Because of its simplicity, people enjoy umeshu not only at restaurants and bars but also at home. Recently, there has been a trend to make umeshu into a variety of low-price, low-calorie, as well as premium beverages, resulting in an increase in demand.

Chu-hai cocktails are prepared by blending distilled liquor such as shochu and vodka with fruit juice and soda. These canned cocktails contain 3 to 9% alcohol. The demand for this low-alcohol chu-hai grew as it coincided with the consumers' preference for low-alcohol products (refer to Fig. 7-27). However in 2009, chu-hai products with higher alcohol content (9%) were released intending to get people drunk "quick and cheap." These products are targeted at the increasing number of consumers faced with a tightening budget due the sluggish economy.

Chu-hai cocktails are mainly produced and distributed by Kirin Brewery Co and the Suntory group, which account for about 60% of the market share. Various other domestic companies such as Takara Shuzo Co, Asahi Beer, Oenon group are entering the market, and are actively developing products that use fresh seasonal fruit juice and have fewer calories.

Fig. 7-27: Volume of shipment of other alcoholic beverages (2010)

Item		Volume (kℓ)	Yearly change	
Whiskies		81,270	120.6%	
Brandies		5,260	98.3%	
Spirits	Gin	1,210	111.8%	
	Vodka	1,210	105.3%	
	Rum	1,260	105.7%	
	Other	Non-sparkling	10,520	88.2%
		Sparkling	260,330	117.9%
	Subtotal		270,850	116.4%
Total		274,530	116.3%	
Sweet fruit wine		3,040	97.0%	
Liqueurs	Authentic liqueur		1,900	104.5%
	Medicated liquor		7,230	87.8%
	Umeshu	Non-sparkling	37,830	107.4%
		Sparkling	5,940	88.5%
		Subtotal		43,760
	Cocktails / chu-hai cocktails	Non-sparkling	1,3280	84.1%
		Sparkling	1,579,870	113.8%
		Subtotal		1,593,150
	Other		5,070	92.4%
	Total		1,651,100	112.9%
Other liquors		1,430	104.2%	
Total		2,016,640	113.6%	

Source: Japan Spirits & Liqueurs Makers Association

* The volume of alcohol beverage shipments is the amount of products shipped from alcoholic beverage manufacturing plants deducted by the volume of products sent back to the plant for example, due to return.

Fig. 7-28: Changes in sales by the type of spirits

Unit: ¥ million

Type	2006	2007	2008	2009	2010 (forecast)	Ratio
Gin	5,100	5,100	5,250	5,300	5,400	32.1%
Rum	4,700	5,250	5,550	5,600	5,700	33.9%
Vodka	4,100	4,200	4,300	4,500	4,600	27.4%
Other	1,400	1,450	1,300	1,200	1,100	6.5%
Total	15,300	16,000	16,400	16,600	16,800	100.0%

Source: 2010 Food Marketing Handbook No. 2, 2011 Food Marketing Handbook No. 2, Fuji Keizai

3. Distribution Channels

Alcoholic beverages in Japan are distributed by vendors licensed under the Liquor Tax Act. As of March 2010, there are 196,570 licensed vendors. After regulations of liquor sales were lifted in 2005, the number of licensed vendors increased, peaking at 215,247 shops in 2008. However, as the competition intensifies, mergers and acquisitions are taking place among retailers and wholesalers.

Fig. 7-29: Number of licensed distributors and vendors (as of March 2010)

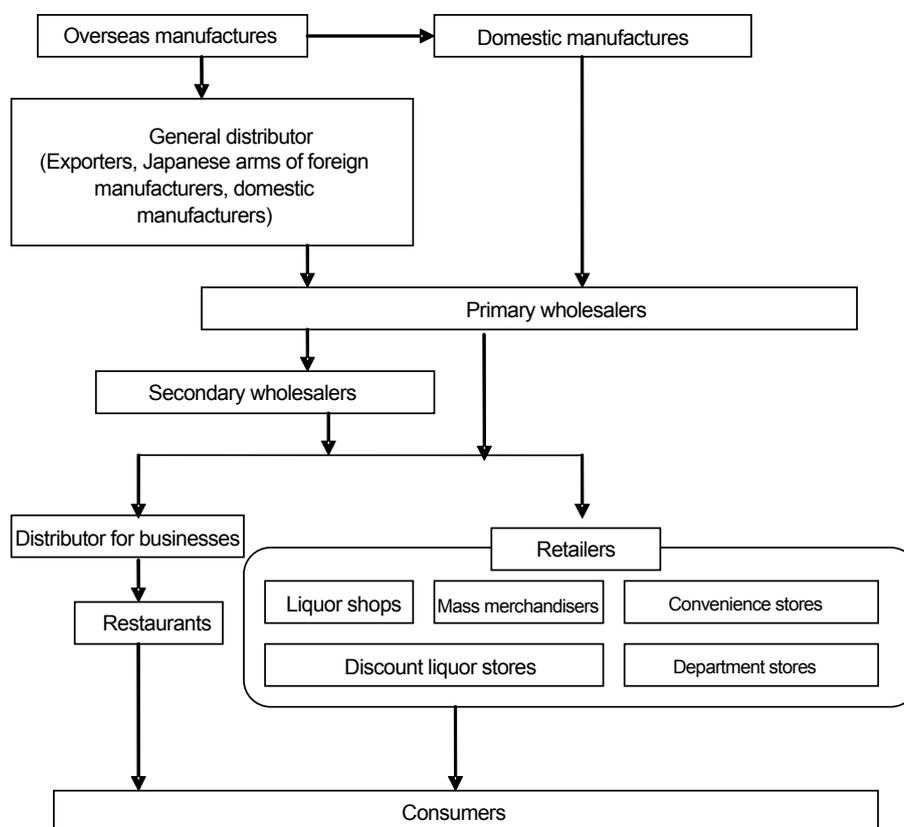
Distributor	Category	Vendors
Wholesaler	All alcoholic beverages	6,589
	Other	5,909
	Total	12,498
Retailer	All alcoholic beverages	176,773
	Other	7,299
	Total	184,072
Total		196,570

Source: National Tax Agency

* Other represents vendors that are allowed to distribute limited types of alcoholic beverages.

The general distribution channels of alcoholic beverages in Japan are as described in Fig. 7-30. In the case of exports to Japan, manufacturers first sell through agents to wholesalers, and the wholesalers sell to retailers and restaurants. In some cases, importers play the role of agent, and in other cases, overseas manufacturers set up their Japan office to serve as the agent. Also, in some cases, major manufacturers in Japan serve as an agent for distribution. In the case of spirits and liqueurs that are used as a cocktail base, overseas brands have a higher reputation and demand than domestic ones. Hence, there are many cases in which Japanese manufacturers serve as an agent for the distribution of big name liqueurs.

Fig. 7-30: Distribution channels for alcoholic beverages



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

When importing alcoholic beverages to Japan, it is necessary to make sure that the products comply with the standards set by the Food Sanitation Act, and that no additives other than those approved under the Liquor Tax Act are used.

Japanese consumers are highly concerned with issues regarding food safety. So, any damage to the bottle, let alone contamination of the beverage, would quite likely lead to recall or possible suspension. Thus, importing products to Japan requires extra care not only for the beverage itself but the safety of its containers.

Alcoholic beverages are items that are selected by the personal preferences of consumers. Therefore, price varies as personal preference varies. When making a new entry into the Japanese market, for example, if you would like to sell beverages for day-to-day consumption, it is necessary to set the price low (e.g. 350 ml domestic beer costs around ¥220, and 350 ml domestic *happo-shu* costs around ¥140). If the products are in the high price range, you may increase appeal to the consumers by using packaging that adds a luxurious feeling, and using ingredients that have high added value.

Moreover, when importing alcoholic beverages that are new to Japan, it helps to introduce not only the style of drinking from the respective country, but also ways that the Japanese consumers might enjoy the beverage. For example, the Korean alcoholic beverage called makgeolli was originally enjoyed by drinking it straight, mostly in Korean restaurants. However, when manufacturers suggested new ways of enjoying makgeolli by blending it with some liqueurs and soft drinks such as fruit juice, *izakayas* started to introduce the drink on their menus, consequently leading to increased consumption at home. As a result, the import volume of makgeolli expanded.

<Exhibitions>

Fig. 7-31: Exhibitions for alcoholic beverages

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	Supermarket Trade Show	
Alcoholic drinks	http://www.smts.jp	TEL: +81-3-5209-1056
	Import and Domestically Produced Liquor Tasting Events	
		TEL: +81-3-3276-4000 (Host: Kokubu & Co., Ltd.)

5. Failure Cases

<Mold contamination>

Makgeolli is a fermented Korean liquor. Its consumption in Japan gradually increased as the 2002 World Cup in Japan and Korea drew attention to travel in Korea as well as Korean food. In 2010, makgeolli could be found in mass merchandise outlets as well as convenience stores. However, when makgeolli first entered into Japan, it faced various problems including detection of mold and damage to its containers. These incidents made some wholesalers and retailers wary about selling Makgeolli, and it took them a number of years to get rid of the image of makgeolli as having “bad quality.”

<Distribution of nonstandard products >

In 2010, there was an incident concerning Argentinean wines that a Japanese manufacturer had imported and sold. In this incident, wines whose alcohol and extract concentration were lower than the standard set by the Argentinean manufacturer were accidentally imported and distributed in Japan. The Japanese manufacturer initiated the voluntary recall of the products that were distributed by mistake.

<Filling Error>

A major retail chain revealed that their PL *happo-shu* imported from Korea in 2008 had a filling error and that their “new genre” beer was accidentally filled in the cans of their low-malt beer. They initiated the voluntary recall.

6. Import Associations & Related Organizations**Fig. 7-32: Alcoholic beverage importer associations and related organizations**

Brewers Association of Japan	http://www.brewers.or.jp/ TEL: +81-3-3561-8386
Japan Wine and Spirits Importers' Association	http://www.youshu-yunyu.org/ TEL: +81-3-3503-6505
Japan Spirits & Liqueurs Makers Association	http://www.yoshu.or.jp/ TEL: +81-3-6202-5728
Japan Sake and Shochu Makers Association	http://www.japansake.or.jp/ TEL: +81-3-3501-0101

8. Soft Drinks

This chapter defines soft drinks according to the H.S. code of the Tariff Schedule (Fig. 8-1), covering imports as well as articles of taste (such as coffee and black tea), carbonated drinks, and other soft drinks distributed at room temperature that are distributed in Japan. Milk and other dairy beverages are not discussed in this chapter.

Fig. 8-1: Scope of coverage for soft drink beverages in this chapter

Category	Description	H.S. code
Fruit juice beverages	Orange juices	2009.11,12,19
	Grapefruit juice (including pomelo)	2009.21,29
	Juice of any other single citrus fruit	2009.31,39
	Pineapple juice	2009.41,49
	Tomato juice	2009.50
	Grape juice (including grape must)	2009.61,69
	Apple juice	2009.71,79
	Juice of any other single fruit or vegetable	2009.80
	Mixtures of juices	2009.90
Mineral waters	Mineral waters and aerated waters	2201.10
Other	Other soft drinks	2202.90

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

Importing of soft drinks is regulated primarily by the following laws: 1) the Food Sanitation Act and 2) the Customs Act.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, soft drinks are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, soft drinks should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of 2011, there is no soft drinks that is subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act). However, based on product recall information in France, measures have been taken to return products to the shipper when a notification of import was filed over concerns of mold contamination for mineral water produced in France. Past cases in which destruction or returning to the shipper were ordered include grape juice produced in Australia that was found to contain sulfur dioxide at a level above the approved limit in a voluntary inspection.

<Customs Act>

Under the Customs Act, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned.

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

There is no specific law applicable to the sales of soft drinks. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or solid foreign objects, or those with poor hygiene are prohibited. Sales of soft drinks in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Pharmaceutical Affairs Act>

To prevent nutrition-supplement drinks as quasi drugs (which are subject to the Pharmaceutical Affairs Act and have effects or efficacy that are milder than those of pharmaceutical products; not subject to food standards) and soft drinks as a food product from being confused, it is prohibited under the Pharmaceutical Affairs Act to label or advertise soft drinks in a manner that misleadingly promotes them as having an effect or efficacy of a quasi drug.

<Product Liability Act>

As a processed product, soft drinks are included in items subject to the Product Liability Act, and care should be taken with regard to safety management of relevant contents, containers, and packaging in relation to issues such as food poisoning.

The Product Liability Act stipulates liability of manufacturers, etc. for damages to consumers in association with product defects, and importers are included in the category of manufacturers, etc. This is based on a policy to make importers liable for damages because it is difficult for victimized consumers to hold overseas manufacturers liable for damages. Claims for compensation against overseas manufacturers are considered as a matter for the importer to make; this Act does not provide provisions on obligations.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of soft drinks in such routes as mail-order, door-to-door sales, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (paper containers and packaging and plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

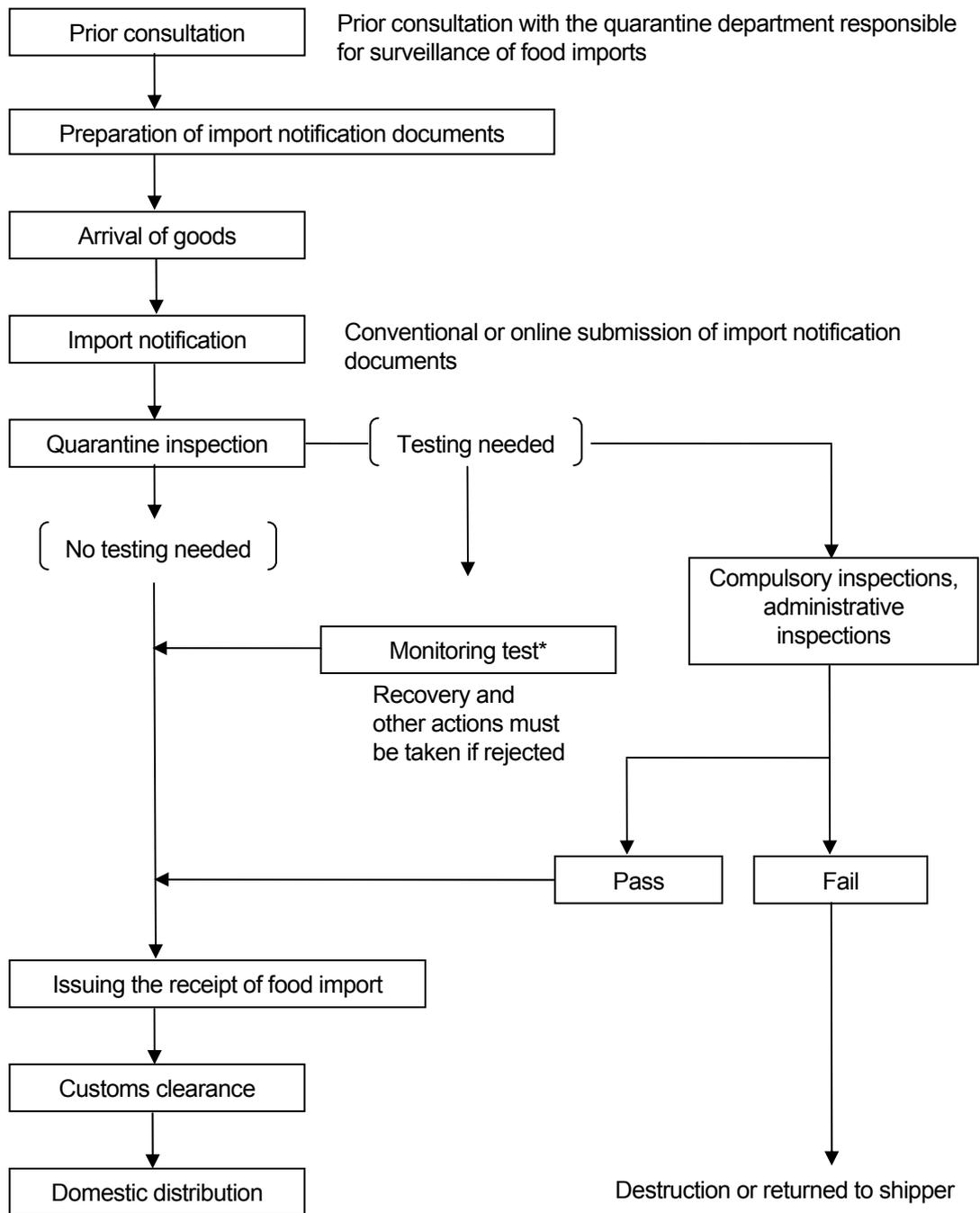
2. Procedures**(1) Procedures for Authorization of Importing and Sales****<Food Sanitation Inspection>**

Under the Food Sanitation Act, the required documents must be submitted (Fig. 8-3) when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 8-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry into Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, an import permit may be given in principle.

Fig. 8-2: Flowchart of import procedure

Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 8-3 according to the authorities to which each document is submitted.

Fig. 8-3: Documents required for import clearance

Submitted to	Required documents
Imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods
	Material/ingredient table (issued by the factory)
	Production flow chart
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)
Local customs offices (Customs clearance under the Customs Act)	Declaration of import
	Invoice
	Packing list
	Bill of lading (B/L) or airway bill

Source: Ministry of Health, Labour and Welfare, Ministry of Finance

3. Competent Authorities**Fig. 8-4: Contacts of competent authorities**

Food Sanitation Act	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Measurement Act	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Health Promotion Act	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Pharmaceutical Affairs Act	Compliance and Narcotics Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Act against Unjustifiable Premiums and Misleading Representations	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Product Liability Act	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions	Consumer Advice Office, Ministry of Economy, Trade and Industry Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3507-8800 http://www.caa.go.jp

Fig. 8-4: Contacts of competent authorities (continued)

Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources

Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry TEL: +81-3-3501-1511
http://www.meti.go.jp

Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment TEL: +81-3-3581-3351
http://www.env.go.jp

Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries TEL: +81-3-3502-8111
http://www.maff.go.jp

Unfair Competition Prevention Act / Trademark Act

Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry TEL: +81-3-3501-1511
http://www.meti.go.jp

General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry TEL: +81-3-3581-1101
http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of soft drinks must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, 7) intellectual asset-related laws (e.g., Unfair Competition Prevention Act, Trademark Act), 8) Pharmaceutical Affairs Act.

When importing and selling soft drinks, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act prescribes detailed quality labeling standards for soft drinks (Fig. 8-5). Although these standards are not described here, when importing the concerned soft drinks, appropriate quality labeling must be carried out based on correct understanding of the corresponding standards when importing.

Fig. 8-5: Quality labeling standards for soft drinks in compliance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act

Act	Quality labeling standards or types of food subject to labeling regulations
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Quality labeling standards for fruit juices
	Quality labeling standards for carbonated beverages
	Quality labeling standards for soymilk products
	Quality labeling standards for carrot juices and mixed carrot juices
Food Sanitation Act	Soft drinks
	Processed foods in containers and packaging

Source: Ministry of Agriculture, Forestry and Fisheries

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

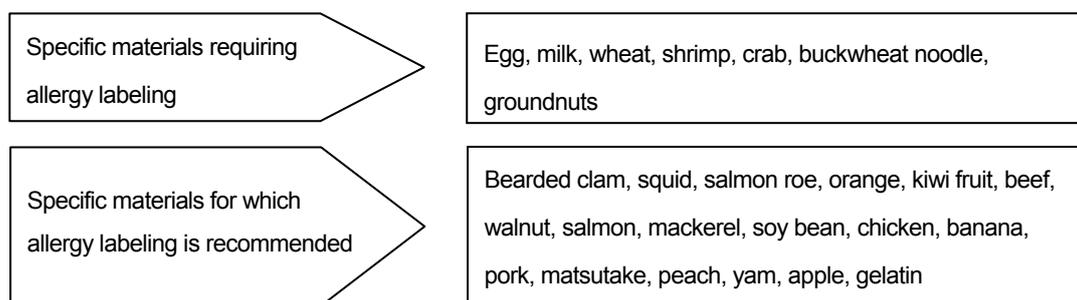
The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

<Allergies>

When products containing the specific ingredients shown in Fig. 8-6 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies.

Fig. 8-6: Specific materials related to allergy labeling

Source: Ministry of Health, Labour and Welfare

Some soft drinks, such as fruit juice beverages containing added orange, contain ingredients subject to allergy labeling. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label does not identify specific ingredients, labeling is required or recommended.

The following list is a specific example of allergy labeling. "Raw ingredients contain XX." in parentheses must be added after the specified ingredients.

Product name: Soft drink
 Ingredients: Sugar, fruit juice, extracts, polysaccharide thickeners, acidulants, perfumes, antioxidants (Raw ingredients contain gelatin)

<Recombinant foods>

Labeling is mandatory for all food products containing recombinant crops under the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and the Food Sanitation Act. The recombinant food labeling system consists of: (1) mandatory labeling stating "Recombinant food" for products made from recombinant ingredients whose genetic identity is preserved, (2) mandatory labeling stating "The identity of ingredients is not preserved" for products made from ingredients whose genetic identity is not preserved, and (3) voluntary labeling stating "Non-recombinant food" for products made from non-recombinant ingredients whose genetic identity is preserved. The applicable labeling is determined based on the acquisition of Identity Preserved (IP) Handling certificates for the production, distribution, and processing stages.

<Content weight>

When importing and selling soft drinks, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in grams or liters on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. As the quality of soft drinks does not deteriorate easily, the "best by" date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the best-by date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For soft drinks which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

This Act also requires the country of origin for green tea beverages. As green tea is the only ingredient requiring labeling of the country of origin, green tea should be included in the list of ingredients, and the country of origin stated in brackets next to it. All other soft drinks do not require this labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of soft drinks in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). If general names such as “vitamin” are labeled instead of describing the specific names of nutrients, ingredients must be labeled.

Components must be indicated in the following order and unit:

qq)Calories (kcal or kilocalories)

rr) Protein (g or grams)

ss) Fat (g or grams)

tt) Carbohydrate (g or grams)

uu)Sodium

vv)Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

Labels for specified health foods or those for special dietary uses must follow the respective standards and be screened for approval.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include soft drinks, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Fig. 8-7) can be labeled as “organic green tea,” “organic coffee,” etc. in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark, to be permitted to have the organic labeling.

m) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.

n) Labelling of JAS-certified organic mark (Fig. 8-7) and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 8-7: JAS-certified organic mark**<Containers and packaging>**

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When using plastic containers, paper containers, PET bottles for beverage, aluminum cans for beverages, or steel cans for beverages for soft drink products, the identification marks shown in Fig. 8-8 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 8-8: Labels for promoting sorted collection**<Description>**

The Pharmaceutical Affairs Act allows labeling of medical indications or efficacy on the package only for medical use liquor products that have been approved under the Act if meeting the requirements for labeling and prohibitory description.

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint**(1) Fruit Beverage Fair Trade Council**

The Fruit Beverage Fair Trade Council prescribes standards on labeling methods in accordance with the percentage of fruit juice used. For the labeling of imported products and country of origin, it also requires labeling stating that the product is made domestically for domestic products which are prone to misinterpretation.

<Fair competition code for fruit beverage labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-21.pdf>

Contact:

Fruit Beverage Fair Trade Council TEL: +81-3-3435-0731

(2) National Coffee Beverage Fair Trade Council

To ensure fair trade, the National Coffee Beverage Fair Trade Council prescribes standards on labeling in products and advertisements through the Fair Competition Code for Coffee Beverage Labeling as well as standards on violations.

< Fair competition code for coffee beverage labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-11.pdf>

Contact:

National Coffee Beverage Fair Trade Council

TEL: +81-3-3435-0731

(3) Japan Soybean Milk Fair Trade Council

To ensure fair trade, the Japan Soybean Milk Fair Trade Council prescribes standards on terminology which can be used for defining product types or used according to product type through the Fair Competition Code for Soybean Milk Labeling.

< Fair competition code and the ordinance of enforcement for soybean milk labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-25.pdf>

Contact:

Japan Soybean Milk Fair Trade Council

TEL: +81-3-5215-2275

(4) Council for PET Bottle Recycling

The Council for PET Bottle Recycling prescribes voluntary guidelines for the ideal designs of bottles, labels, print, caps, etc. of designated plastic (PET) bottles for beverages, soy sauce, and liquors, which are hygienic and have excellent recyclability and reusability.

Contact:

Council for PET Bottle Recycling TEL: +81-3-3662-7591 <http://www.petbottle-rec.gr.jp>

(5) Beverage Industry Environment Beautification Association

The Beverage Industry Environment Beautification Association, which consists of six beverage industry organizations, grants the unified labeling of the beautification mark (Fig. 8-9) for beverage containers to prevent the littering of beverage containers and promote recycling.

Fig. 8-9: Unified labeling of the beautification mark granted by the Beverage Industry Environment Beautification Association



Contact:

Beverage Industry Environment Beautification Association

TEL: +81-3-5439-5121 <http://www.kankyobika.or.jp/>

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on soft drinks are shown in Fig. 8-10. Tariff rates for fruit juices vary depending on item, whether or not sugar is added, sucrose content, and origin of export (conventional rates for WTO members and basic rates for non-members). Note that while the H.S. code based on Brix has been introduced since 2002, there is no difference in tariff rates based on Brix within the same item.

In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the prior instruction system in which one can make inquiries and receive replies in person, in writing, or via e-mail.

(Note) Brix value is a measurement of a soluble dry substance in a liquid at 20°C. It is the sucrose concentration for soft drinks.

Fig. 8-10: Tariff duties on alcoholic beverages (FY2011)**(1) Fruit / vegetable beverages**

H.S. code		Description	Tariff rate				
			General	Temporary	WTO	GSP	LDC
20.09	11	Fruit juices and vegetable juices					
		Orange juices					
		Frozen					
		1. Containing added sugar					
		1) Not more than 10% by weight of sucrose, naturally and artificially contained	30.0%		25.5%		Free
		2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	2. Other						
	1) Not more than 10% by weight of sucrose, naturally and artificially contained	25.0%		21.3%		Free	
	2) Other	30.0%		25.5%		Free	
	12	Not Frozen					
		1. Containing added sugar					
		1) Not more than 10% by weight of sucrose, naturally and artificially contained	30.0%		25.5%		Free
		2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
		2. Other					
1) Not more than 10% by weight of sucrose, naturally and artificially contained		25.0%		21.3%		Free	
2) Other	30.0%		25.5%		Free		
19	Other						
	1. Containing added sugar						
	1) Not more than 10% by weight of sucrose, naturally and artificially contained	30.0%		25.5%		Free	
	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free	
	2. Other						
	1) Not more than 10% by weight of sucrose, naturally and artificially contained	25.0%		21.3%		Free	
2) Other	30.0%		25.5%		Free		
20.09	21	Grapefruit (including pomelo) juice					
		Of a Brix value not exceeding 20					
		1. Containing added sugar					
		1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
		2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
		2. Other					
1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free		
2) Other	30.0%		25.5%		Free		

Fig. 8-10: Tariff duties on alcoholic beverages (FY2011) (continued)

H.S. code		Description	Tariff rate				
			General	Temporary	WTO	GSP	LDC
20.09	29	Other					
	-110	1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-210	2. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
	31	Juice of any other single citrus fruit Of a Brix value not exceeding 20					
	-110	1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-211	2. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained - Lemon juice	8.0%		6.0%		Free
	-212	- Lime juice	16.0%		12.0%		Free
	-219	- Other	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
	39	Other					
	-110	1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-211	1. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained - Lemon juice	8.0%		6.0%		Free
	-212	- Lime juice	16.0%		12.0%		Free
	-219	- Other	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
20.09	41	Pineapple juice Of a Brix value not exceeding 20					
	-110	1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-210	1) Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
	-110	Other 1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-210	2. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
	50	Tomato juice					
	-100	1. Containing added sugar	35.0%		29.8%		Free
	-200	2. Other	25.0%		21.3%		Free
	-110	Grape juice (including grape must) Of a Brix value not exceeding 30 1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-200	2. Other	22.5%		19.1%		Free
	-110	Other 1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-210	2. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free

Fig. 8-10: Tariff duties on alcoholic beverages (FY2011) (continued)

H.S. code		Description	Tariff rate				
			General	Temporary	WTO	GSP	LDC
20.09	71	Apple juice Of a Brix value not exceeding 20					
		1. Containing added sugar					
		1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
		2) Other	40% or 27 yen/kg, whichever is the greater		34.0% or 23 yen/kg, whichever is the greater		Free
		2. Other					
	79	1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
		2) Other	35.0%		29.8%		Free
		Other					
		1. Containing added sugar					
		1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-110	2) Other	40% or 27 yen/kg, whichever is the greater		34.0% or 23 yen/kg, whichever is the greater		Free
	-190	2. Other					
	-210	1) Not more than 10% by weight of sucrose	22.5%		19.1%		Free
	-290	2) Other	35.0%		29.8%		Free
	20.09	80	Juice of any other single fruit or vegetable				
	90	1. Fruit juices					
		1) Containing added sugar					
		- Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
		- Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
		2) Other					
		- Not more than 10% by weight of sucrose	22.5%				Free
		- Prune juice			14.4%		
		- Other			19.1%		
		- Other	30.0%		25.5%		Free
		2. Vegetable juices					
	1) Containing added sugar	10.8%		8.1%		Free	
	2) Other	9.6%				Free	
	- In airtight containers			9.0%			
	- Other			7.2%			
	- Carrot juice						
	- Other						
	Mixtures of juices						
	1. Mixtures of fruit juices						
	1) Containing added sugar						
	- Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free	
- Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free		
2) Other							
- Not more than 10% by weight of sucrose	22.5%		19.1%		Free		
- Other	30.0%		25.5%		Free		
2. Mixtures of vegetable juices							
1) Containing added sugar	10.8%		8.1%		Free		
2) Other	7.2%		5.4%		Free		

Fig. 8-10: Tariff duties on alcoholic beverages (FY2011) (continued)**(2) Mineral water**

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
22.01	10	-000	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured, ice and snow Mineral waters and aerated waters	3.2%		3.0%	Free	
22.02	90	-100 -200	Other non-alcoholic beverages 1. Containing added sugar 2. Other	22.4% 16.0%		13.4% 9.6%		Free Free

Source: Ministry of Finance

Note 22) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 23) Special preferential rate is applicable only for the Least Developed Countries.

Note 24) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

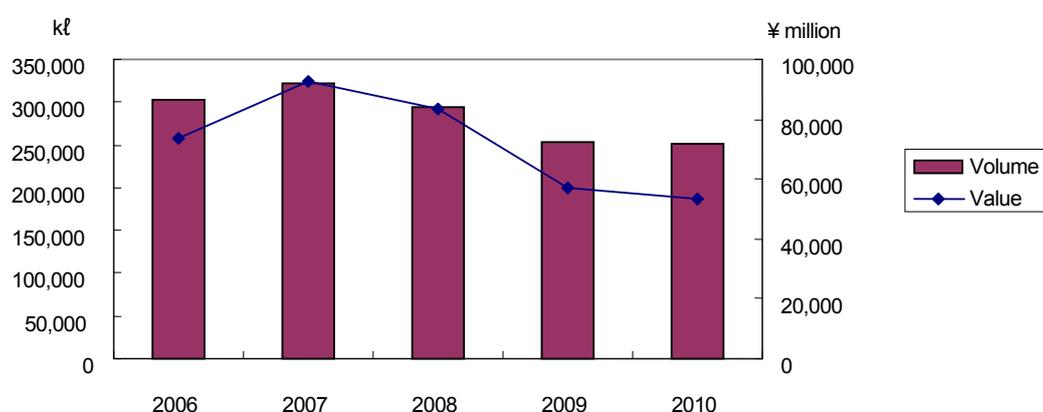
(CIF + Tariff duties) × 5%

IV. Trade Trends

1. Changes in Imports

(1) Fruit and vegetable juice

Fruit juices are imported in the following three categories: 1) as a concentrated juice to be made into products within Japan, 2) as finished products made in Japanese manufacturer's own or affiliated factories abroad, governed by their own regulations and specifications, and 3) as products manufactured by overseas makers outside of Japan. The Trade Statistics of Japan categorizes them based on types of fruits, sucrose content, and its Brix value. Although there is no exact data on the ratio, the majority of imported fruit juice comes in the form of concentrated juice that is then made into products through the addition of various flavors. Orange juice is one of the main types of juices to be imported, but its importation suffered a blow as a result of the rising price of the material as well as stagnation in the domestic market. However, in 2010, its import figures recovered both on a volume and value basis as the domestic market regained its resilience. As for vegetable juice, after peaking in 2007, its import volume has dwindled, partly due to the distrust of Chinese grown vegetables, which has impacted the entire market.

Fig. 8-11: Changes in fruit and vegetable juice

Source: Trade Statistics (MOF)

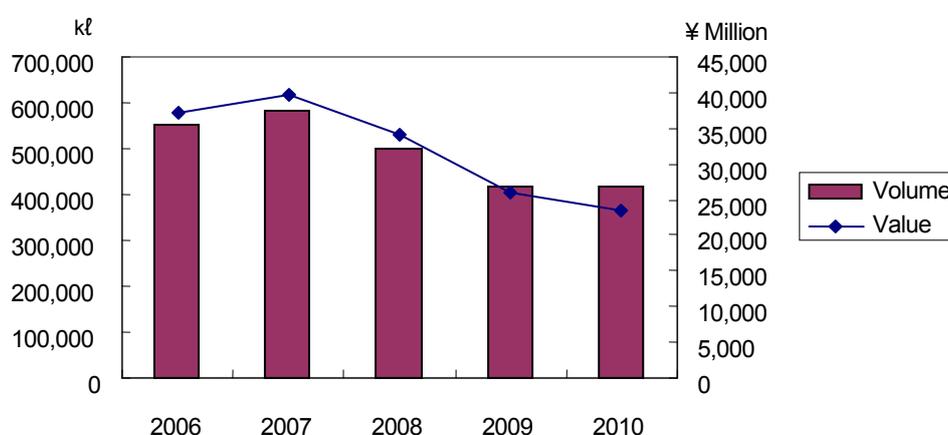
Fig. 8-12: Changes in fruit and vegetable juice imports by item Units: volume = kℓ, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Orange juice (frozen)	40,742	40,827	32,121	33,514	34,196	9,875	14,311	9,257	7,211	7,284
Orange juice (not frozen)	39,397	32,943	30,355	28,421	34,913	8,626	10,671	7,432	4,761	5,613
Grapefruit juice	23,368	23,513	23,069	20,975	19,933	6,895	6,354	4,589	3,704	3,802
Other citrus fruit juice	19,529	20,342	18,000	15,529	15,673	4,584	5,767	5,495	4,833	4,753
Pineapple juice	10,054	9,590	10,148	8,905	8,378	1,895	1,805	1,921	1,734	1,725
Tomato juice	745	627	595	503	418	123	108	100	54	31
Grape juice	30,990	33,968	36,254	35,810	35,984	7,472	8,781	9,646	8,854	8,838
Apple juice	80,969	93,527	80,951	61,362	59,517	13,653	18,524	22,101	10,843	8,640
Other fruits and vegetable juice	50,647	58,923	54,072	42,137	34,905	18,671	23,221	20,241	13,622	11,430
Mixed juice	6,712	8,040	7,574	6,424	7,513	1,645	2,791	2,674	1,497	1,311
Total	303,153	322,300	293,139	253,580	251,430	73,439	92,333	83,456	57,113	53,427

Source: Trade Statistics (MOF)

(2) Mineral water

The importing of mineral water has been on a downward trend since it peaked in 2007 at 580,809 kiloliters (105.1 % vs. previous year). As the domestic market for imported mineral water shrank, it further dropped to 418,975 kiloliters in 2010. This trend is attributable to Japanese consumers preferring reasonably priced domestic water sold in larger containers, and to the deteriorating business confidence that makes mineral water less affordable. Also, contributing to the decline are factors such as, the weak price-competitiveness of small portable imported mineral water, which clears the way for cheaper products to be a more attractive option for consumers.

Fig. 8-13: Changes in mineral water imports

Source: Trade Statistics (MOF)

Fig. 8-14: Changes in mineral water imports

Units: volume = kℓ, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Mineral water	552,620	580,809	499,676	418,972	418,975	37,146	39,719	34,101	26,006	23,352

Source: Trade Statistics (MOF)

2. Regional breakdown

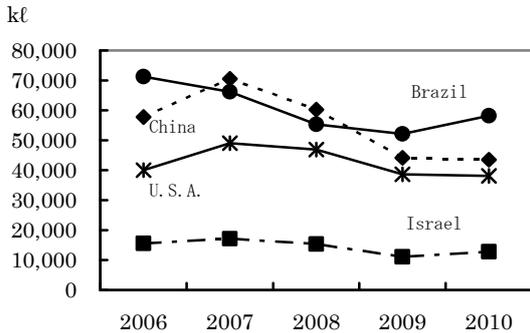
(1) Fruit and vegetable juice

Japan's major trading partners for fruit and vegetable juice are the countries listed in Fig. 8-17. Among them, Brazil accounts for the largest share, however, China surpassed Brazil in 2007. In 2010, imports from Brazil reached 58,154 kiloliters (111.6% vs. previous year), making Brazil our largest trading partner.

Leading imported juices are orange (particularly, non-frozen varieties), apple, and grapefruit, coming from Brazil, China and the United States respectively. As for imports from African countries, grape juice is the leading product from South Africa with 10,101 kiloliters (96.0% vs. previous year) in 2010, accounting for almost all the imports coming from Africa.

Domestic fruits are used as ingredients for soft drinks, but we also import fruits such as acerola, oranges and apples from Brazil, grapes and apples from Argentina, grapes and apples from Chile, and grapefruits, grapes, and apples from South Africa.

Fig. 8-15: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 8-16: Shares of imports in 2010 (value basis)

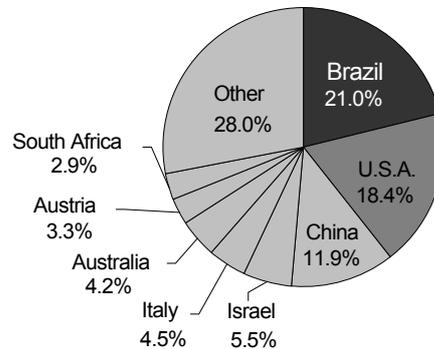


Fig. 8-17: Principal places of origin of fruit and vegetable juice

Units: volume = kℓ , value = ¥ million

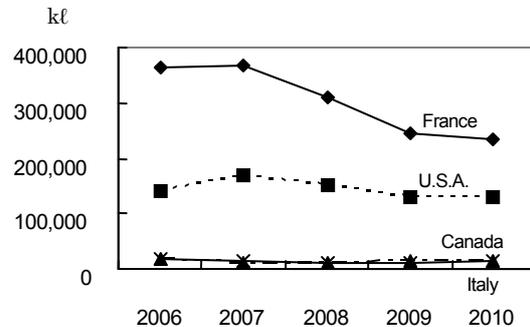
Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Brazil	71,252	66,170	55,338	52,090	58,154	17,041	22,465	15,132	10,394	11,241
China	57,713	70,544	60,178	44,108	43,498	9,520	13,669	16,655	7,670	6,373
U.S.A.	40,016	49,011	46,899	38,602	38,042	11,960	16,008	13,514	9,977	9,843
Israel	15,499	17,126	15,343	11,088	12,796	4,811	4,908	3,970	2,830	2,949
South Africa	11,184	11,019	12,642	10,522	10,101	2,123	2,220	2,281	1,778	1,571
Italy	13,443	11,639	11,119	10,236	9,886	3,034	3,358	3,013	2,647	2,430
Austria	11,516	9,632	9,332	8,522	8,350	3,000	3,533	3,958	2,231	1,775
Australia	23,607	20,829	18,627	10,919	7,742	5,708	5,887	5,665	2,991	2,264
Other	58,923	66,331	63,660	67,493	62,860	16,242	20,285	19,266	16,594	14,981
Total	303,153	322,300	293,139	253,580	251,430	73,439	92,333	83,456	57,113	53,427
(African countries)	11,198	11,139	12,686	10,552	10,108	2,127	2,259	2,293	1,784	1,573

Source: Trade Statistics (MOF)

(2) Mineral water

As for mineral water, imports from France amounted to 233,881 kiloliters in 2010, capturing 55.8% of the market. French mineral water such as Volvic, Evian, and Vittel are widely enjoyed in Japan because of their established reputation and distribution by major Japanese soft drink manufacturers. However, the worsening business confidence has created various negative factors for imported water such as a shifting demand to larger-sized domestic water, causing a drastic decrease of imports from France and bringing down the entire volume of imported water.

Fig. 8-18 : Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 8-19 : Shares of imports in 2010 (value basis)

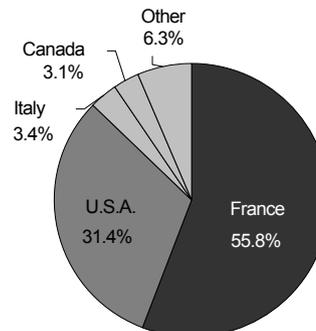


Fig. 8-20: Principal places of origin of mineral water

Units: volume = kl , value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
France	364,898	367,445	309,277	244,939	233,881	26,753	28,429	24,832	18,896	16,767
U.S.A.	140,529	169,026	152,443	130,370	131,376	7,293	8,248	6,664	4,767	4,122
Italy	16,991	13,365	12,611	11,351	14,293	1,072	948	947	728	839
Canada	17,292	11,591	10,744	14,654	12,853	1,258	883	625	637	507
Other	12,910	19,383	14,602	17,658	26,573	771	1,210	1,033	978	1,115
Total	552,620	580,809	499,676	418,972	418,975	37,146	39,719	34,101	26,006	23,352

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

(1) Fruit and vegetable juice

Fruits produced in Japan are mostly consumed fresh, thus Japan depends heavily on imported fruit juice both for its price and supply. This trend is increasing year by year, leading to the current condition of imported products capturing almost the entire market share for fruit juices. However, for vegetable juice, stronger consumer confidence in domestic products adds more value, making them a more attractive alternative for many consumers. This is due to the distrust of vegetables produced in China. Some companies have been trying to diversify their supply source. As Fig. 8-17 points out, imports from China have been on the decline.

(2) Mineral water

The import market for mineral water had been buoyant until it started its descent in 2008. This trend has continued as imported mineral water loses its market share against domestic water year by year. This is partly due to the shifting demand for domestic mineral water as the worsening business climate reduces the number of consumers who choose imported mineral water. Weather conditions such as exceptionally hot summers have also influenced consumers' decision to purchase mineral water or not. However, generally speaking, price does not seem to give much of a competitive edge in the mineral water market, hence an effective brand marketing strategy is indispensable.

Fig. 8-21: Import market share in Japan

Unit: kl

Item	Statistics	2004	2005	2006	2007	2008
Mineral water	Domestic production	1,296,000	1,428,000	1,802,000	1,924,000	2,015,700
	Import volume	330,671	406,925	552,620	580,809	499,676
	Total	1,626,671	1,834,925	2,354,620	2,504,809	2,515,376
	Share of imports	20.3%	22.2%	23.5%	23.2%	19.9%

Source: Japan Soft Drink Association, Trade Statistics announced by Ministry of Finance

4. Background of Changes in Volume of Imports and Other Trends

(1) Fruit juice

Most fruits produced in Japan are consumed fresh, and thus, very little is used for fruit juice. The price competitiveness of domestic fruits is lower compared to those of overseas. Thus, Japan depends heavily on foreign products for fruit juice, which has a lower per unit price. However in recent years the price of orange juice has gone up globally, narrowing the price gap between domestic and imported ones. Against this backdrop, the import of non-frozen orange juice rose in 2010, reaching 34,913 kiloliters (122.8% vs. previous year).

(2) Mineral water

Given the deteriorating business confidence, more affordable domestic mineral water available in larger containers has become the core of demand in the domestic mineral water market. The demand for imported

water is decreasing because of its higher per-item cost and its focus on smaller-sized water containers for personal consumption.

V. Domestic Distribution

1. Trade Practice, Etc.

Major sales channels for soft drinks are retail shops, including mass merchandise outlets, and vending machines. Large retail shops tend to work directly with major distributors whereas smaller retail stores tend to do business through the agencies of multiple wholesale dealers, which tends to make their margin higher.

2. Domestic Market Situations

Annual sales of soft drinks in Japan are approximately 1.75 billion liters, which translates to approximately 137 liters of annual consumption per person. Against the backdrop of low birthrates and a graying society this consumption statistic is generally on a decreasing trend with some minor fluctuation due to weather conditions. In recent years, given the increasing number of health-conscious consumers, companies are selling products with high functionality such as “zero-calories” and “no sugar” soft drinks.

Seen by category, stimulant drinks such as coffee, Japanese tea, and black tea capture just under half of the market. Among these, Japanese tea has the strongest sales as a healthy soft drink option that contains no sugar. As for carbonated drinks, “zero calories” and “no-sugar” products have been recently released one after another, and these sales are increasing. While the sales of lower-priced domestic water increasing, sales of imported water is on the decline because of its higher price. Overall, sales of mineral water is decreasing. Fruit and vegetable juice are enjoyed by people of all ages as healthy drinks. However, as more health-conscious beverages have been developed in the stimulant drinks market segment and other categories, demand for fruit and vegetable juice has shifted and its market continues to shrink as a result.

Given the increase of low-end consumers, soft drinks such as teas containing less stimulants and no sugar as well as mineral water are distributed as low-priced private label (PL) products. The price competition has intensified as the price of NB (National Brand) products has been lowered in response to this competition.

Major Japanese soft drink manufacturers include the Coca-Cola system, the Suntory group, Asahi Soft Drink, Kirin Beverage, ITO EN, Kagome, DyDo Drinco, and the Pokka corporation. Every season these manufacturers launch a new product for each category. The Japanese soft drink market is competitive in terms of product development, and it is said that among 1000 new products, only 3 become a hit.

* Private label (PL) products are those for which a retail company or wholesaler is involved in product development and labels under its own brand. Advertising or handling by a wholesaler is not required, and items can thus be priced lower than manufacturer brands.

National brand (NB) products, meanwhile, are those that are developed and marketed by manufacturers.

Fig. 8-22: Changes in soft drink market sizeUnit: k t

	2006	2007	2008	2009	2010(forecast)	Ratio
Stimulant drinks	8,297,900	8,449,800	8,326,200	8,159,800	8,252,800	47.2%
Carbonated drinks	2,175,800	2,228,900	2,345,000	2,467,300	2,570,400	14.7%
Mineral waters	2,216,200	2,461,600	2,421,000	2,339,200	2,297,000	13.1%
Fruit juice beverages	1,807,400	1,800,450	1,708,400	1,625,300	1,646,450	9.4%
Vegetable juice beverages	735,400	801,800	642,050	635,800	630,000	3.6%
Other	2,053,500	2,053,600	1,919,200	1,780,800	2,078,000	11.9%
Total	17,286,200	17,796,150	17,361,850	17,008,200	17,474,650	100.0%

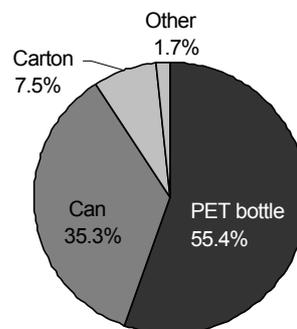
Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

In Japan, plastic (PET), bottles cans, cartons and bottles are used as the main containers for soft drinks. In 1982, the use of PET bottles for soft drinks was approved. Because of its convenience and ability to be re-capped, it came into wide use quite rapidly. Today, approximately 55% of soft drinks use PET bottles. Small personal-size 500 ml and 350 ml or smaller bottles are the most common. The demand for these sized bottles is high because it is easily consumed in a short time and does not take up much space in one's bag. Larger PET bottles that are 900 ml or larger are mainly used to contain drinks that are consumed continuously and/or in a large quantity at home, such as liquid coffee and mineral water.

As for cans, because we cannot re-cap a can, with some exceptions, the most common size is called "nomikiri-size (to drink up)" or 340 ml to 350 ml: just the right amount to satisfy one's thirst. Other options are cartons and glass bottles. Glass bottles have been replaced by more lightweight PET bottles, and now they are used mostly for products served at restaurants and for value-added products from overseas.

Fig. 8-23: Changes in sales by container (2009)

Container	Sales (¥ million)	Ratio
PET bottle	1,932,640	55.4%
Can	1,231,740	35.3%
Carton	261,200	7.5%
Other	59,970	1.7%
Total	3,485,550	100.0%



Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(1) Stimulant drinks

Stimulant drinks include canned coffee, liquid coffee (refers to coffee beverages in non-can containers), Japanese tea, black tea, oolong tea, blended tea, barley tea, other tea beverages, and beverages with cocoa. Among those stimulant drinks, sugar-free types of Japanese tea, oolong tea, blended tea, barley tea, and other tea beverages are called "sugar-free tea beverages," accounting for approximately 50% of the market. In particular, Japanese tea products capture the largest share in the sugar-free tea category. Sugar-free tea products attract health-conscious consumers with their benefit of containing no sugar, and the Suntory group has developed "kuro-oolong-cha (black oolong tea)" which includes fat-burning and fat-absorbing ingredients derived from the tea to appeal to this group. Blended tea products not only use tea but also ingredients such as black sesame, black beans, goji berry, reishi mushrooms (*Ganoderma Lucidum*), corn, and millets such as awa, kibi, and, hie. Representative products of blended tea are "so-kenbi-cha" by Coca-Cola system, and "ju-roku-cha" by Asahi Soft Drink.

Canned coffee boasts the second largest sales after Japanese tea products. The container size of 180 to 190 grams is the mainstream, and 80 % of canned coffee is sweetened and 20 % is sugar free (refer to Fig. 8-25). Canned coffee is known for its high sugar content. Given the increasing number of health-conscious consumers, manufacturers in this market are adding more products of “bi-tou (a-little-sugar)” or “black coffee” to their product line. The Coca-Cola system captures over 30 % of the market, followed by the Suntory group with approximately 20 % of the market share. The sales of these top two companies account for approximately 50 % of the market. The Coca-Cola system’s core brand is called “Georgia,” and the Suntory group’s is “BOSS.” They promote these brands through rigorous sales campaigns and TV commercials. ITO EN sells canned coffee from a well-known coffee chain, “Tully’s Coffee.”

Liquid coffee refers to coffee beverages that come in PET bottles and cartons, primarily the 1-liter size, and these are in brisk demand among families. As with canned coffee, manufacturers sell health-conscious “tei-tou (low-sugar)” “bi-tou (a-little-sugar)” and “half-calories” products. The price competition in this category is very fierce. In particular, the competition between Private label (PL) and National Brand (NB) products is intensifying. Top runners in the liquid coffee market include Ajinomoto General Foods (AGF), Nestle Japan, and the Coca-Cola system, with AGF capturing the largest share with approximately 30 %. AGF and Nestle are the major manufacturers of instant coffee “Blendy” and “NESCAFE” respectively, and they sell liquid coffee products under these brands. Also, among the products developed by top manufacturers, are many PET bottle products.

As for black tea beverages, sweetened products account for much of the market with sugar-free products constituting only a fraction of the market. There are a number of fruit-flavored tea products, with lemon being the standard. Various tea products are launched for a limited time period, using seasonal fruit juice for flavoring. Kirin Beverage launched a limited-time product in their top-running “gogo-no-kocha” product line using camu camu fruit juice. And ITO EN launched a bergamot & orange flavored and green & red apple-flavored tea in their “TEA’s TEA” product line.

Although PET bottles account for approximately 60 % of the containers used, more reasonably priced cartons are well-established as a packaging option.

As the health benefits of cacao polyphenol came under the spotlight, hot cocoa has become the main player among hot beverages sold in winter. Recently, iced cocoa drinks have been developed for sales during the summer period. In this category, the Coca-Cola system, Pokka Corporation, and Japan Tobacco (JT) are the top performing manufacturers.

Fig. 8-24: Percentage of sales by stimulant drink

Item	2009	
	Volume (kl)	Ratio
Japanese tea	2,356,500	28.9%
Canned coffee	2,079,100	25.5%
Black tea	1,017,100	12.5%
Oolong tea	847,500	10.4%
Blended tea	766,100	9.4%
Liquid coffee	655,500	8.0%
Barley tea	244,800	3.0%
Other tea beverages	118,700	1.5%
Cocoa	74,500	0.9%
Total	8,159,800	100.0%

Liquid coffee
Coffee beverages sold in PET bottle or paper container, excluding canned products

Blended tea
Sugar-free tea beverages produced by blending several kinds of tea leaves and cereals

Other tea beverages
Sugar-free tea beverages made from a single kind of tea leaf, excluding Japanese tea, black tea, oolong tea, barley tea. (e.g., buckwheat tea, jasmine tea)

Source: 2011 Food Marketing Handbook No. 6, Fujii Keizai

Fig. 8-25: Change in canned coffee sales by sugar content

Unit: ¥ million

Type	2006	2007	2008	2009	2010 (forecast)	Ratio
Regular	453,650	386,200	338,200	314,700	294,100	39.7%
A-little-sugar type	110,000	167,400	210,300	217,900	227,800	30.8%
Black (sugar-free)	98,000	120,200	137,200	138,450	139,200	18.8%
Cafe au lait	76,350	71,200	80,300	81,800	78,900	10.7%
Total	738,000	745,000	766,000	752,850	740,000	100.0%

Source: 2010 Food Marketing Handbook No. 6, 2011 Food Marketing Handbook No. 6, Fuji Keizai

Fig. 8-26: Changes in black tea sales by flavor

Unit: ¥ million

Type	2006	2007	2008	2009	2010 (forecast)	Ratio
Straight	72,400	72,700	72,100	71,500	71,200	31.7%
Milk	71,200	68,500	69,800	71,400	81,100	36.1%
Lemon	36,000	38,200	37,900	37,800	37,400	16.6%
Other (sugar-free, other)	21,500	24,900	26,500	28,800	35,000	15.6%
Total	201,100	204,300	206,300	209,500	224,700	100.0%

Source: 2010 Food Marketing Handbook No. 6, 2011 Food Marketing Handbook No. 6, Fuji Keizai

* "Straight" does not contain any flavor but sugar.

(2) Carbonated beverages

Carbonated beverages include cola-flavored drinks, clear carbonated drinks, carbonated drinks with fruit colorings, carbonated drinks with fruit juice, ginger ale, and carbonated drinks with lactic acid. During the Japanese summer, it's not unusual for temperatures to rise above 30 degrees Celsius. Thus, carbonated soft drinks sell well mainly during the summer period. Major manufacturers of carbonated drinks include the Coca-Cola system, Kirin Beverage, the Suntory group, and Asahi Soft Drinks.

By category, cola-flavored drinks such as "coca cola" by the Coca-Cola system, account for nearly half of the market. Soft drinks in the carbonated drinks category used to target teenage consumers. However, considering the falling birthrate, more products are currently developed targeting consumers in their 30's. For example, "coca-cola zero" "coca-cola zero free," "Pepsi NEX" contains no calories, sugar, preservatives, artificial colorants and caffeine, and the cola-flavored drink called "green cola" launched by Asahi Soft Drinks are made from plant-derived ingredients. The Suntory group launches a unique-flavored "Pepsi" product twice a year, one such example being the Baobab-flavored pepsi released in April 2010. This product does not contain Baobab juice, but it is developed around the image of this tree.

As for carbonated drinks with fruit colorings, there are two categories. The first is carbonated drinks with fruit flavor and colorings, and the second is carbonated drinks containing fruit juice. In both categories, standard flavors are lemon, orange, and grape. The most percentage of fruit juice in the latter category of carbonated drinks is less than 5%. In the category of carbonated drinks with fruit juice, health conscious products have been developed. "Otonano-kirin-lemon" by Kirin Beverage is one such example, that cuts sugar and contains some vitamins and ornithine. Another example is "Kirin-gaurana" by Kirin Beverage. This contains guarana (a plant native to South America) extract and is sold exclusively in the Hokkaido area.

Since the scandal of residual pesticides in frozen vegetables from China, domestic produce has been recognized as a value-added item. Against this backdrop, manufacturers have started using "made in Japan" fruit juice in their production of carbonated drinks to add a premium, doing so to differentiate themselves from other competitors. Also, new products using seasonal fruit juices have been launched.

Fig. 8-27: Percentage of carbonated beverage sales by item

Item	2009	
	Sales (k¥)	Ratio
Cola-flavored drink	1,174,100	47.5%
clear carbonated drink	509,500	20.6%
Carbonated drinks with fruit colorings	363,600	14.7%
Carbonated drinks with a little fruit juice	227,400	9.2%
Carbonated drinks with lactic acid	140,600	5.7%
Ginger ale	40,900	1.7%
Carbonated drinks with fruit juice	11,200	0.5%
Total	2,467,300	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(3) Mineral waters

Mineral water includes, natural water (groundwater taken from a specific source), natural mineral water (among groundwater taken from a specific source, it refers to water with dissolved mineral salts), mineral water (mineral-adjusted natural mineral water), and other bottled water.

Thanks to the high diffusion rate of the water supply system, as high as 97.5% in Japan, Japan maintains a high quality of drinkable tap water. For this reason, Japanese consumers did not have a habit of purchasing mineral water. But a people started to reveal the deteriorating quality of tap water, the amount of mineral water consumption gradually rose. The expansion of mineral water consumption began when concern grew in 1999 over the possible malfunction of computer systems at the turn of the century (known as the Y2K problem). One of the ramifications of a possible computer malfunction was purported to be an interruption of the water supply, so the number of consumers who stocked up on mineral water drastically increased. This served as an opportunity for mineral water to establish itself in the market as a beverage to be purchased. Because differentiation of one mineral water from another is difficult to do by taste alone, companies try to promote their product by using price and brand image as a way to appeal to consumers. Approximately 80% of the market is captured by domestic mineral water and the majority of this domestic water is soft water with low hardness and non-carbonated. Major domestic brands for mineral water are “Suntory Tennen-sui” by the Suntory group, “i-ro-ha-su” and “moni-no-mizu-dayori” by the Coca-Cola system, “arukari-ion-sui” by Kirin Beverage, and “Fuji-san-no-banajiumu-tennen-sui” by Asahi Soft Drinks. Domestic mineral water has a cost advantage in production because water is taken from sources in Japan. Large 2 liter-PET bottles are the most common container type for domestic mineral water, and the price competition is fierce as a number of Private label (PL) products are entering the market. As for imported mineral water, personal-size 500 ml PET bottles are the most common container type. Imported water has expanded its market by capturing the hearts of young people with their added value such as the wide range of water hardness levels available, carbonated water, as well as bottle design. Mineral water from France and the United States account for 87.2% of the import market (Fig. 8-21), and among the mineral water imported, “Volvic,” “Crystal Geyser,” and “Evian” are imported and sold in Japan by Kirin Beverage, Otsuka Pharmaceuticals, and ITO En respectively. As consumers are becoming more frugal in the weakening Japanese economy, the demand is shifting from imported mineral water to lower-price domestic mineral water.

Fig. 8-28: Percentage of mineral water sales by item

Item	2009	
	Sales (kℓ)	Ratio
Domestic mineral waters	1,897,500	81.1%
Imported waters	441,700	18.9%
Total	2,339,200	100.0%

Mineral waters
 Natural water (groundwater taken from a specific source), natural mineral water (among the ground water taken from a specific source, it refers to water with dissolved mineral salts), mineral water (mineral-adjusted natural mineral water), and other bottled water.

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(4) Fruit juice beverages

Fruit juice beverages include all soft drinks containing fruit juice with the exception of carbonated drinks and stimulant drinks. 100% fruit juice accounts for 42.2% of the entire fruit beverage market, with orange and apple being the most popular flavors. The complete liberalization of orange imports in 1992 and the resulting decline of the material cost enabled lower pricing of 100% fruit juice, which contributed to the large expansion of its market. Many products, including those targeting small children, appeal to consumers by accentuating a healthy image. In addition, there are products that include a single fruit juice and those with multiple fruit juices. The latter type changes the fruits to be blended in accordance to the season. Also, beverages that only use domestic fruit juices are considered value-added products. Top brands for fruit juice include “Minute Maid” by the Coca-Cola system, “Tropicana” by Kirin Beverage, “Vitamin Fruits” by ITO EN, and “Dole” by MEGMILK SNOW BRAND.

As for other categories of fruit juice beverages, citrus fruits, apple, and grape are the main flavors. Each manufacturer launches products that use seasonal fruits. This is the area where new products are developed most actively. Top brands for this category are “Qoo” by the Coca-Cola system, “Koiwai-junsui-kaju” by Kirin Beverage, and “Natchann” by the Suntory group. The Suntory group is the manufacturer of another successful product called “Acerola drink” using acerola fruit juice. This product has gained a solid place in the market as the company invested steadily on promoting this product that also included TV commercials.

Fig. 8-29: Percentage of fruit juice beverage sales by item

	2009	
	Sales (kℓ)	Ratio
100% fruit juice	685,100	42.2%
Other fruit juice beverages	940,200	57.8%
Total	1,625,300	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(5) Vegetable juice beverages

This category includes the following three types of juice: 100 % vegetable juice made with single or multiple vegetables as ingredients, 100% juice made with vegetable and fruit juices, and tomato juice. KAGOME and ITO EN are the two major manufacturers of vegetable juice beverages, accounting for over 60% of the market, followed by Kirin Beverage, Kikkoman Beverage, the Coca-Cola system.

Vegetable juice beverages have established themselves in the Japanese market as a growing number of health-conscious consumers see this as an easy way to increase their vegetable intake. In order to make vegetable juice that consumers enjoy drinking, manufacturers use not only domestic but imported vegetables from all over the world. For example, Kagome and ITO EN produce vegetable juice using tomato, red bell pepper, broccoli, celery, watercress, Brussels sprouts, pumpkins, parsley, asparagus, and carrots from Chile, lemon juice from South Africa, Brazil, and Argentina, and camu camu fruits from Peru. Also, given consumers’ distrust of vegetables grown in China, products that use domestic vegetables are growing in sales. In cases where products are made with imported vegetables, manufacturers try to appeal to the safety of their products by labeling them with information of where the ingredients were produced or grown.

Tomato juice is recognized in connection to its purported “skin-whitening” and the slimming properties of lycopene contained in tomatoes. As with vegetable juice, using domestic tomatoes adds a premium to the products. Tomatoes, however, are imported as ingredients from various countries including the United States, Spain, China, Turkey, Portugal, and Chile.

Fig. 8-30: Percentage of vegetable juice beverage sales by item

	2009	
	Sales (kℓ)	Ratio
Vegetable juice	120,400	72.6%
Fruit juice with vegetables	461,400	18.9%
Tomato juice beverages	54,000	8.5%
Total	635,800	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(6) Other beverages

This category includes the following types of soft drinks that do not belong in any aforementioned category: functional soft drinks, sports drinks, and lactic acid beverages.

Functional beverages are drinks meant for better health and well-being and sometimes contain supplementary vitamins, amino acids and promote hydration. “Pocari sweat” by Otsuka Pharmaceutical, and “Vitamin Water” and “DAKARA” by the Suntory group are representative products of functional soft drinks. Many sports drinks are designed to supplement ions lost in perspiration when playing sports. “Aquarius” by the Coca-Cola system, “Super H2O” by Asahi Soft Drinks, “Gatorade” by the Suntory group are major brands of sports drinks. Both functional soft drinks and sports drinks have established themselves in the Japanese market as handy health-promoting drinks.

Lactic acid beverages are soft drinks with an added dairy constituent. Many such products have a taste similar to yogurt drinks. Most of the products are sold in PET plastic bottles. Major products in this category are “Calpis Water” by Calpis and “Bikkle” by the Suntory group.

Fig. 8-31: Percentage of other sales by item

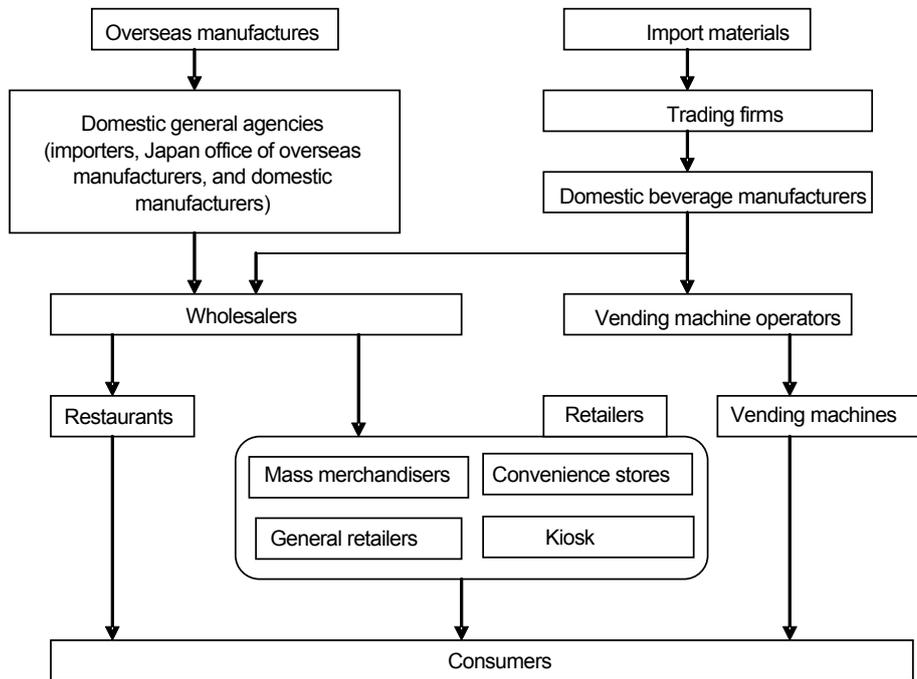
	2009	
	Sales (kℓ)	Ratio
Functional soft drinks	933,900	45.1%
Sports drinks	846,900	40.9%
Lactic acid beverages	288,100	13.9%
Total	2,068,900	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

3. Distribution Channels

The distribution channels for soft drinks are as follows:

Products such as mineral water are imported through domestic general agencies (importers, Japan office of overseas manufacturers, and domestic manufacturers), which are then sold to restaurants, retail shops, and vending machine operators through wholesalers before reaching consumers. In the case of ingredients for soft drinks, they are generally delivered to domestic soft drink manufacturers through import firms.

Fig. 8-32: Distribution channels for soft drinks

Source: Fuji Keizai research data

A unique characteristic of the Japanese market is vending machines, which constitute a large portion of the distribution channel. Vending machines are placed on streets, in offices, and at public transportation facilities, with the total number of machines reaching approximately 2.6 million, many of which are operated by affiliated companies of domestic soft drink manufacturers. At mass merchandise outlets and convenience stores, strong selling items and new products tend to take up the shelves, so soft drink manufacturers are investing in vending machines as supplemental channels to retail channels. Overseas soft drinks brands can be sold at vending machines if domestic manufacturers are distributing them.

While imported soft drinks, with the exception of mineral water, are usually sold at import food grocery stores, foreign cuisine restaurants, as well as mail-order/on-line store, larger retail chains mostly carry soft drinks produced by domestic manufacturers.

Fig. 8-33: Percentage of soft drink sales by channel (2009)

	Sales (¥ million)	Ratio
Mass merchandise	1,335,690	38.3%
Vending machine	901,610	25.9%
Convenience store	583,860	16.8%
Other	664,390	19.1%
total	3,485,550	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

4. Issues and Considerations for Entering the Japanese Market

When importing soft drinks to Japan, it is necessary to make sure that the products meet the standards set by the Food Sanitation Act in Japan and that the additives, colorings, and preservatives used are approved in Japan.

Among sugar-free tea beverages and functional soft drinks, there are products that appeal to the consumers through their functionality. However, when importing ingredients such as tea to Japan, it is necessary to confirm that these ingredients do not include health promoting elements that are exclusively approved for medical purposes.

Upon entry in the Japanese market, there are a couple of things to consider. In the case where products are exported in the form of a final product, it is crucial to ensure the quality of not only the content, but also its packaging, thus minimizing the likelihood of spillage or damage. Also, most soft drinks are sold at about ¥120 for 350 ml cans and ¥150 for 500 ml plastic PET bottles in Japan. If the products to be imported exceed this price, the packaging must have a value-added quality appeal for the consumers in Japan. Another important thing to consider is, when a food-related scandal occurs in Japan, Japanese manufacturers are required to respond promptly including recalls and an investigation into the cause. So, when exporting ingredients such as fruit juice to Japanese soft drink manufacturers, it is important to have an established quality control system overseeing farms and pesticides.

<Exhibitions>

Fig. 8-34: Exhibitions for soft drinks

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	Supermarket Trade Show	
	http://www.smts.jp	TEL: +81-3-5209-1056
Dessert, cake, beverage	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL: +81-3-5294-0071

There are a couple of major trade shows such as FOODEX that are attended by manufacturers from approximately 60 countries and the Dessert, Sweets & Drink Festival for food processors and coffee shops.

5. Failure Cases

<Mold contamination>

In 2010, mineral water imported from France had to be recalled because they were found to be contaminated by mold due to a defect in the production line of the water source.

6. Import Associations & Related Organizations

Fig. 8-35: Soft drink importer associations and related organizations

Japan Soft Drink Association	http://www.j-sda.or.jp/ TEL: +81-3-3270-7300
The Mineral Water Association of Japan	http://minekyo.net/ TEL: +81-3-3350-9100
Japan Tea Association	http://www.tea-a.gr.jp/ TEL: +81-3-3431-6509

9. Seafood and Processed Products

This chapter defines seafood and processed products according to the H.S. code of the Tariff Schedule (Fig. 9-1), covering imports as well as canned marine products and processed paste products that are distributed in Japan. Live seafood is not discussed in this chapter.

Fig. 9-1: Scope of coverage for seafood and processed products in this chapter

Category	Description	H.S. code
Shrimps	Rock lobster and other sea crawfish (<i>Palinurus</i> spp., <i>Panulirus</i> spp., <i>Jasus</i> spp.)	0306.11.21
	Lobsters (<i>Homarus</i> spp.)	0306.12.22
	Shrimps and prawns	0306.13.23
	Other shrimps	0306.19-010, 0306.29-110, 210
Crabs	King crabs	0306.14-010, 0306.24-110
	Snow crabs (<i>Chionoecetes</i> spp.)	0306.14-020, 0306.24-121, 129
	Swimming crabs (<i>Portunus</i> spp.)	0306.14-030, 0306.24-130
	Horsehair crabs	0306.14-040, 0306.24-140
	Other crabs	0306.14-090, 0306.24-150, 190, 200
Tunas (of the genus <i>Thunnus</i>)	Albacore or longfinned tunas (<i>Thunnus alalunga</i>)	0302.31.0303.41
	Yellowfin tunas (<i>Thunnus albacares</i>)	0302.32.0303.42
	Skipjack or stripe-bellied bonito	0302.33.0303.43
	Bigeye tunas (<i>Thunnus obesus</i>)	0302.34.0303.44
	Bluefin tunas (<i>Thunnus thynnus</i>)	0302.35.0303.45
	Southern bluefin tunas (<i>Thunnus maccoyii</i>)	0302.36.0303.46
	Other	0302.39.0303.49
	Tunas (of the genus <i>Thunnus</i>), fillets	0304.19.29
Fish roes	Fish meat of tunas	0304.99.991, 994, 999 Note)
	Hard roes of Nishin (fresh, chilled, frozen)	0302.70-010, 0303.80-010
	Hard roes of Nishin (dried, smoked, salted or in brine)	0305.20-010
	Hard roes of Nishin (prepared)	1604.20-011, 012
	Hard roes of Tara (fresh, chilled, frozen)	0302.70-020, 0303.80-020
	Hard roes of Tara (dried, smoked, salted or in brine)	0305.20-020
	Hard roes of Tara (prepared)	1604.20-015
	Hard roes of Salmonidae (dried, smoked, salted or in brine)	0305.20-030
	Nishin roes on the tangles (dried, smoked, salted or in brine)	0305.20-040
	Other fish roe (fresh, chilled, frozen)	0302.70-090, 0303.80-090
	Other fish roes (dried, smoked, salted or in brine)	0305.20-090
	Other fish roes (prepared)	1604.20-019
	Ikura	1604.30-010
Processed seafood	Caviar and caviar substitutes	1604.30-090
	Dried fish (<i>Salmonidae</i>)	0305.59-010
	Dried fish, Nishin (<i>Clupea</i> spp.), Tara (<i>Gadus</i> spp., <i>Theragra</i> spp. and <i>Merluccius</i> spp.), Buri (<i>Seriola</i> spp.), Aji (<i>Trachurus</i> spp. and <i>Decapterus</i> spp.) and Samma (<i>Cololabis</i> spp.)	0305.59-020
	Dried fish (other)	0305.59-090
Molluscs	Other prepared fish	1604.20-020
	Octopus (<i>Octopus</i> spp.)	0305.51.0305.59-100
	Octopus (<i>Octopus</i> spp.) prepared	0305.59-200

Note) Category 0304.99.999 is included in Tunas because most products in the category are considered tunas.

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

Importing of seafood and processed products is regulated primarily by the following laws: 1) the Foreign Exchange and Foreign Trade Act, 2) the Food Sanitation Act, and 3) the Customs Act.

<Foreign Exchange and Foreign Trade Act>

Importing seafood is subject to restrictions, as described in the following:

- Import quota
- Import approval
- Import acknowledgment (prior acknowledgment / acknowledgment at customs clearance)

a) Import quota

The following kinds of seafood are recognized as being subject to import quota under the Foreign Exchange and Foreign Trade Act, and importers of such kinds of seafood must obtain import quota and import approval from the Trade Minister:

[Subjects]

- Herring (nishin), cod (tara), yellowtail, mackerel, sardines, horse mackerel, saury, scallops, scallop eyes, squid, etc. (live, fresh, chilled, frozen, filleted, or dried)

There are four modes of allocation including trading firm allocation (allocation based on past records), fishery operator allocation, consumer allocation, and first-come basis allocation. New importers without past import experience shall in principle apply for the first-come basis allocation (allocation may be made by drawing); otherwise they may receive re-allocation from those that already have an allocation.

b) Import approval

To import the following kinds of seafood, import approval must be obtained in advance from the Trade Minister:

[Subjects]

- Bluefin tuna (those farmed in the Atlantic Ocean or the Mediterranean Sea and stored fresh/chilled)
- Southern bluefin tuna (those stored fresh or chilled, excluding those from Australia, New Zealand, the Philippines, South Korea, or Taiwan)
- Bigeye tunas and prepared bigeye tunas (those from Bolivia/Georgia) and fish, crustaceans, and other aquatic invertebrates and prepared food made from such, and animal-based products using fish, crustaceans, and mollusks

c) Advance acknowledgment:

To import the following kinds of seafood, a note of acknowledgment must be obtained from the Trade Minister prior to importing cargo:

[Subjects]

- Frozen bluefin, southern bluefin, and bigeye tuna, and swordfish
- Tuna (excluding albacore, bluefin, southern bluefin, and bigeye tuna) and marlin (excluding swordfish) that are imported by ship (stored fresh / chilled / frozen)

d) Acknowledgment at customs clearance

To import the following kinds of seafood, required documents must be submitted including a certificate of statistics, fishing certificate, and certificate of re-export to obtain acknowledgment by customs:

[Subjects]

- Bluefin tuna (fresh / chilled)
- Southern bluefin tuna (fresh / chilled)
- Swordfish (fresh / chilled)

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, seafood and processed products are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, seafood and processed products should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement. The positive list system applies to all food items, including seafood whether wild or farmed.

As of 2011, of the seafood that are subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act), items subject to compulsory testing regardless of the country of origin include salmon roe and blowfish. In addition, farmed shrimps and prawns produced in Thailand (oxolinic acid), shrimps and prawns produced in Vietnam (chloramphenicol, nitrofurans, etc.) are also subject to compulsory testing.

Approved (upper) limits applicable in the aforementioned testing are 0.002 ppm for fenitrothion and 0.01 ppm for oxolinic acid, acetochlor, and triazophos; nitrofurans and chloramphenicol must not be detected in food.

<Customs Act>

Under the Customs Act, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned.

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

There is no specific law applicable to the sales of seafood and processed products. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of seafood and processed products in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Product Liability Act>

Fishery products (which include a wide range of products except unprocessed) are subject to the Product Liability Act, and care should be taken with regard to the safety management of relevant contents, containers, and packaging in relation to issues such as food poisoning.

The Product Liability Act stipulates the liability of manufacturers, etc. for damages to consumers in association with product defects, and importers are included in the category of manufacturers, etc. This is based on a policy to make importers liable for damages because it is difficult for victimized consumers to hold overseas manufacturers liable for damages. Claims for compensation against overseas manufacturers are considered to be a matter for the importer to make, independent of the Product Liability Act.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of seafood and processed products in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (paper containers and packaging and plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures

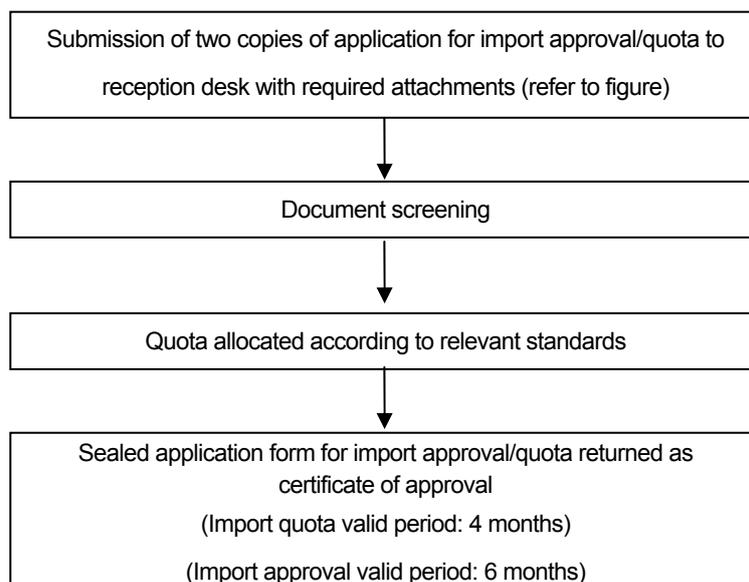
(1) Procedures for Authorization of Importing and Sales

<Import Control>

a) Import quota

Necessary information on import quota is published in the gazette and websites of the Ministry of Economy, Trade and Industry, including qualification for application, allocated quantities, date for application, applicable place of origin (import is not allowed from countries not on the list), based on which an application must be made.

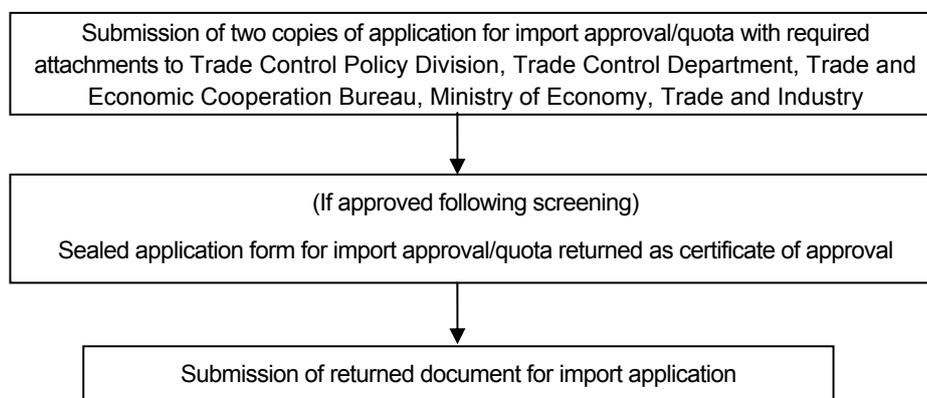
Key procedures are as shown in the flowchart in Fig. 9-3; an application for import quota must be submitted in advance to the Trade Minister (through Agricultural and Marine Products Office, Trade Control Department, Trade and Economic Cooperation Bureau). After receiving a returned officially sealed application form, the importing procedure will be started.

Fig. 9-2: Flowchart of import quota application

Source: Ministry of Economy, Trade and Industry

b) Import approval

Key procedures are as shown in the flowchart in Fig. 9-3; an application for import acknowledgment must be submitted in advance to the Trade Minister (through Trade Control Department, Trade and Economic Cooperation Bureau). After receiving a returned officially sealed application form, the importing procedure will be started.

Fig. 9-3: Flowchart of import approval application

Source: Ministry of Economy, Trade and Industry

c) Import acknowledgment

To import tuna by ship (excluding albacore, bluefin, southern bluefin, and bigeye tuna), the required documents (refer to the subsequent section) must be submitted to apply for acknowledgment. After receiving a notice of acknowledgment issued by the Trade Minister, the importing procedure will be started.

To import fresh or chilled bluefin tuna, southern bluefin tuna, and swordfish excluding the aforementioned, the certificate must be submitted to customs to have import acknowledgment.

<Food Sanitation Inspection>

Under the Food Sanitation Act, the required documents (refer to the subsequent section) must be submitted when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application

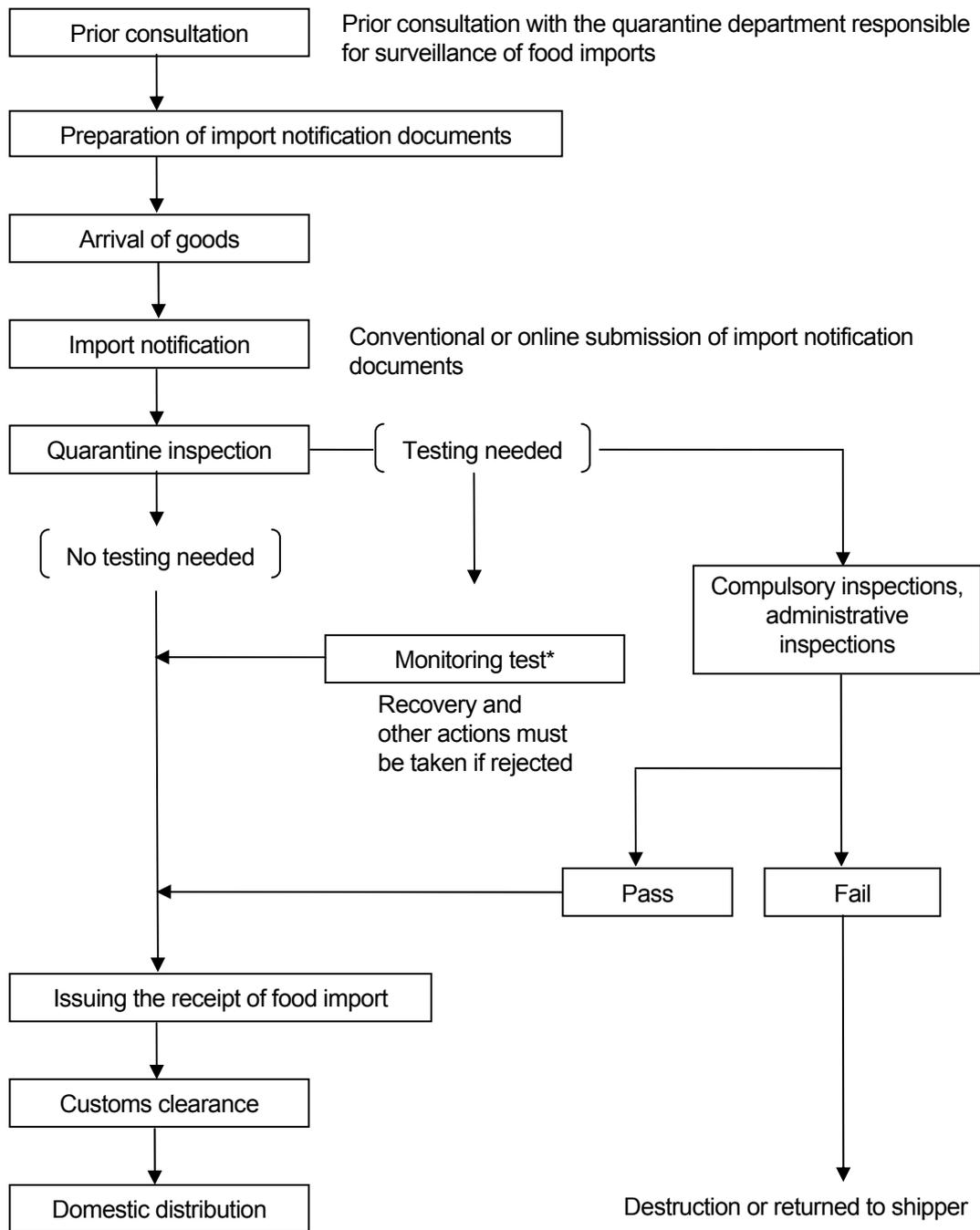
for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 9-5).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry into Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, an import permit may be given in principle.

Fig. 9-4: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 9-5 according to the authorities to which each document is submitted.

Fig. 9-5: Documents required for import clearance

Submitted to	Required documents	Seafood	Processed products
<Import quota>*1 Agricultural and Marine Products Office, Trade Control Policy Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry	Application form for import approval/quota	△	—
<Import approval>*2 Agricultural and Marine Products Office, Trade Control Policy Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry Far Seas Fisheries Division, Resources Management Department, Fisheries Agency	Application form for import approval/quota	△	—
	Import agreement	△	—
	Acknowledgement by Fisheries Agency	△	—
<Import acknowledgement (before customs clearance)>*3 Agricultural and Marine Products Office, Trade Control Policy Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry	Application form for acknowledgement	△	—
<Import acknowledgement (upon application for customs clearance)>*4 Agricultural and Marine Products Office, Trade Control Policy Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry	Bluefin tunas statistics certificate*5	△	—
	Southern bluefin tunas statistics certificate*5	△	—
Imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	—	○
	Material/ingredient table	—	○
	Production flow chart	—	○
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	—	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○

Source: Ministry of Economy, Trade and Industry, Ministry of Health, Labour and Welfare, Ministry of Finance

*1: For importing non-liberalized items.

*2: For importing the following items: (1) salmon, trout, and prepared food; (2) fish, crustaceans, mollusks, and seaweed; (3) food products whose country of origin or registry is identified to be specified countries/regions such as Iraq, Belize, Honduras, and Equatorial Guinea; (4) plants, animals, and processed food, listed in Appendices II and III, Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

*3: For importing tuna, marlin, etc.

*4: For importing fresh or chilled bluefin tuna or southern bluefin tuna

*5: The document includes comprehensive information on any transaction such as records of trading bluefin or southern bluefin tuna, which in principle requires acknowledgement by the authority of the flag state of the fishing boat that caught the tuna or industrial organization in fisheries of the country.

3. Competent Authorities

Fig. 9-6: Contacts of competent authorities

Foreign Exchange and Foreign Trade Act	Trade Control Policy Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Food Sanitation Act	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act /	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Measurement Act	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Health Promotion Act	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act against Unjustifiable Premiums and Misleading Representations	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Product Liability Act	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions	Consumer Advice Office, Ministry of Economy, Trade and Industry Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3581-3351 http://www.env.go.jp TEL: +81-3-3502-8111 http://www.maff.go.jp
Unfair Competition Prevention Act / Trademark Act	Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp TEL: +81-3-3581-1101 http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of seafood and processed products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) intellectual asset-related laws (e.g., Unfair Competition Prevention Act, Trademark Act).

When importing and selling seafood as fresh product, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 1) product name, 2) country of origin, 3) content, and 4) name and address of importer.

When importing and selling processed seafood products, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

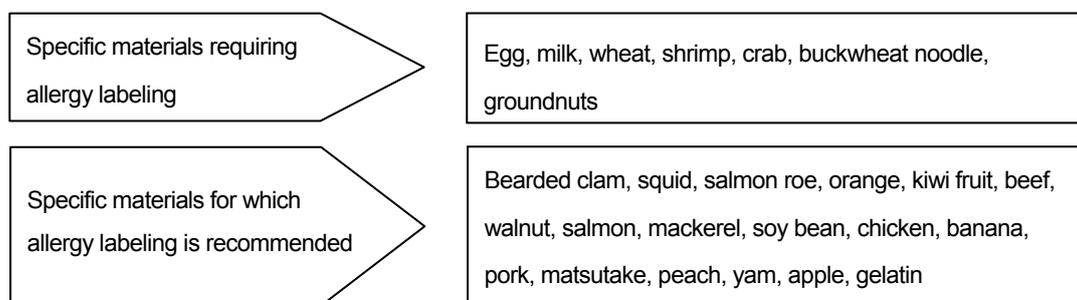
The codes and standards in accordance with the Food Sanitation Act (MHLW Notification No. 370) also require that sodium nitrite concentrations in especially salmon roe and salted salmon roe (and salted cod roe) must be under 0.005 g/kg.

<Allergies>

To prevent health hazards in consumers with specific allergies, it is required or recommended that the specific ingredients shown in Fig. 9-7 be labeled in accordance with the Food Sanitation Act.

Ingredient labeling is mandatory for products containing shrimp or crabs and recommended for those containing salmon roe. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label cannot identify specific ingredients, labeling is required or recommended.

Fig. 9-7: Specific materials related to allergy labeling



Source: Ministry of Health, Labour and Welfare

<Content weight>

When importing and selling seafood and processed products, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in grams on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. Expiration date labeling consists of expiry date and “best by” date. The former applies to foods whose quality deteriorates rapidly within five days inclusive of the date of manufacture, while the latter applies to foods whose quality does not deteriorate easily in comparison.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the “best by” date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. Foods requiring the labeling of the expiry date should be marked “Preserve under 10°C” while those requiring “best by” date labeling should be marked “Keep out of direct sunlight at room temperature,” etc. However, the preservation method can be omitted from the label for foods that can be stored at room temperature.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin (name of water area can also be provided) to be indicated on the labels of import foods.

This Act also requires the country of origin to be labeled for the seafood and processed products listed in Fig. 9-8. All other processed foods do not require labeling.

Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

Fig. 9-8: Seafood and processed products requiring country of origin labeling

Labeling standards	Processed products subject to labeling standards	Examples
Quality labeling standards for processed foods	Salted fish, seaweed	Salted herring roe, salted wakame seaweed
	Prepared fish, seaweed (excluding those cooked or prepared and frozen products)	Tuna in soy sauce, mozuku seaweed in vinegar
	Boiled or steamed fish, seaweed	Boiled octopus
	Fish the external surface of which is roasted	Lightly roasted bonito
	Mixture of fresh agricultural, livestock, and fishery products	<i>Nabe set</i> (set of fishery products and vegetables for <i>nabe</i>)

Source: Ministry of Agriculture, Forestry and Fisheries

<Quality>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products requires labeling in the following cases.

- “Defrosted” for frozen products that have been defrosted.
- “Farmed” for farmed seafood.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of seafood and processed products in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). If general names such as “vitamin” are labeled instead of describing the specific names of nutrients, ingredients must be labeled.

Components must be indicated in the following order and unit:

- ww) Calories (kcal or kilocalories)
- xx) Protein (g or grams)
- yy) Fat (g or grams)

zz) Carbohydrate (g or grams)

aaa) Sodium

bbb) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

Labels for specified health foods or those for special dietary uses must follow the respective standards and be screened for approval

<Containers and packaging>

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When the following two types of containers and packaging are used for cereals, either or both marks (Fig. 9-9) must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 9-9: Labels for promoting sorted collection



Plastic containers and packaging



Paper containers and packaging

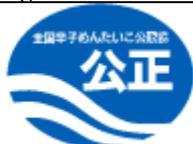
<Description>

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

The National Karashi Mentaiko Fair Trade Conference grants Fair Trade Mark labeling to the products of members certified as following appropriate packaging and labeling requirements in accordance with the Fair Competition Code for Karashi Mentaiko Food Labeling.

Fig. 9-10: Fair Trade Mark granted by the National Karashi Mentaiko Fair Trade Conference



Fair Competition Code for Karashi Mentaiko Food Labeling

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-8.pdf>

Contact

National Karashi Mentaiko Fair Trade Conference

TEL: +81-92-403-0191 <http://www.mentaiko-ftc.org/index.html>

<National Canned Food Fair Trade Conference>

The National Canned Food Fair Trade Conference grants Fair Trade Mark labeling to the products of members certified as following appropriate packaging and labeling requirements in accordance with the Fair Competition Code for Canned Food Labeling, as well as prescribes violation standards to prevent illegal labeling acts, etc.

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-11.pdf>

Contact: National Canned Food Fair Trade Conference TEL: +81-3-3213-4751 (in Japanese Cannery Association)

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on seafood and processed products are shown as below. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the prior instruction system in which one can make inquiries and receive replies in person, in writing, or via e-mail.

Fig. 9-11: Tariff duties on seafood and processed products (FY2011)

[Tunas]

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
03.02	31	-000	Tunas (of the genus Thunnus), fresh or chilled					
	32	-000	Albacore or longfinned tunas (Thunnus alalunga)	5.0%		3.5%		Free
	33	-000	Yellowfin tunas (Thunnus albacares)	5.0%		3.5%		Free
	34	-000	Skipjack or stripe-bellied bonito	5.0%		3.5%		Free
	35	-000	Bigeye tunas (Thunnus obesus)	5.0%		3.5%		Free
	36	-000	Bluefin tunas (Thunnus thynnus)	5.0%		3.5%		Free
	39	-000	Southern bluefin tunas (Thunnus maccoyii)	5.0%		3.5%		Free
			Other	5.0%		3.5%		Free
03.03	41	-000	Tunas (of the genus Thunnus), frozen					
	42	-000	Albacore or longfinned tunas (Thunnus alalunga)	5.0%		3.5%		Free
	43	-000	Yellowfin tunas (Thunnus albacares)	5.0%		3.5%		Free
	44	-000	Skipjack or stripe-bellied bonito	5.0%		3.5%		Free
	45	-000	Bigeye tunas (Thunnus obesus)	5.0%		3.5%		Free
	46	-000	Bluefin tunas (Thunnus thynnus)	5.0%		3.5%		Free
	49	-000	Southern bluefin tunas (Thunnus maccoyii)	5.0%		3.5%		Free
			Other	5.0%		3.5%		Free
03.04	19		Tunas (of the genus Thunnus), fillets and other fish meat, fresh or chilled					
		-191	1. Fillets					
		-192	1) Bluefin tunas (Thunnus thynnus)					
		-199	2) Southern bluefin tunas (Thunnus maccoyii)					
			3) Other					
		-991	2. Other fish meat			3.5%		
		-992	1) Bluefin tunas (Thunnus thynnus)					
		-999	2) Southern bluefin tunas (Thunnus maccoyii)					
			3) Other					
	29	-910	Frozen fillets					
		-920	Tunas, excluding bluefin tunas and southern bluefin tunas					
	99		Bluefin tunas					
			Other fish meat			3.5%		
-991		Bluefin tunas						
-994		Southern bluefin tunas						
	-999	Other						

Source: Ministry of Finance

Fig. 9-11: Tariff duties on seafood and processed products (FY2011)**[Shrimps and crabs]**

H.S. code		Description	Tariff rate					
			General	Temporary	WTO	GSP	LDC	
03.06		Crustaceans						
		Frozen						
	11 -000	Rock lobster and other sea crawfish (Palinurus spp., Panulirus spp., Jasus spp.)	4.0%		1.0%			Free
	12 -000	Lobsters (Homarus spp.)	4.0%		1.0%			Free
	13 -000	Shrimps and prawns	4.0%		1.0%			Free
	14	Crabs	6.0%		4.0%			Free
	-010	- King crabs (Paralithodes spp.)						
	-020	- Snow crabs (Chionoecetes spp.)						
	-030	- Swimming crabs (Portunus spp.)						
	-040	- Horsehair crabs						
	-090	- Other						
	19	Other						
	-010	- Ebi	4.0%		2.0%			Free
	-090	- Other	10.0%		7.0%			Free
	21	Not frozen						
		Rock lobster and other sea crawfish (Palinurus spp., Panulirus spp., Jasus spp.)						
	-100	1. Live, fresh or chilled	4.0%		1.0%			Free
	-200	2. Other	6.0%		5.0%	4.0%		Free
	22	Lobsters (Homarus spp.)						
	-100	1. Live, fresh or chilled	4.0%		1.0%			Free
	-200	2. Other	6.0%		5.0%	4.0%		Free
	23	Shrimps and prawns						
		1. Live, fresh or chilled	4.0%		1.0%			Free
	-111	- Live						
	-119	- For farming or stocking						
	-190	- Other						
	-200	- Other	6.0%		5.0%	4.0%		Free
	24	2. Other						
		Crabs	6.0%		4.0%			Free
	-110	1. Live, fresh or chilled						
		- King crabs (Paralithodes spp.)						
		- Snow crabs (Chionoecetes spp.)						
	-121	- Red snow crabs						
	-129	- Other						
	-130	- Swimming crabs (Portunus spp.)						
	-140	- Horsehair crabs						
	-150	- Mitten crabs (Eriocheir spp.)						
	-190	- Other						
	-200	2. Other	15.0%		10.0%			Free
	29	Other						
		1. Live, fresh or chilled						
	-110	- Ebi	4.0%		2.0%			Free
	-190	- Other	10.0%		7.0%			Free
		2. Other						
	-210	- Ebi	6.0%		5.0%	4.0%		Free
	-290	- Other	15.0%		10.0%			Free

Source: Ministry of Finance

Fig. 9-11: Tariff duties on seafood and processed products (FY2011)**[Fish roes]**

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
03.02	70		Fish livers and roes, Fresh or chilled	10.0%				Free
		-010 -020 -090	1. Hard roes of Nishin or Tara - Hard roes of Nishin - Hard roes of Tara 2. Other					
03.03	80		Livers and roes	6.0% (10.0%) 5.0%	4.2%	4.0% (6.0%) 3.5%		Free
		-010 -020 -090	1. Hard roes of Nishin (Clupea spp.) 2. Hard roes of Tara 3. Other					
03.05	20		1. Hard roes of Nishin 2. Hard roes of Salmonidae 3. Hard roes of Tara and Nishin roes on the tangles	12.0% 5.0% 15.0%		8.4% 3.5%		Free Free
		-030						
		-020 -040 -090	- Hard roes of Tara - Nishin roes on the tangles 4. Other	4.0%		7.5% 10.0% 2.8%	Free	Free
16.04	20		Other prepared or preserved fish	12.8%		11.0%	9.6%	Free
		-011 -012 -015	1. Hard roes 1) Of Nishin (Clupea spp.) and Tara (Gadus spp., Theragra spp. and Merluccius spp.) - Of Nishin (Clupea spp.) - In airtight containers - Other - Of Tara (Gadus spp., Theragra spp. and Merluccius spp.)					
	30	-019 -020	2) Other 2. Other	6.4% 9.6%		(6.4%) (9.6%)	7.2%	Free Free
		-010 -090	Caviar and caviar substitutes - Ikura - Other					

Source: Ministry of Finance

Fig. 9-11: Tariff duties on seafood and processed products (FY2011)**[Other processed seafood products]**

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
03.05	59		Dried fish, whether or not salted but not smoked	12.0% 15.0%		8.4%		Free
		-010 -020	1. Salmonidae 2. Other - Nishin (Clupea spp.), Tara (Gadus spp., Theragra spp. and Merluccius spp.), Buri (Seriola spp.), Saba (Scomber spp.), Iwashi (Etrumeus spp., Sardinops spp. and Engraulis spp.), Aji (Trachurus spp. and Decapterus spp.) and Samma (Cololabis spp.) - Other					
		-090				10.5%		Free
03.07	51 59	-000	Molluscs Octopus (Octopus spp.) Live, fresh or chilled	10.0%		7.0%	5.0%	Free
		-100 -200	Other - Frozen - Other					

Source: Ministry of Finance

Note 25) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 26) Special preferential rate is applicable only for the Least Developed Countries.

Note 27) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

(CIF + Tariff duties) × 5%

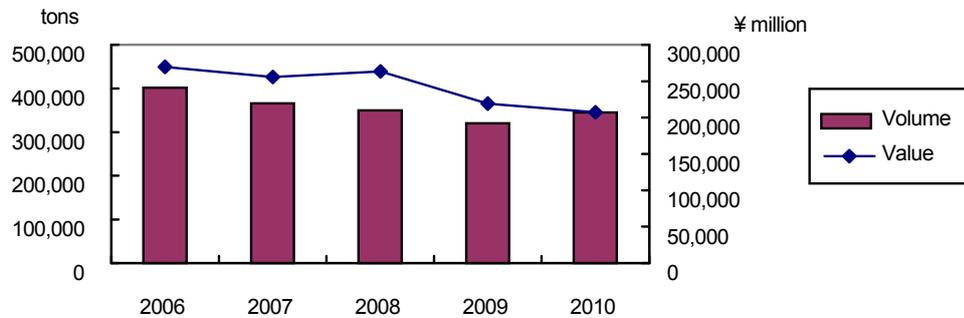
IV. Trade Trends

1. Changes in Imports

(1) Tunas

Japan is the world's largest market for tuna used for sashimi (thinly-sliced fresh raw fillet of fish), its supplies coming from oceans all over the world to meet the demands of the Japanese consumer. As the amount of tuna consumption in Japan grew, the import volume also continued to rise. However, between 2006 and 2009, imports of tuna hit a downward slope. But the growing amount of frozen tuna imports put a brake on this declining trend, and the total amount of imported tuna recovered to 345,002 tons (107.7% vs. previous year) in 2010. Seen by category, frozen yellowfin tuna used to constitute a large proportion of the imported tuna market; however, given the recent decrease of its imports, it has been replaced by imports of bigeye tuna. As a whole, the importing of fresh or chilled whole tuna has been decreasing with the exception of 2009, dropping to 34,018 tons in 2010 (84.3% vs. previous year).

Fig. 9-15: Changes in tuna imports



Source: Trade Statistics (MOF)

Fig. 9-16: Changes in tuna imports by item

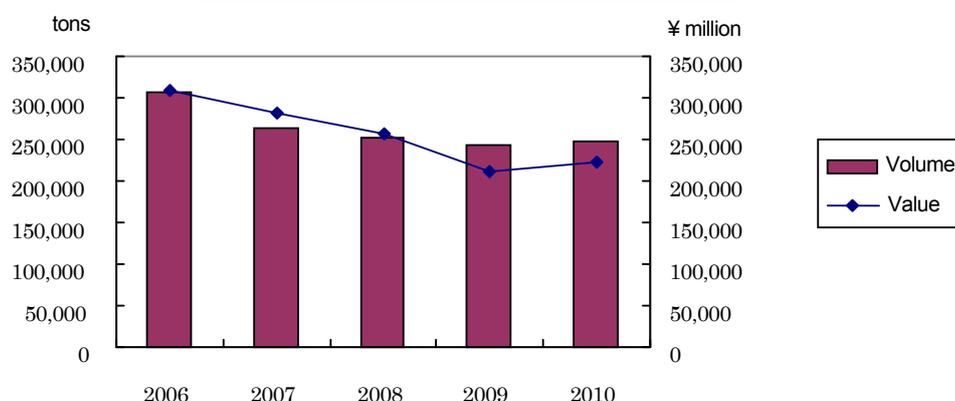
Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Tunas (of the genus Thunnus), fresh or chilled	44,474	38,067	36,497	40,369	34,018	49,807	43,297	38,200	40,058	32,709
Albacore or longfinned tunas (Thunnus alalunga)	324	278	292	275	252	214	195	226	180	181
Yellowfin tunas (Thunnus albacares)	19,078	16,929	15,628	15,603	16,116	16,219	15,126	13,469	12,597	12,380
Bigeye tunas (Thunnus obesus)	15,876	14,565	15,068	15,287	11,578	14,323	13,805	13,674	12,904	9,773
Bluefin tunas (Thunnus thynnus)	7,396	5,108	4,351	5,825	4,021	15,226	11,462	8,215	9,869	6,853
Southern bluefin tunas (Thunnus maccoyii)	1,801	1,186	1,158	3,378	2,051	3,824	2,708	2,615	4,509	3,522
Tunas (of the genus Thunnus), frozen	195,993	166,147	144,733	140,492	155,698	118,432	111,952	103,290	84,781	90,839
Albacore or longfinned tunas (Thunnus alalunga)	6,242	5,981	7,994	8,487	23,207	2,249	2,060	2,844	2,429	6,497
Yellowfin tunas (Thunnus albacares)	90,266	58,695	47,359	44,064	50,073	30,424	21,336	17,481	12,940	15,610
Bigeye tunas (Thunnus obesus)	86,276	86,831	77,846	77,060	73,859	61,031	57,569	57,587	52,502	56,033
Bluefin tunas (Thunnus thynnus)	5,355	6,283	4,178	3,991	1,765	11,152	14,533	12,124	9,135	2,572
Southern bluefin tunas (Thunnus maccoyii)	7,853	8,357	7,357	6,891	6,794	13,576	16,454	13,254	7,776	10,128
Tunas (of the genus Thunnus), fillets and other fish meat	161,037	161,976	168,316	139,520	155,286	101,623	100,330	121,839	94,418	83,676
Fillets (fresh or chilled)	2,207	2,402	2,327	2,628	3,664	2,975	2,827	2,798	2,820	3,947
Fillets (frozen)	32,945	31,840	30,982	29,724	28,615	55,936	56,950	67,646	55,729	40,892
Other fish meat (fresh or chilled)	2,910	2,529	2,309	2,081	2,125	3,242	2,785	2,497	2,058	1,909
Other fish meat (frozen)	122,974	125,205	132,698	105,087	120,882	39,471	37,767	48,898	33,810	36,928
Total	401,503	366,189	349,545	320,381	345,002	269,862	255,578	263,329	219,257	207,224

Source: Trade Statistics (MOF)

(2) Shrimps and Crabs

The shrimp category has a steady demand especially among the food service and restaurant industries in Japan. They are imported in various forms including, live, fresh, chilled, frozen, salted & dried and processed. Within this category, shrimps and prawns constitute the largest percentage, capturing 97.7% of the imports. On the other hand, the importing of crabs has remained stagnant hovering around the 100,000-ton-zone since 2001, which dropped further to the 40,000-ton-zone in 2007 and finally dropping to a low of 36,462 tons (90.1% vs. previous year) in 2010. This major drop is attributed to the following negative factors: the continued suspension of imports since 2007 from North Korea; the drastic decline in imports from China; as well as the drop in imports from Russia in the increased efforts to combat poaching by Russian fishing vessels.

Fig. 9-17: Changes in shrimp and crab imports

Source: Trade Statistics (MOF)

Fig. 9-18: Changes in shrimp and crab imports by item

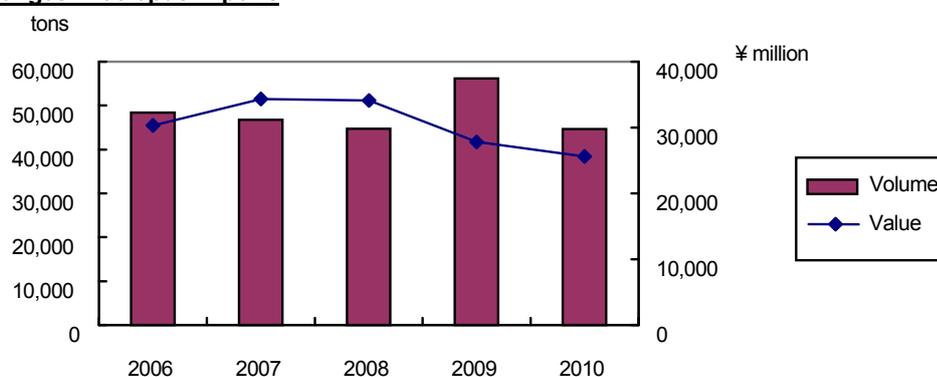
Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Shrimps	238,020	214,575	202,305	202,518	210,303	248,013	225,928	197,513	172,007	181,057
Rock lobster	4,971	4,543	3,288	2,840	2,633	13,450	13,726	9,954	5,873	6,604
Lobsters (Homarus spp.)	2,149	1,988	1,662	1,377	1,690	5,129	5,728	4,063	2,608	3,168
Shrimps and prawns	230,140	207,410	196,763	197,618	205,487	227,884	205,183	182,280	162,570	170,410
Other	760	633	592	683	492	1,551	1,292	1,216	956	875
Crabs	69,567	48,439	49,098	40,459	36,462	61,484	54,974	59,735	39,319	41,274
King crabs (Paralithodes spp.)	33,264	21,960	19,746	16,283	11,487	31,746	26,890	30,783	18,989	18,645
Red snow crabs	26,402	20,375	21,729	18,678	19,266	24,240	24,270	24,882	17,241	19,294
Swimming crabs (Portunus spp.)	5,403	3,226	4,414	3,337	2,894	2,436	1,638	2,081	1,532	1,262
Horsehair crabs	3,975	2,611	2,532	1,770	2,225	2,726	1,954	1,642	1,303	1,826
Other	523	266	677	391	590	336	223	348	254	246
Total	307,587	263,014	251,403	242,977	246,765	309,497	280,902	257,249	211,326	222,330

Source: Trade Statistics (MOF)

(3) Octopus

Most octopus are imported frozen, and very little is imported live, fresh, chilled or processed. The general trend on octopus imports has remained the same. However, given the craze for Japanese food overseas as well as a fishing moratorium issued by many countries that has put pressure on global food supply, imports have decreased drastically, halving the import volume from over 100,000 tons in 2000 to below 50,000 tons. The import of frozen octopus saw a steep rise in 2009 reaching 56,196 tons (125.7% vs. previous year). However, this increase is purported to be a reaction to the price hike in 2008, and the total import on a value basis has actually decreased to ¥ 27,822 million (81.5% vs. previous year).

Fig. 9-19: Changes in octopus imports

Source: Trade Statistics (MOF)

Fig. 9-20: Changes in octopus imports by item

Units: volume = 1000 tons, value = ¥ million

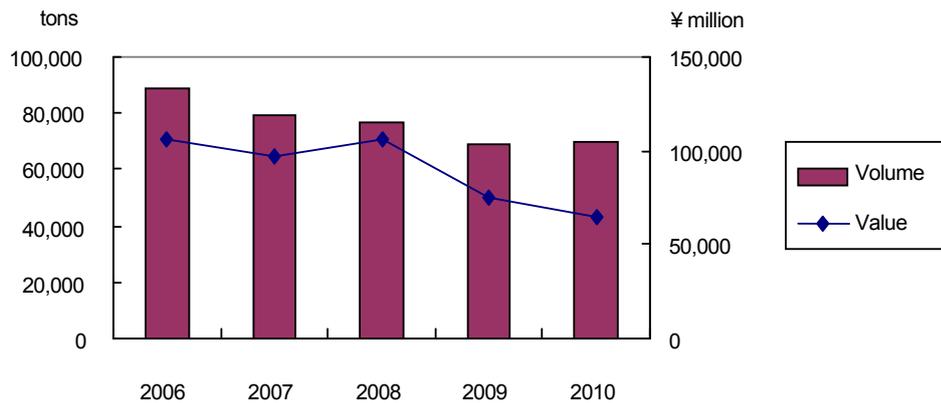
Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Octopus (live, fresh or chilled)	12	7	4	3	4	15	11	5	4	3
Octopus (frozen)	48,360	46,784	44,707	56,192	44,677	30,313	34,352	34,119	27,818	25,602
Octopus (prepared)	1	0	1	*	1	2	0	1	1	2
Total	48,373	46,791	44,712	56,196	44,682	30,329	34,363	34,124	27,822	25,607

Source: Trade Statistics (MOF)

Note) "*" represents that the figure is less than 1,000 tons.

(4) Fish roes

Various kinds of fish roe are imported to Japan. They are centered around the hard roe of cod, as well as herring, salmon, and trout in order to meet the demands of the Japanese consumer. However, the import volume has been decreasing which includes the main item cod roe, with the total amount of imports falling below 70,000 tons, a mark of 68,605 tons (89.4% vs. previous year) in 2009. In 2010, imports temporarily recovered to 70,199 tons (102.3% vs. previous year) due to the decline in the per-unit price. Although imports slightly increased compared to the year before on a volume basis, the import value decreased to ¥ 64,219 million (85.0% compared to the previous year).

Fig. 9-21: Changes in fish roe imports

Source: Trade Statistics (MOF)

Fig. 9-22: Changes in fish roe import by item

Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Hard roes of Cod (Gadus spp., Theragra spp. and Merluccius spp.)	58,008	50,933	52,042	42,246	47,285	72,145	60,040	68,362	42,566	40,189
Frozen	44,291	38,585	42,218	34,215	38,806	49,408	41,602	53,361	31,104	28,918
Salted or in brine	1,962	2,351	2,290	1,275	1,571	3,027	3,506	3,540	1,786	2,016
Prepared	11,755	9,997	7,534	6,755	6,908	19,709	14,932	11,461	9,676	9,255
Hard roes of Nishin (Clupea spp.)	11,116	8,847	8,208	9,302	9,389	10,135	11,035	10,965	11,925	9,863
Frozen	3,482	2,835	2,474	3,176	2,733	1,700	2,009	1,923	2,694	2,299
Salted or in brine	7,331	5,783	5,586	5,873	6,438	8,118	8,726	8,870	8,956	7,305
Prepared	304	229	147	253	218	316	300	172	274	258
Other fish roes	19,646	19,446	16,456	17,058	13,525	24,062	26,020	26,220	21,086	14,167
Fresh / chilled	2,700	2,267	2,034	1,703	1,918	2,289	1,788	1,550	1,158	1,163
Frozen	7,086	8,755	8,488	8,158	5,501	5,626	8,095	11,397	8,052	3,776
Salted or in brine	684	878	730	718	755	1,513	1,956	1,095	739	922
Prepared	621	341	244	300	277	485	351	224	275	334
Nishin roes on the tangles	528	470	543	552	496	918	1,591	1,392	731	453
Hard roes of salmon / Trout (Salmo trutta, Oncorhynchus mykiss, Oncorhynchus clarki, Oncorhynchus aguabonita, Oncorhynchus gilae, Oncorhynchus apache and Oncorhynchus chrysogaster)	3,560	3,119	2,111	3,248	2,896	4,915	4,686	4,022	4,979	4,069
Ikura (Prepared)	3,158	2,145	1,424	1,148	857	6,020	4,850	4,929	2,989	1,635
Caviar and caviar substitutes	1,309	1,471	881	1,230	823	2,296	2,703	1,612	2,162	1,815
Total	88,770	79,226	76,706	68,605	70,199	106,341	97,094	105,547	75,576	64,219

Source: Trade Statistics (MOF)

2. Regional breakdown

(1) Tunas

Japan's largest trading partner of tuna is Taiwan, with 61,947 tons (119.2% vs. previous year) in 2010. Ranking second is China, who was behind South Korea and Thailand in 2004, which saw a drastic increase in recent years reaching 52,287 tons (95.7% compared to the precious year) in 2010. In 2008, China outweighed Taiwan with 61,680 tons. This is partly attributable to the country's growing efforts to increase the catch of tuna given its rising domestic demand. And this can be observed in its opposition against restrictions of tuna fishing at international conferences.

Fig. 9-23: Trends in leading partner imports: tunas

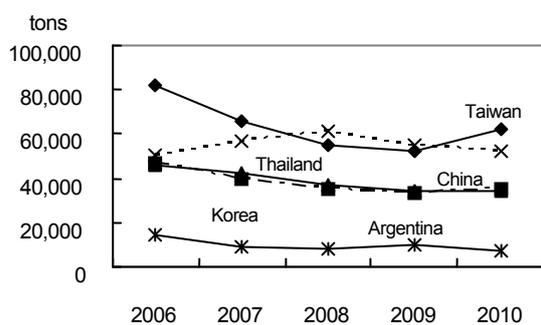
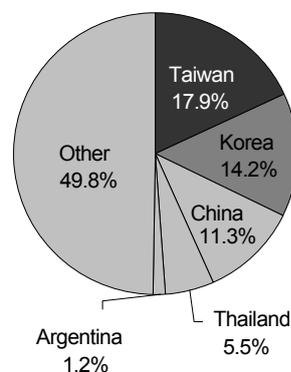


Fig. 9-24: Shares of imports in 2010 (value basis): tunas



Source: Trade Statistics (MOF)

Fig. 9-25: Principal places of origin: tunas

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Taiwan	82,249	66,177	55,158	51,957	61,947	48,694	39,405	36,853	31,076	37,193
China	50,338	56,748	61,680	54,643	52,287	26,263	25,372	27,008	24,393	23,350
Korea	46,598	39,920	35,041	33,257	35,325	29,314	29,848	29,849	26,752	29,517
Thailand	45,771	42,355	36,516	34,195	34,636	12,463	11,933	14,708	10,218	11,455
Argentina	14,057	9,194	8,275	10,299	7,252	3,926	2,635	4,068	3,924	2,560
Other	162,489	151,795	152,875	136,030	153,555	149,203	146,385	150,843	122,894	103,150
Total	401,503	366,189	349,545	320,381	345,002	269,862	255,578	263,329	219,257	207,224
(African countries)	6,927	9,114	7,936	8,043	7,136	4,991	12,492	13,881	12,893	7,458

Source: Trade Statistics (MOF)

Fig. 9-26: Principal places of origin of tunas by item

Units: volume = tons, value = ¥ million

Item		Total vol. imports	First place					Second place				
			Country	Volume	Share	Value	Ave. unit price	Country	Volume	Share	Value	Ave. unit price
Fresh	Albacore or longfinned tunas (Thunnus alalunga)	252	New Caledonia	109	43.0%	86	789.7	Fiji	71	28.1%	48	674.9
Fresh	Yellowfin tunas (Thunnus albacares)	16,116	Indonesia	7,734	48.0%	5,874	759.5	Thailand	2,809	17.4%	2,110	751.1
Fresh	Bigeye tunas (Thunnus obesus)	11,578	Indonesia	8,099	70.0%	6,262	773.1	Vietnam	786	6.8%	764	971.7
Fresh	Bluefin tunas (Thunnus thynnus)	4,021	Korea	1,045	26.0%	564	540.0	Mexico	948	23.6%	1,381	1457.4
Fresh	Southern bluefin tunas (Thunnus maccoyii)	2,051	Australia	1,638	79.9%	2,879	1757.3	New Zealand	249	12.2%	488	1956.8
Frozen	Albacore or longfinned tunas (Thunnus alalunga)	23,207	Taiwan	9,027	38.9%	2,377	263.4	Vanuatu	5,552	23.9%	1,476	265.9
Frozen	Yellowfin tunas (Thunnus albacares)	50,073	Taiwan	14,721	29.4%	5,834	396.3	Korea	7,939	15.9%	2,726	343.4
Frozen	Bigeye tunas (Thunnus obesus)	73,859	Taiwan	34,735	47.0%	26,204	754.4	China	18,094	24.5%	13,691	756.7
Frozen	Bluefin tunas (Thunnus thynnus)	1,765	Croatia	761	43.1%	1,294	1699.3	Mexico	579	32.8%	434	749.1
Frozen	Southern bluefin tunas (Thunnus maccoyii)	6,794	Australia	4,879	71.8%	7,810	1600.6	Taiwan	984	14.5%	878	892.5
Fresh fillet	Bluefin tunas (Thunnus thynnus)	2	Malta	2	76.5%	4	2079.3	Norway	※	※	※	※
Fresh fillet	Other	3,662	Norway	2,415	66.0%	2,488	1030.3	Indonesia	707	19.3%	697	985.9
Frozen fillet	Tunas	20,002	Korea	10,970	54.8%	14,257	1299.6	Fiji	3,943	19.7%	2,907	737.2
Frozen fillet	Bluefin tunas (Thunnus thynnus)	8,599	Malta	2,487	28.9%	5,383	2164.4	Croatia	1,112	12.9%	2,087	1877.6
Frozen fillet	Southern bluefin tunas (Thunnus maccoyii)	14	Indonesia	7	50.6%	8	1102.1	Australia	6	45.9%	16	2500.3
Fish meat	Bluefin tunas (Thunnus thynnus)	77	Malta	38	49.0%	79	2097.8	Turkey	12	15.3%	26	2231.0
Fish meat	Other	122,930	Thailand	31,297	25.5%	8,970	286.6	China	29,031	23.6%	6,282	216.4

Source: Trade Statistics (MOF)

注1) The share is calculated on a kg basis in the original data source and is not always in agreement with the percentage in the above table, which is calculated on a tonnage basis.

注2) “※” represents that the volume of import is less than 1,000 tons.

(2) Shrimps

Japan's trading partners in the category of shrimp have moved their farming centers a number of times due to contamination and the spread of diseases in their aquaculture ponds. Recently, Vietnam has been a largest trading partner in this category with the import volume reaching 40,459 tons (101.4% vs. previous year) in 2010.

Thailand, who was our biggest trading partner until the early 1990's, has been back on the upward trend in terms of shrimp exports to Japan, reaching 37,655 tons (117.4% vs. previous year) in 2010, edging closer to Vietnam.

Fig. 9-27 : Trends in leading partner imports

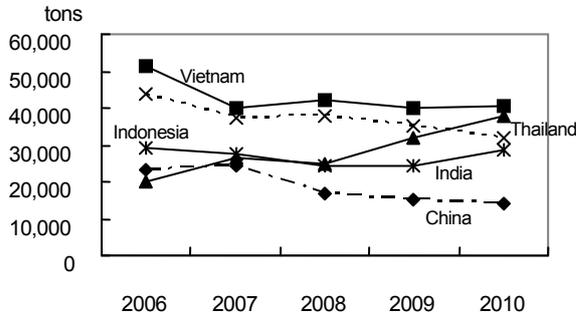
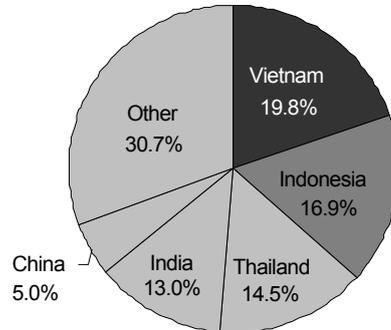


Fig. 9-28 : Shares of imports in 2010 (value basis)



Source: Trade Statistics (MOF)

Fig. 9-29: Principal places of origin: shrimps

Units: volume = tons, value = ¥ million

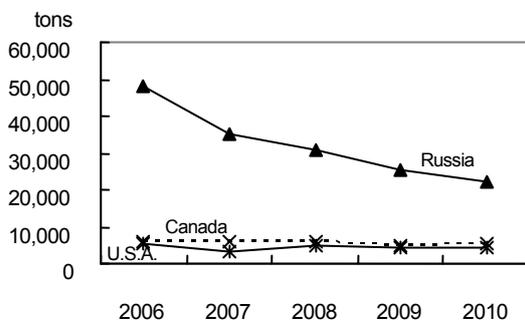
Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Vietnam	51,149	40,044	42,176	39,891	40,459	52,152	42,400	38,532	33,865	35,814
Thailand	20,097	26,380	24,957	32,084	37,655	18,204	22,361	20,288	22,541	26,340
Indonesia	43,830	37,545	37,618	34,961	32,129	46,328	41,792	36,948	30,955	30,649
India	29,181	27,404	24,159	24,565	28,617	27,214	26,176	20,638	18,437	23,609
China	23,018	24,130	16,892	15,192	13,947	18,971	17,760	12,713	10,045	9,138
Other	70,746	59,072	56,502	55,825	57,496	85,144	75,440	68,394	56,164	55,506
Total	238,020	214,575	202,305	202,518	210,303	248,013	225,928	197,513	172,007	181,057
(African countries)	3,410	2,126	1,858	1,708	1,067	4,882	4,709	3,525	2,376	2,013

Source: Trade Statistics (MOF)

(3) Crabs

In the category of crab, with the exceptions of a temporary recovery in 2003 and 2004, imports from our largest trading partner, Russia, have been dwindling partly due to the tightening control over poaching, recording 21,904 tons (85.9% vs. previous year) in 2010. However, Russia still remains our largest import trading partner, constituting approximately 60% of the total import crab market. Imports from other countries have also seen sluggish growth with the total import volume down to 36,462 tons (90.1% vs. previous year).

Fig. 9-30 : Trends in leading partner imports: crabs



Source: Trade Statistics (MOF)

Fig. 9-31 : Shares of imports in 2010 (value basis): crabs

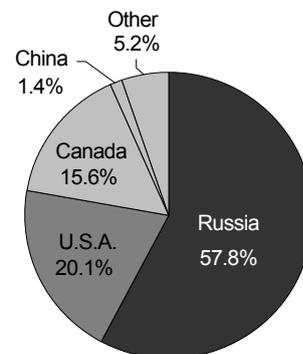


Fig. 9-32: Principal places of origin of crabs

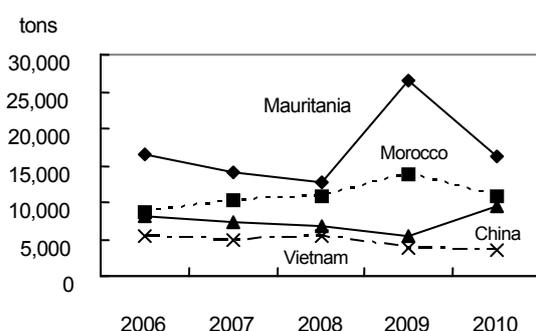
Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Russia	48,039	34,947	30,873	25,504	21,904	40,350	37,603	37,579	23,371	23,850
Canada	6,213	5,985	5,841	4,852	5,327	6,738	8,312	7,734	5,133	6,442
U.S.A.	5,534	3,249	5,082	4,415	4,578	8,809	6,309	9,749	6,771	8,278
China	4,572	193	2,553	1,012	1,580	2,662	1,099	1,182	463	575
North Korea	2,136	0	0	0	0	526	0	0	0	0
Other	3,073	4,066	4,748	4,675	3,073	2,399	1,651	3,490	3,582	2,128
Total	69,567	48,439	49,098	40,459	36,462	61,484	54,974	59,735	39,319	41,274
(African countries)	38	10	11	10	15	30	9	10	8	14

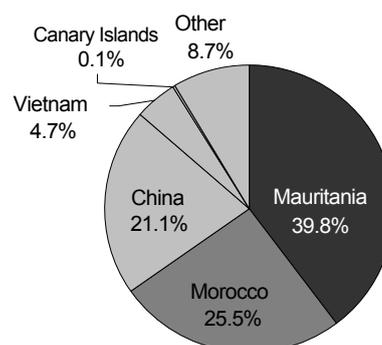
Source: Trade Statistics (MOF)

(4) Octopus

Mauritania is Japan's biggest trading partner of import octopus (16,224 tons, 61.2% vs. previous year), followed by Morocco (10,775 tons, 78.3% vs. previous year). While imports from these top two countries have substantially dropped compared to 2009, China, ranking third, has drastically increased its import in 2010 to 9,425 tons, a 170.3% increase compared to the previous year, supplementing the decrease in imports from other countries.

Fig. 9-33 : Trends in leading partner imports

Source: Trade Statistics (MOF)

Fig. 9-34: Shares of imports in 2010 (value basis)**Fig. 9-35: Principal places of origin: octopus**

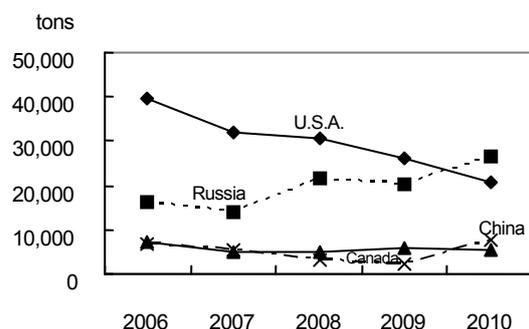
Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Mauritania	16,588	13,960	12,627	26,505	16,224	11,347	11,913	11,380	13,269	10,202
Morocco	8,688	10,311	10,876	13,767	10,775	5,968	8,348	9,330	6,866	6,528
China	8,196	7,179	6,667	5,535	9,425	5,980	5,766	5,025	3,413	5,392
Vietnam	5,510	4,800	5,485	3,742	3,416	1,865	1,755	2,196	1,448	1,216
Canary Islands	2,605	395	187	48	75	1,621	285	186	21	35
Other	6,786	10,146	8,870	6,599	4,766	3,548	6,296	6,008	2,805	2,234
Total	48,373	46,791	44,712	56,196	44,682	30,329	34,363	34,124	27,822	25,607
(African countries)	29,106	26,179	25,977	41,502	28,227	19,725	21,629	22,632	20,592	17,305

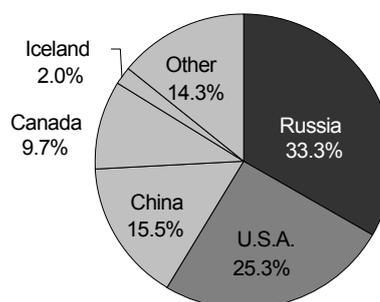
Source: Trade Statistics (MOF)

(5) Fish roes

In terms of fish roe imports, the United States remained a largest trading partner up until 2009. However, Russia outweighed the US in 2010 with 26,704 tons (132.3% vs. previous year) of import volume, ranking first in this category. Also, imports from China have increased dramatically marking a 321.9% growth from 2009.

Fig. 9-36 : Trends in leading partner imports

Source: Trade Statistics (MOF)

Fig. 9-37: Shares of imports in 2010 (value basis)**Fig. 9-38: Principal places of origin: fish roes**

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Russia	16,369	13,751	21,592	20,190	26,704	16,391	15,567	27,793	18,724	21,354
U.S.A.	39,676	32,191	30,654	26,201	20,634	47,812	35,510	42,353	27,325	16,223
China	6,643	5,276	3,365	2,412	7,765	7,413	6,384	4,722	2,936	9,965
Canada	7,052	4,885	4,868	5,722	5,341	7,895	7,117	7,511	7,993	6,260
Iceland	2,727	4,196	3,104	1,154	2,371	1,273	2,282	1,893	731	1,265
Other	16,304	18,927	13,122	12,926	7,384	25,558	30,234	21,275	17,867	9,153
Total	88,770	79,226	76,706	68,605	70,199	106,341	97,094	105,547	75,576	64,219
(African countries)	90	80	58	33	15	38	36	28	18	7

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

The domestic consumption of seafood in Japan has long been supported by a steady demand coming from strong traditional roots. However, the accelerating declines in birthrates, the graying of society, as well as the westernization of our diet, have contributed to the declining consumption of seafood. On one hand, there is a growing concern for dwindling marine resources while on the other hand demand for seafood is increasing because of the craze for Japanese food in emerging nations like China. Japan not only sees sluggish growth of seafood consumption, but also dwindling purchasing power in an increasingly competitive global seafood market.

A prime example of this is tuna. There have been some influential international conferences to discuss regulations on tuna fishing. Such a global trend is only expected to grow, thus placing Japan in a deeper predicament. Looking at imports of seafood as a whole, imports account for about half of the entire market, marking 51.6% in 2008. Though gradually, the share of imports in the Japanese market is decreasing. This is not due to the increase of domestic supply capability, but is attributable to the dwindling domestic consumption as well as to weakening competitiveness in an international market.

Fig. 9-39: Import market share in Japan

Unit: tons

Statistics	2004	2005	2006	2007	2008
	Domestic production	5,178	5,152	5,131	5,102
Import volume	6,055	5,782	5,711	5,162	4,851
Export volume	631	647	788	815	645
Increase in inventory	83	86	162	△101	△170
Domestic consumption	10,519	10,201	9,892	9,550	9,404
Share of imports	57.6%	56.7%	57.7%	54.1%	51.6%

Source: Food balance sheet, Ministry of Agriculture, Forestry and Fisheries

4. Background of Changes in Volume of Imports and Other Trends

In Japan, processed seafood products such as ham and sausage enjoy a more stable demand than seafood itself. Manufacturers promote the sale of processed seafood products by appealing to its healthy image and actively engaging in promotional campaigns. While processed foods enjoy steady demand, the consumption of whole fish and seafood is on a decreasing trend.

However, there is another worry not only concerning fish and seafood for direct consumption, fish that are processed into products will not be available to Japanese consumers in the future. This concern comes from the growing demand for Japanese food among emerging nations such as China, as well as North America and Europe where Japanese cuisine is booming. Also, processed seafood items such as fish cake (known in Japanese as kamaboko) is gaining visibility within the global market.

V. Domestic Distribution

1. Trade Practice, Etc.

Most seafood, both domestic and imported, is generally distributed by two major routes: in the first route, fresh seafood is sold to retail shops, such as mass merchandise outlets, by wholesalers located within the area of consumption, which then reaches the consumer; in the second route, fresh seafood is sold directly to retail distributors or processed food manufacturers without going through the wholesale market. There are increasing numbers of cases where seafood is distributed to large-scale consumers such as processed food manufacturers without going through the wholesale market.

2. Domestic Market Situations

As an island nation, seafood, along with processed seafood products, has long been an integral part of the Japanese lifestyle. However, with the impact of a falling birthrate and an accelerating graying society, domestic consumption as well as imports of seafood have both seen a decreasing trend (refer to Fig. 9-39).

According to the family income and expenditure survey conducted by the Ministry of Internal Affairs and Communications, annual purchases of seafood have decreased and the proportion of seafood in the total expenditure on foods has dropped from 9.5% in 2006 to 8.6% in 2010 (refer to Fig. 9-40). The contributing factors to this decline include: advancing westernization of the diet, less amount of time to be spared for cooking, and the relatively higher price of seafood compared to meats. As for the types of seafood that consumers purchase, fresh seafood has the largest share, accounting for approximately 60 % of the total.

Fig. 9-40: Changes in annual purchased amount of seafood per household by item (2010) Unit: yen

	Seafood					Percentage of total
	Fresh	Salted, dried	Minced paste	Other processed seafood		
2006	74,652	44,493	13,901	7,267	8,991	9.5%
2007	74,645	44,284	13,915	7,384	9,062	9.5%
2008	72,752	42,201	13,804	7,845	8,903	9.3%
2009	70,272	40,751	13,093	7,700	8,728	9.0%
2010	67,055	38,645	12,564	7,370	8,476	8.6%

Source: Annual Census on Households by Ministry of Internal Affairs and Communications

* Subjects are households with two or more family members.

Fig. 9-41: Annual purchased amount of seafood per household: ranking (2010)

Unit: ¥

Rank	Item	Purchased amount	Ratio	Rank	Item	Purchased amount	Ratio
1	Tuna (fresh)	4,507	6.7%	6	Pickled fish	2,486	3.7%
2	Salmon (fresh)	3,109	4.6%	7	Salted cod roes	2,429	3.6%
3	Fish minced and steamed	2,594	3.9%	8	Fish minced and steamed, fried	2,124	3.2%
4	Shrimp (fresh)	2,569	3.8%	9	Cuttlefish (fresh)	1,986	3.0%
5	Yellow tail (fresh)	2,526	3.8%	10	Canned fish	1,896	2.8%

Source: Annual Census on Households by Ministry of Internal Affairs and Communications

* Subjects are households with two or more family members.

(1) Fresh Fish and Seafood

Fresh seafood for both commercial and household use is most commonly purchased fresh and cooked at home or at the respective places of consumption. One of the reasons why consumers are shying away from eating fresh seafood is that it is time consuming to clean, prepare, and then cook. An increasing number of retailers including mass merchandise outlets are catering to such needs of the consumers by selling fillets of fish which take less time to prepare and cook.

According to the Annual Census on Households, the type of fish that is purchased the most is tuna (fresh), demonstrating the high popularity of tuna in Japan. Tuna are more often consumed as sashimi or sushi rather than cooked. The second most popular type of seafood is salmon (fresh). Not only wild salmon but also cultured salmon which are imported from Chile and Norway. Shrimp is another seafood widely enjoyed from raw consumption to processed food, and the per-household purchase of shrimp is fairly high. In Japan, shrimp is not only enjoyed for its taste and texture, but also for its red color which appears when cooked. As red is the color for good luck, shrimp is an indispensable ingredient for foods served at special events such as New Years and weddings. On special occasions, people tend to prefer larger shrimp such as lobsters and Ise-ebi (rock lobsters). Octopus can be consumed fresh, but they are usually sold boiled. At home, people enjoy octopus sashimi (it is called sashimi even it is boiled, as long as it is sliced and enjoyed with soy sauce). Octopus are also used as an ingredient for a popular snack in Japan called “tako-yaki” (pieces of octopus or tako fried in dough). “Tako-yaki” is a bite-sized snack, so tentacles or “legs” of octopus are cut in pieces of 1 to 2 centimeters, which are then used. It is also said that octopus with thin skin and less moisture are more suitable for “tako-yaki.”

Fig. 9-42: Annual purchased amount of seafood per household by item (2010)

Item	Purchased amount (¥)	Ratio
Tuna	4,507	11.7%
Salmon	3,109	8.0%
Shrimp	2,569	6.6%
Octopus	1,059	2.7%
Scallop	1,175	3.0%
Other seafood	26,226	67.9%
Total	38,645	100.0%

Source: Annual Census on Households by Ministry of Internal Affairs and Communications

* Subjects are households with two or more family members.

(2) Processed Seafood Products

Processed foods using seafood as the main ingredient include processed fish pastes, canned seafood, fish meat ham, and sausage. In all products, it is crucial to take measures against the rising price of fish due to the increase in demand as well as dwindling marine resources. Fish jelly products boast the largest sales in this category, and most of the products are made with minced white fish that is steamed, grilled, deep-fried, or prepared otherwise. Although these processed products are traditional Japanese food, the ingredient, minced white fish, is mostly imported. Many processed food manufacturers make strenuous efforts to ensure the procurement of ingredients.

For example, given the fluctuating price of minced white meat from Alaska, manufacturers started seeking supplies from South East Asia. The top runners in the processed seafood products category include, Kibun Foods, Ichimasa Kamaboko, and Sugiyo. Given the fact that processed seafood has been an integral part of the culture for a long time, it is not surprising that each local area has developed its own flavor and products, making this market unique with the participation of many small and medium-sized companies.

As for canned seafood products, canned blue-skin fish (known as “ao-sakana”) such as mackerel (saba) and sardines (iwashi) and canned tuna account for more than 90 % of the market in this category. The sales of canned blue-skin fish are expanding given the blood-cholesterol-reducing properties found in DHA and EPA which are abundant in blue fish. Canned tuna, for its low-price and versatility, has gained a stable popularity in the market. However, given the recent decline in the catch and the rising price of the ingredients for canned tuna such as tuna and bonito, manufacturers have been forced to raise prices. While this is true, the tendency for consumers to demand lower-priced products is alive and well. Hence, budget-pleasing imported canned tuna as well as private label (PL) products of retail chains are sold in response to such consumer demands. Major manufacturers of canned seafood include Hagaromo Foods, Maruha Nichiro Foods, Nippon Suisan Kaisha (Nissui), and Inaba Foods.

Fish meat ham and sausage are products that have a similar form to meat sausage but are made with minced fish meat. It is cheaper than sausages made with animal meat, thus they are enjoyed as an alternative to meat sausages and ham. The demand for fish meat ham and sausages is expanding given its low price as well as the increase in these types of products that appeal to consumers with their healthy-promoting properties such as calcium and DHA contained in fish. Manufacturers in this market include not only major canned seafood manufacturers such as Nippon Suisan Kaisha and Maruha Nichiro Foods, but also processed meat manufacturers such as Marudai Food.

Bonito has long been used in Japanese cuisine in a variety of ways. One processed bonito product, called “katsuo-bushi” is bonito flakes that are cooked and dried, it is often sold in individual packages commonly known as “katsuo-pack.” Companies such as Yamaki, Marutomo, and Ninben manufacture katsuo-bushi products. Although katsuo-bushi sales have been on the decline, it remains as an indispensable product in Japanese cuisine. Since no other fish can replace katsuo or bonito to make katsuo-bushi products, this market hinges on the catches and price trends of bonito.

Processed salmon products include smoked salmon and salmon flakes. Sales of smoked salmon have increased when smoked salmon made from Chilean salmon trout, which is cheaper than Norwegian one, became available in the market. This was made possible by salmon trout culturing that began in Chile in the 1990’s. The top manufacturer in this category is Sanyo Foods, which makes and sells smoked salmon. The second largest manufacturer, San Francisco Trading Japan, mainly imports and sells smoked salmon produced in Chile. Smoked salmon is enjoyed in a variety of ways, including foods served at restaurants as well as in sandwiches and salads. Salmon flakes refer to products that use grilled or steamed salmon meat broken into flakes, and are often enjoyed with rice. Since this product is made to compliment Japanese food, many of these products use domestic ingredients (mainly from Hokkaido).

For frozen fried seafood products, shrimp, squid, oysters, and white fish are most commonly used. Since no other seafood can replace shrimp, squid and oyster products, they are under the strong influence of factors such as the amount of their catches and their price. The major areas of production for shrimp used for these frozen products are Thailand, Vietnam, and Indonesia. More and more regions are beginning to grow the lower-priced whiteleg shrimp (*Litopenaeus vannamei*). Top manufacturers in this category include the major processed seafood food manufacturers like Nippon Suisan Kaisha, Maruha Nichiro, and Kyokuyo, as well as major frozen food manufacturers like TableMark, and SK Foods. Among frozen fried seafood products, frozen white fish products use Alaskan Pollock (sukeso-tara), Pacific cod (ma-dara), and hoki or New Zealand whiptail. Because various kinds of fish can be used to make fried frozen white fish, it has a more stable supply of ingredients compared to other frozen fried seafood products using a single seafood item. This contributes to the largest sales of white fish products in the frozen fried seafood category. Salmon and scallops are also used to make frozen fried seafood products.

* Private label (PL) products are those for which a retail company or wholesaler is involved in product development and labels under its own brand. Advertising or handling by a wholesaler is not required, and items can thus be priced lower than manufacturer brands.

National brand (NB) products, meanwhile, are those that are developed and marketed by manufacturers.

Fig. 9-43: Changes in processed seafood sales of volume

Unit: tons

Item	2006	2007	2008	2009	2010 (forecast)
Processed fish pastes	554,000	525,000	504,000	480,500	474,800
Canned blue-skin fish	59,200	60,400	60,600	63,400	61,400
Canned tuna	53,500	52,300	51,500	51,400	51,300
Other canned seafood	11,400	10,400	9,800	7,700	8,200
Fish meat ham, and sausage	64,800	65,000	70,800	71,500	72,200
Dried bonito flakes	46,300	44,700	44,000	43,900	42,200
Smoked salmon	5,400	5,300	5,050	4,900	4,750
Salmon flakes	—	—	—	4,000	3,980
Frozen white fish products / frozen fried seafood products	74,100	72,600	63,500	59,200	57,400
Frozen fried shrimp	23,300	22,800	22,300	20,400	20,200
Frozen fried oyster	14,800	14,700	13,900	13,500	13,100
Frozen fried squid	9,500	9,300	8,950	7,750	7,550
Chilled fried seafood	8,900	8,800	8,200	7,500	7,200

Source: 2011 Food Marketing Handbook No. 2, 2011 Food Marketing Handbook No. 5, Fuji Keizai

3. Distribution Channels

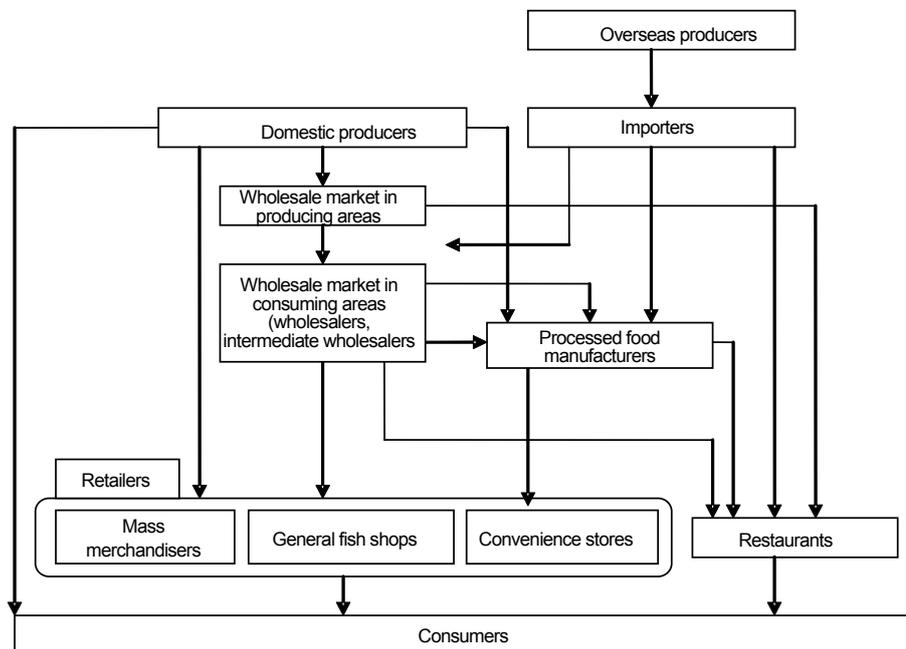
(1) Fresh fish and seafood

The distribution channel of fresh seafood used to be determined by law from the place of production to wholesalers, from wholesalers to intermediate wholesalers and then to retailers. However, given the amendment to the law that stipulated this flow in 2005, producers can now directly sell seafood to retail shops, restaurants, and individual consumers without the agency of wholesalers and intermediate wholesalers. Given this change, the percentage of seafood handled through wholesale markets in the respective areas of consumption is decreasing year-by-year, recording 60 % in 2007 according to the report on wholesale markets prepared by the Ministry of Agriculture, Forestry and Fisheries. Generally, however, since seafood varies widely in type and size, they are first sorted out by type and size at the local market where they are unloaded, then shipped to central wholesale markets such as the Tokyo metropolitan central wholesale market (also known as the Tsukiji market), Nagoya central wholesale market, and Osaka municipal central wholesale market. At the central wholesale markets, seafood gathered are auctioned off by wholesalers and intermediate wholesalers, and then shipped to retail shops and restaurants. An increasing number of large-scale customers such as food-service chains and food processing companies purchase a certain amount of seafood directly from producers and purchase the rest from the market in order to ensure a stable supply and to cut costs.

(2) Processed Seafood Products

As for imported processed seafood products, they are generally delivered to food processing manufacturers, retail shops and food-service chains, and wholesalers of commercial foodstuffs in Japan via importers such as import firms. As for frozen food, there are cases where processing and packaging are done before being imported to Japan. Recently, there have been an increasing number of cases where processed seafood products such as salted and dried products are directly delivered to consumers from producers.

Fig. 9-44: Distribution channels for seafood and processed products



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese market

When importing processed seafood products to Japan, it is necessary to make sure that the products comply with the standards set by the Food Sanitation Act. Also, for cultured seafood, it is necessary to make sure that no synthetic antibiotics that are prohibited in Japan, are used and that it meets the residue standards.

Also, when making the first entry into the market, it is wise to work with import firms that have the expertise in handling seafood and processed seafood products in order to effectively conduct all the necessary paperwork for importing, as well as contacting prospective customers.

For Japanese food processing manufacturers, securing stable supplies of seafood ingredients is their major challenge, so this is the area of business with great potential for growth.

<Exhibitions>

Fig. 9-45: Exhibitions for seafoods and processed products

Overall food products	FOODEX http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	Supermarket Trade Show http://www.smts.jp	TEL: +81-3-5209-1056
Exhibition of seafood and processed products	Japan International Seafood & Technology Expo http://www.exhibitiontech.com/seafood/	TEL: +81-3-5775-2855

5. Failure Cases

In 2007, freshwater clams and agemaki clams (*Sinonovacula constricta*) were imported from Korea when an insecticide called endosulfan was detected with higher amounts than the safety standard levels. In the same year, synthetic antibiotics called malachite green were detected from processed mackerel (saba) products (fillet) imported from China. These incidents led to a drastic decrease in the importation of these products.

6. Import Associations & Related Organizations

Fig. 9-46: Seafood and processed product associations and related organizations

Japan Fisheries Association japan@suisankai.or.jp	http://www.suisankai.or.jp TEL: +81-3-3585-6681
National Cooperative Association of Squid Processors info@zen-ika.com	http://www.zen-ika.com/index.html TEL: +81-3-3834-3731
National Federation of Minced and Steamed White Fish Meat Manufacturers Cooperatives info@zenkama.com	http://www.zenkama.com/ TEL: +81-3-3851-1371
National Federation of Processed Seafood Manufacturers Cooperatives zensui@soleil.ocn.ne.jp	http://www.zensui.jp/ TEL: +81-3-3662-2040
Japan Fish Traders Association fish@jfta-or.jp	http://www.jfta-or.jp/ TEL: +81-3-5280-2891

10. Health Foods and Dietary Supplements

Health foods and dietary supplements are products of food standards that are consumed for the purpose of maintaining good health by supplementing nutrients that may often be lacking in one's daily diet. Although they are often consumed for purposes and uses similar to those in the case of pharmaceutical products, health foods and dietary supplements are not subject to the Pharmaceutical Affairs Act.

There are ambiguous areas where the definition of health foods and dietary supplements are concerned. In this chapter, however, they are defined as products of food standards that are not included in the categories of pharmaceutical products or quasi drugs, and are clearly not regarded as food. Individual raw ingredients shall be handled in the appropriate chapters herein and are not discussed here.

Dietary supplements are defined as products in forms similar to those of pharmaceutical products such as tablets and capsules, whose primary purpose is to provide nutrients such as vitamins and minerals.

Health foods are those foods in general that are advertised as having functions that are widely beneficial for the maintenance and improvement of health, and distributed and marketed as such.

Discussions on trade trends cover homogenously-mixed prepared food products and vitamins and other nutritional supplements that are imported as health food products, as well as vitamins, etc. that are imported as food additives or ingredients that are used most commonly for the purpose of nutrition support and similar benefits.

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of health foods and dietary supplements is regulated primarily by the following two laws: 1) Food Sanitation Act; 2) Customs Act.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, health foods and dietary supplements are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, health foods and dietary supplements should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

<Customs Act>

Under the Customs Act, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned.

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

Regulations and restrictions relevant to the sales of health foods and dietary supplements are explained below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of health foods and dietary supplements in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

The Food Sanitation Act allows certain foods to be labeled as Food for Specified Health Use or Food with Nutrient Function Claims, which are regarded as being in-between food and pharmaceuticals.

Foods that are expected to have specified health uses are allowed to be labeled as Food for Specified Health Use and indicate such claims for specific dietary uses as "helps improve digestive regularity" and "for those concerned about blood glucose level." In order for a product to bear the Food for Specified Health Use label, approval from the Secretary General

of the Consumer Affairs Agency is required, which can be very difficult as it is necessary to conduct a human clinical study, which often costs hundreds of million yen. Given this situation, measures have been taken to promote a wider application of Food for Specified Health Use, by recognizing Qualified Food for Specified Health Use, for products that have been shown to have certain health effects though not at a level of scientific evidence as required in the review process for Food for Specified Health Use applications.

For Food with Nutrient Function Claims, meanwhile, products are only required to contain certain nutritional components that meet the standards set forth by the Secretary General of the Consumer Affairs Agency; it is not necessary to file an application for permit or notification, but is permissible to produce and sell such products at one's own discretion.

<Pharmaceutical Affairs Act>

To prevent pharmaceutical products and dietary supplements from being mixed up, it is prohibited under the Pharmaceutical Affairs Act to label or advertise dietary supplements in a manner that misleadingly promotes them as having an effect or efficacy of a pharmaceutical product.

<Product Liability Act>

The Product Liability Act stipulates liability of manufacturers, etc. for damages to consumers in association with product defects, and importers are included in the category of manufacturers, etc.

While unprocessed agricultural products are exempt from the Act, heat-processed health foods and dietary supplements are included in items subject to the Product Liability Act, and care should be taken with regard to safety management of relevant contents, containers, and packaging.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of health foods and dietary supplements in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (paper containers and packaging and plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures

(1) Procedures for Authorization of Importing and Sales

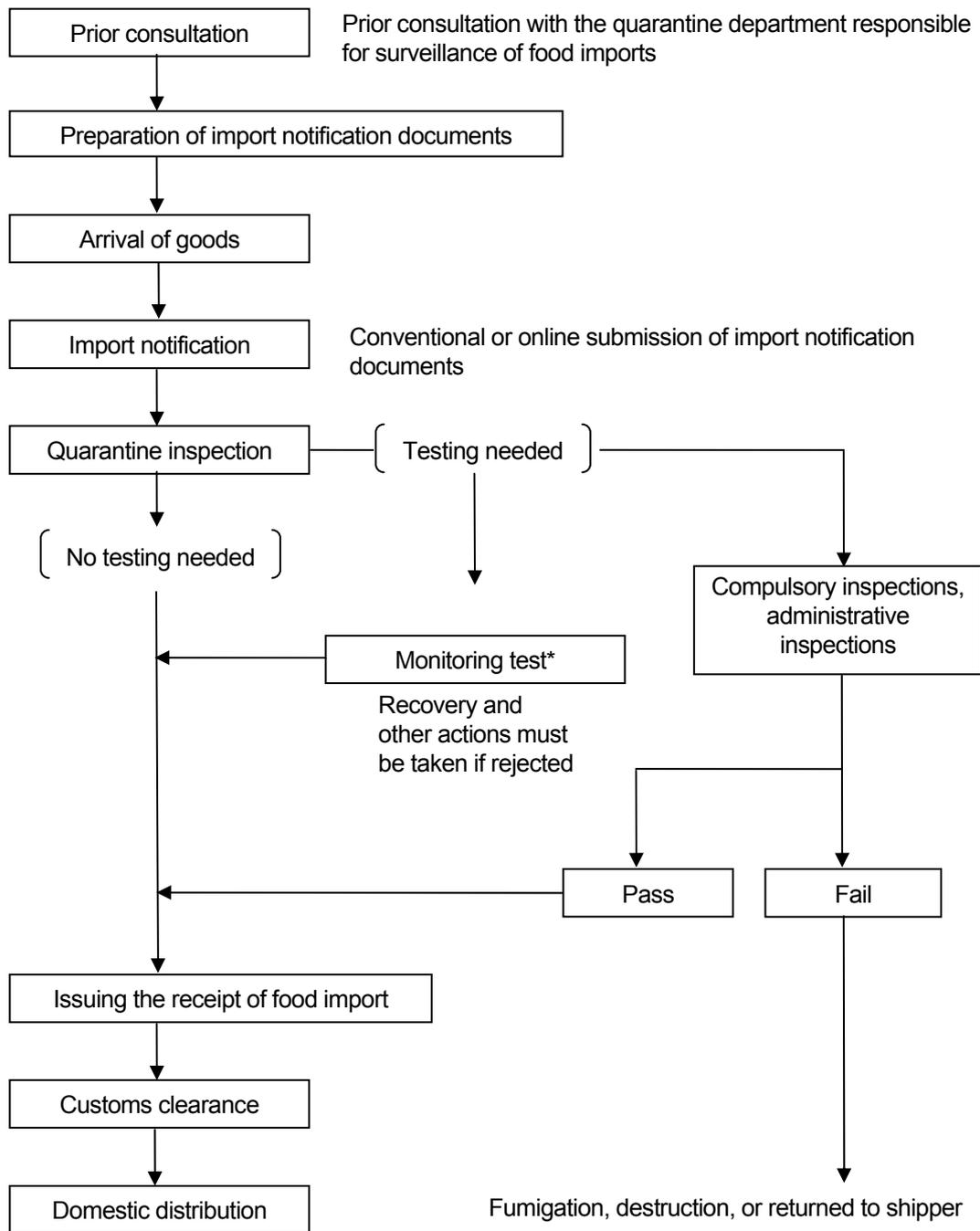
<Food Sanitation Inspection>

Under the Food Sanitation Act, the required documents (Fig. 10-2) must be submitted when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 10-1).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry into Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, an import permit may be given in principle.

Fig. 10-1: Flowchart of import procedure

Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 10-2 according to the authorities to which each document is submitted.

Fig. 10-2: Documents required for import clearance

Submitted to	Required documents
Imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods
	Material/ingredient table
	Production flow chart
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)
Local customs offices (Customs clearance under the Customs Act)	Declaration of import
	Invoice
	Packing list
	Bill of lading (B/L) or airway bill

Source: Ministry of Agriculture, Forestry and Fisheries, Ministry of Health, Labour and Welfare, Ministry of Finance

(3) Competent Authorities

Fig. 10-3: Contacts of competent authorities

Plant Protection Act		
	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act		
	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act		
	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp
Act for Standardization and Proper Labeling of Agricultural and Forestry Products		
	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Measurement Act		
	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Health Promotion Act		
	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Pharmaceutical Affairs Act		
	Compliance and Narcotics Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Act against Unjustifiable Premiums and Misleading Representations		
	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Product Liability Act		
	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions		
	Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp

Fig. 10-3: Contacts of competent authorities (continued)

Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources

Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry TEL: +81-3-3501-1511
http://www.meti.go.jp

Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment TEL: +81-3-3581-3351
http://www.env.go.jp

Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries TEL: +81-3-3502-8111
http://www.maff.go.jp

Unfair Competition Prevention Act / Trademark Act

Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry TEL: +81-3-3501-1511
http://www.meti.go.jp

General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry TEL: +81-3-3581-1101
http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of health foods and dietary supplements, must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, 7) Pharmaceutical Affairs Act, and 8) intellectual asset-related laws (e.g., Unfair Competition Prevention Act, Trademark Act).

When importing and selling health foods and dietary supplements, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act: 1) product name, 2) country of origin, 3) content, and 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer..

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

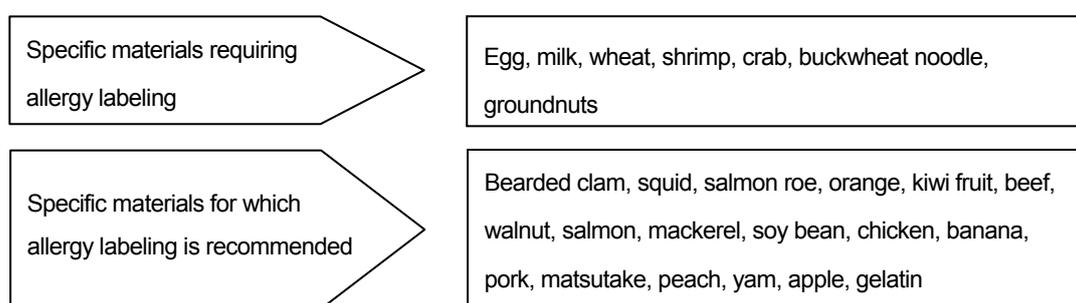
The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

<Allergies>

When products containing the specific ingredients shown in Fig. 10-4 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies. However, omission of labeling is allowed if such ingredients can be easily identified in the products.

Fig. 10-4: Specific materials related to allergy labeling

Source: Ministry of Health, Labour and Welfare

<Content weight>

When importing and selling health foods and dietary supplements, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in grams or liters on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. As the quality of health foods and dietary supplements does not deteriorate easily, the “best by” date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the best-by date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For products which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

This Act also requires the country of origin to be labeled for the vegetables, fruits, and processed foods listed in Fig. 10-5. All other processed foods do not require labeling. Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

Fig. 10-5: Processed foods made from vegetables and fruits requiring country of origin labeling

Labeling standards	Applicable processed foods	For example
Quality labeling standards for processed foods	Dried mushrooms, vegetables, fruits	Dried shiitake
	Salted mushrooms, vegetables, fruits	Salted mushrooms
	Boiled or steamed mushrooms, vegetables, and beans; and sweet bean pastes	Boiled bamboo shoots, raw bean pastes
	Mixture of cut vegetables and fruits, mixture of vegetables, fruits, and mushrooms	Cut vegetable/fruit mix
	Konjac	Konjac bar, konjac ball

Source: Ministry of Agriculture, Forestry and Fisheries, Consumer Affairs Agency

Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of soft drinks in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components,

structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). If general names such as “vitamin” are labeled instead of describing the specific names of nutrients, ingredients must be labeled.

Components must be indicated in the following order and unit:

- ccc) Calories (kcal or kilocalories)
- ddd) Protein (g or grams)
- eee) Fat (g or grams)
- fff) Carbohydrate (g or grams)
- ggg) Sodium
- hhh) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

Labels for specified health foods or those for special dietary uses must follow the respective standards and be screened for approval.

Specific health foods consist of general and conditional specific health foods. Conditional specific health foods are foods verified to have certain effectiveness, but are not scientifically proven to have the effectiveness needed by the requirements for specific health foods. They are permitted to use the specific health food mark if they are stated as having been scientifically proven with limited evidence of the effects. The mark also differs from conventional specific health foods including low disease risk labeling or codes/standards labeling (Fig. 10-6).

Fig. 10-6: Specific health food marks

Mark	Category	Remarks
	Specific health food mark	Including low disease risk labeling or codes/standards labeling
	Conditional specific health food mark	Approved if verified to have certain effectiveness, but are not scientifically proven to have the effectiveness required by the requirements for specific health foods.

Source: Consumer Affairs Agency

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic health foods and dietary supplements, which include soft drinks, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark can be labeled as “organic” in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark (Fig. 10-7), to be permitted to have the organic labeling.

- o) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- p) Labelling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 10-7: JAS-certified organic mark**<Containers and packaging>**

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When the following two types of containers and packaging are used for cereals, either or both marks (Fig. 10-8) must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 10-8: Labels for promoting sorted collection

Plastic containers and packaging



Paper containers and packaging

<Description>

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint**<Japan Health Food and Nutrition Food Association certified mark>**

The Japan Health Food and Nutrition Food Association, an industrial health food organization, sets standards on safety, hygiene, and labeling for each item, and certifies health supplementary foods meeting these standards by granting labeling of the JHFA mark (Fig. 10-9).

Fig. 10-9: JHFA mark

Contact

Japan Health Food and Nutrition Food Association

TEL: +81-3-3268-3134

<http://www.jhnfa.org>

<Japan Propolis Conference>

The Japan Propolis Conference, comprised of companies manufacturing and selling propolis products, sets voluntary standards on quality and labeling, and grants labeling of the mark on the containers and packaging of products which have been certified as meeting its standards (Fig. 10-10).

The Conference only certifies propolis extracted by ethanol as a voluntary standard, and requires the labeling “Processed propolis food” for products containing over 8% standard propolis and “Food containing propolis” for products containing 1% or more but less than 8% propolis.

<Labeling details>

(1) Product name, (2) Ingredients, (3) Country of origin, (4) Content, (5) Weight, (6) How to use, (7) Using precautions, (8) “Best by” date for best quality, (9) Distributor, and (10) Manufacturer

Fig. 10-10: Japan Propolis Conference certificate of authorization



Contact:

Japan Propolis Conference

TEL: +81-3-3384-8964

<http://www.propolis.or.jp>

<Japan Royal Jelly Fair Trade Council>

The Japan Royal Jelly Fair Trade Council prescribes the Fair Competition Code for Royal Jelly Labeling, sets down provisions for labeling on containers and packaging, and grants the fair trade mark (Fig. 10-11) to the products of members certified as following its standards (raw royal jelly, dried royal jelly, and adjusted royal jelly)

<Labeling details>

(1) Product name, (2) Ingredients, (3) Content, (4) “Best by” date for best quality, (5) Preservation method, (6) Country of origin, and (7) Name and address of manufacturer

Fig. 10-11: Japan Royal Jelly Fair Trade Council fair trade mark



<Fair Competition Code for Royal Jelly Labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-7.pdf>

Contact:

Japan Royal Jelly Fair Trade Council

TEL: +81-3-3561-5556

<http://www.rjkoutori.or.jp/>

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on items that are imported as health food or dietary supplement products and vitamins, etc. for the purpose of nutrition support and enhancement are shown in Fig. 10-12.

In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the prior instruction system in which one can make inquiries and receive replies in person, in writing, or via e-mail.

Fig. 10-12: Tariff duties on health food or dietary supplements (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
21.04	20	-000	Homogenised composite food preparations	12.8%		12.0%	6.0%	Free
21.06	90		Food preparations not elsewhere specified or included					
	90	-251	Containing added sugar			(28.0%)		
		-259	1. Bases for beverage, containing Panax Ginseng or its extract			23.8%		Free
			- Those, the largest single ingredient of which is sugar by weight	12.5%				
			- Other					
		-261	2. Food supplement with a basis of vitamins			(12.5%)		
			- Those, the largest single ingredient of which is sugar by weight					
			- Containing lactose, milk protein or milk fat			(12.5%)		
			- Other			(12.5%)		
		-269	3. Other			(12.5%)		
			- Bases for beverage, non-alcoholic	12.0%		(12.0%)		Free
			- Containing Panax Ginseng or its extract					
			- Food supplement with a basis of vitamins					
29.36			Provitamins and vitamins, natural or reproduced by synthesis, derivatives thereof used primarily as vitamins, and intermixtures of the foregoing, whether or not in any solvent.					
	21	-000	Vitamins and their derivatives	Free		(Free)		
	22	-000	Vitamins A and their derivatives	Free		(Free)		
	23	-000	Vitamin B1 and its derivatives	Free		(Free)		
	24	-000	Vitamin B2 and its derivatives	Free		(Free)		
			D- or DL-Pantothenic acid (Vitamin B3 or Vitamin B5) and its derivatives	Free		(Free)		
	25	-000	Vitamin B6 and its derivatives	Free		(Free)		
	26	-000	Vitamin B12 and its derivatives	Free		(Free)		
	27	-000	Vitamin C and its derivatives	Free		(Free)		
	28	-000	Vitamin E and its derivatives	Free		(Free)		
	29	-000	Other vitamins and their derivatives	Free		(Free)		
30.03	90	-010	- Preparations with a basis of vitamins (bulk)	Free		(Free)		
30.04	50	-000	Preparations with a basis of vitamins, put up in forms or packings for retail sale	Free		(Free)		

Source: Ministry of Finance

Note 28) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 29) Special preferential rate is applicable only for the Least Developed Countries.

Note 30) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

$(\text{CIF} + \text{Tariff duties}) \times 5\%$

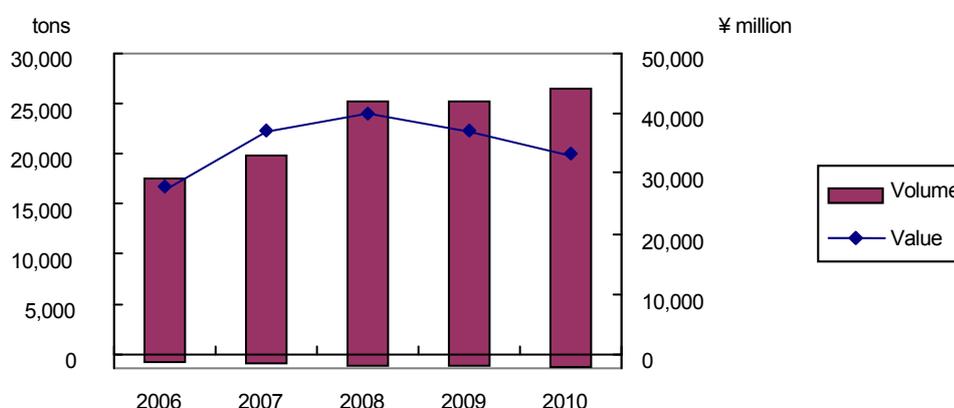
IV. Trade Trends

1. Changes in Imports

Imported health foods as commercialized products include homogenized composite food preparations, Asian ginseng extract, and vitamin/nutrition supplements, as illustrated in Fig. 10-14. Most of them are imported from the U.S. and the overall composition remains the same. There has been no significant change in recent years; growth remains steady.

On the other hand, vitamins are used for a variety of purposes which include use as a food additive to supplement and fortify the nutrition of general products. The import volume is increasing favorably: the total amount of imported vitamin powder in 2010 was 17,480 tons (107.9% vs. previous year). However, on a value basis, the total amount of imported vitamin powder decreased in 2010. The reason for the decrease is a fall in unit price due to price competition for end-products, among others.

Fig. 10-13: Change in health food / vitamin imports



Source: Trade Statistics (MOF)

Fig. 10-14: Change in health food / vitamin import by item

Units: volume = tons, value = ¥ million

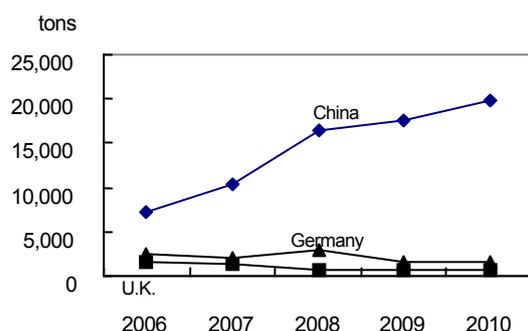
Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Homogenised composite food preparations	0	1	0	0	0	0	2	0	0	0
Panax Ginseng and its extract	1	1	0	0	0	2	2	0	0	0
Food supplement with a basis of vitamins	908	990	896	983	996	6,921	8,241	6,828	7,368	6,942
Total, vitamin powder	12,548	15,419	16,468	16,203	17,480	11,072	15,914	22,992	22,440	19,859
Vitamin A	85	91	73	49	57	394	413	382	314	302
Vitamin B ₁	321	262	291	339	267	757	723	832	911	643
Vitamin B ₂	246	239	195	177	189	1,050	1,718	1,749	1,144	1,177
Vitamin B ₃ / Vitamin B ₅	189	213	148	196	206	210	439	245	204	181
Vitamin B ₆	215	207	229	278	309	467	492	574	673	672
Vitamin B ₁₂	2,503	3,208	2,882	2,447	2,439	2,072	2,339	1,941	1,936	1,766
Vitamin C	6,460	8,957	10,533	9,877	11,443	3,745	7,420	13,029	11,911	10,148
Vitamin E	2,528	2,241	2,117	2,839	2,571	2,376	2,369	4,241	5,346	4,969
Total, vitamin preparations	4,027	3,468	7,922	7,917	8,046	9,894	13,179	10,143	7,380	6,460
Other vitamins	1,159	1,177	1,110	879	1,105	3,054	3,086	3,537	3,091	2,595
Vitamin preparations	2,868	2,292	6,813	7,038	6,940	6,840	10,093	6,606	4,288	3,865
Total	17,484	19,879	25,286	25,103	26,522	27,888	37,337	39,963	37,187	33,261

Source: Trade Statistics (MOF)

2. Regional breakdown

As for the breakdown by country of origin, China occupies an overwhelming share with 19,865 tons (112.8% vs. previous year) in 2010, and imports from Germany follows with 1,547 tons in 2010. However in general, imports from Germany have decreased substantially. As a result, Germany falls further behind China in terms of import volume.

Fig. 10-15 Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 10-16: Shares of imports in 2010 (value basis)

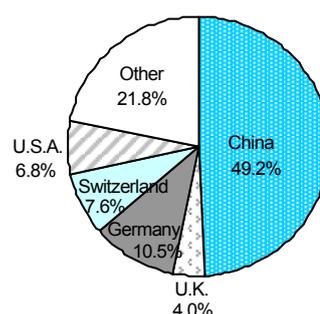


Fig. 10-17: Principal places of origin of vitamins

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
China	7,106	10,354	16,330	17,606	19,865	4,138	8,040	15,179	14,498	12,947
Germany	2,590	2,117	2,928	1,651	1,547	2,441	2,468	2,920	3,098	2,776
Switzerland	961	898	853	721	682	1,990	2,470	2,408	2,488	2,005
U.K.	1,573	1,284	705	710	581	1,306	1,406	1,177	1,332	1,050
U.S.A.	467	257	262	271	227	2,943	2,278	2,368	2,190	1,796
Other	3,879	3,976	3,311	3,160	2,624	8,147	12,431	9,083	6,212	5,744
Total	16,575	18,887	24,390	24,120	25,526	20,965	29,092	33,135	29,819	26,319

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

According to interviews with domestic sales companies, the share of health foods and dietary supplements imported from the U.S. and Europe is considered to be slightly over 10%, estimated from the sales results of Japanese subsidiaries and sales agents that are selling products in Japan.

4. Background of Changes in Volume of Imports and Other Trends

Many companies which are involved in the import and sales of health foods and dietary supplements use door-to-door sales (also called network sales, where products are sold to members), including Amway Japan and Neways Japan. Despite the rise of health consciousness, the expectation for sharp growth is minimal due to a decline in business confidence and other reasons. The total volume of imported vitamins increased slightly, to 26,522 tons (105.6% vs. previous year) in 2010.

V. Domestic Distribution

1. Trade Practice, Etc.

Sales of health foods and dietary supplements have 2 patterns: non-store retailing such as door-to-door sales and mail order sales, and store sales in pharmacies and drugstores. The share of non-store retailing is greater. While non-store retailing doesn't require intermediary distributors and their margins, products are sold through specialized intermediary medicine/health food distributors for store sales, where the intermediary distributors receive 20-30% of the sales value as their margins.

2. Domestic Market Situations

Japan has the longest life expectancy in the world. The percentage of seniors above 65 years old in the overall population is 23.1% (as of September 15, 2010, data published by Ministry of Internal Affairs and Communication). Due to the influence of the declining birthrate and aging population, the percentage is expected to rise in the future as well. As there are many seniors with lifestyle-related diseases such as hypertension, heart disease, diabetes and obesity, the demand for health food and supplements for health maintenance is increasing.

When dividing health foods and dietary supplements into smaller markets by indication and efficacy, the market for nutritious fortification and revitalization against fatigue is the largest, followed by the skin care market for women, and the market for lifestyle-related diseases. Since taking health foods and dietary supplements is already widespread in Japan, there has been no significant change; there is a trend that the market will expand for a product category where ingredients were featured in mass media or in an aggressive advertisement campaign. In recent years, expansion is seen in the health foods and dietary supplements markets for improving hepatic functions, where products with sesame extract are selling well, as well as for preventing lifestyle-related diseases, where products with DHA are selling well. On the other hand, the immunostimulator market is shrinking since the carcinogen of agaricus was pointed out by the Ministry of Health, Labor and Welfare in 2006 (later the Ministry announced that agaricus does not promote cancer). The etiquette market is also shrinking after the products with champignon (mushroom) extract was pointed out by the Fair Trade Commission as not having grounds for what the producers claim in the advertisement.

The majority of health foods and dietary supplements in the Japanese market are made in Japan. Import products are sold through the Japanese subsidiaries of international companies, and pharmaceutical companies with distributor contracts. The share of import products is considered to be over 10 %.

Major domestic producers of health foods and dietary supplements include DHC, FANCL, Kobayashi Pharmaceutical, Asahi Food and Healthcare, Otsuka Pharmaceutical, Amway Japan, Neways Japan, and Nu skin Japan. Otsuka Pharmaceutical imports and sells the "Nature Made" products of Pharmavite from the U.S.

Fig. 10-18: Size of the health food and dietary supplement market

Unit: ¥ million

Indication / efficacy	2006	2007	2008	2009	2010 forecast	Ratio
Nutritious fortification and revitalization	85,110	84,750	84,250	85,950	91,550	14.2%
Skin care	65,500	71,150	78,900	83,800	86,700	13.5%
Prevention of Lifestyle-related diseases	74,300	69,400	71,200	75,200	79,150	12.3%
Weight loss	83,200	74,700	70,800	70,250	72,400	11.2%
Multi-balance	77,950	76,350	70,550	65,500	64,500	10.0%
Eye-care	36,450	36,800	40,350	40,550	41,250	6.4%
Improvement of hepatic functions	28,700	29,700	33,250	36,400	37,450	5.8%
Bones & joints support	27,900	29,600	31,950	35,600	40,300	6.3%
Blood circulation promotion	36,600	35,300	33,750	32,850	32,000	5.0%
Other	112,570	108,850	105,150	102,450	99,200	15.4%
Total	628,280	616,600	620,150	628,550	644,500	100.0%

Source: 2011 H/B Food Marketing Handbook No. 2, Fuji Keizai

(1) Nutritious fortification and revitalization

Ingredients used	Asian ginseng, royal jelly, garlic, maca, soft-shell turtle, Japanese plum extract
------------------	--

The leading products are the ones which contain Asian ginseng, royal jelly, and others which supplement nutrition quickly to enable recovery from fatigue. In recent years, the positive effect of maca not only for men's invigoration but also for women's hormone imbalance and infertility are being recognized, and supplements using maca for menopausal symptoms, sensitivity to cold, and infertility are being sold, targeting women.

One of the main ingredients, royal jelly, is mostly imported from China, South Korea, Taiwan, and Thailand, among which more than 90% is from China. Most of maca distributed and sold in Japan is from Peru. However, it is believed that Bolivian maca is also used.

(2) Skin Care

Ingredients used	hyaluronic acid, collagen, vitamin C, astaxanthin, placenta
------------------	---

This is the market consisting of products which have positive effects against spots, freckles, wrinkles, acne, and skin irritation. The use of hyaluronic acid, collagen, and vitamin C are widespread and occupy more than 90% of this market. In recent years, products with astaxanthin, the use of which is becoming more popular for cosmetics, are increasing.

As for hyaluronic acid, reasonable materials from China are increasing. The demand for marine collagen (from tilapia, sea bream, salmon, Japanese sea perch, and catfish) is expanding.

(3) Prevention of lifestyle-related diseases

Ingredients used	black vinegar/flavored vinegar, DHA, coenzyme Q10, ginkgo leaf, leithitin
------------------	---

This is the market for products to prevent lifestyle-related diseases such as hypertension, diabetes, hyperlipidemia, and arterial sclerosis. Around 40% are occupied by products which contain traditional raw materials from Japan: black vinegar/flavored vinegar. Other products contain unsaturated fatty acid such as EPA, DHA,

γ -linolenic acid, and leithitin, as well as ginkgo leaf extract for their effect to prevent arterial sclerosis.

DHA, which is obtained from fish, originates from raw materials such as tuna, bonito, sardines, salmon roe, and mackerels. Many reasonable products of coenzyme Q10 obtained from sugar cane and sugar beets from China are also widely distributed.

(4) Weight loss

Ingredients used	calorie adjustment product, protein, garcinia cambogia, gymnemic acid
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In Japan, women have a strong desire to lose weight. Middle-aged men are starting to take interest in weight loss since a health examination to prevent and improve metabolic syndrome became obligatory in 2008, and abdominal girth became one of the criteria for the check-up. Calorie adjustment products include Sunny Health's "Microdiet", DHC's "Protein Diet", etc. which limits caloric intake.

In addition, the demand for protein is expanding among sports lovers. Garcinia cambogia, which extends the feeling of fullness, and gymnemic acid, which limits the intake of sugar, are also included in products in this category.

(5) Multi-balance

Ingredients used	vitamins, minerals
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Multi-balance products contain multiple essential vitamins and minerals. Complex type products such as Amway Japan's "Triple X" and Nu Skin Japan's "Lifepak", which provide both vitamins and minerals in one, occupy around 60% of the market. Others are products such as Neways Japan's "Maximol Solutions", which provides multiple essential amino acids, DHC's "Multivitamin", which provides only multiple vitamins and minerals, Otsuka Pharmaceutical's "Nature Made Multivitamin", and brewer's yeast.

(6) Eye-care

Ingredients used	blueberry, lutein
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The eye-care market is expanding to accommodate the needs to treat asthenopia caused by the use of office and home information appliances. Over 60% is occupied by products which contain blueberry and over 30% by lutein-containing products. Cassis-related products can be also found.

As for lutein, the raw material extracted from marigold is being sold. Cassis extract originates from Japan, as well as from materials imported from Scandinavia and New Zealand.

(7) Improvement of hepatic functions

Ingredients used	sesame extract, turmeric, oyster flesh extract, ornithine
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The market of products to improve hepatic functions consists primarily of products that are effective against hangover. In addition to fresh water clam extract, oyster flesh extract, and turmeric, the Suntory group is actively deploying "Sesamin E Plus", which contains sesame extract. Sesame-containing products occupy nearly 50% of this market. Since 2009, miso-soups and drinks containing ornithine are in sales. Products which contain ornithine, which are effective for hangover, are also increasing.

Apart from domestic produce, turmeric from China and India is also used as a raw material.

(8) Bone & joint support

Ingredients used	glucosamine, calcium
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As the number of senior citizens rises, the demand in bone & joint support market increases to prevent osteoporosis and arthralgia. In particular, glucosamine-containing products for arthralgia are already highly recognized due to the PR and advertising efforts of major manufacturers such the Suntory group, DHC, and Kobayashi Pharmaceutical, and occupy over 70% of this market. Their share is expanding in the market. Most of products containing devil's claw, which is said to be effective for arthritis, are mainly imported from the U.S. devil's claw powder as a raw material is imported from Peru and South Africa.

The raw material of glucosamine is extracted from either crustaceans such as crabs and shrimp, or vegetables such as corn. Reasonable raw materials from China and South Korea are increasing.

(9) Blood circulation promotion

Ingredients used	vitamin E
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People take products for blood circulation promotion to deal with sensitivity to cold temperatures, and to prevent artery sclerosis as well as aging. The market consists solely of vitamin E-containing products. However, products that use ingredients such as coenzyme Q10, lutein, and Astaxanthin that are purported to have similar effects are the center of focus now, and demand is shifting in that direction.

(10) Other

Fig. 10-19: Emphasized indications / efficacy and ingredients of other health foods and dietary supplements

Emphasized indications / efficacy	Ingredients
Immunostimulatory action	Propolis, agaricus, lingzhi mushroom, echinacea, β -carotene
Green charge	Chlorella, spirulina, vegetable tablets, green juice (kale)
Intestinal regulation	Prune, lactobacillus, alimentary fiber, aloe
Hormone balance	Saw palmetto, soy isoflavone, pomegranates, and kwao krua
Etiquette	Plant extract, champignon extract
Prevention/improvement of anemia	Nonheme iron, heme iron
Relaxation	St. John's wort, valerian, gyaba

Source: 2011 H/B Food Marketing Handbook No. 2, Fuji Keizai

The market of immunostimulators consists of products aiming to improve natural healing ability. The products are taken to prevent tumors and to improve the immune system. The main ingredient, agaricus, suffered from reduced trust and sales between 2005 and 2006 because of media coverage on the violation of the Pharmaceutical Law and on carcinogens, but the decrease in demand stopped when the final report on the safety

was published by the Ministry of Health, Labor and Welfare in 2009. In recent years, products for pollen allergy, a type of allergy disease of which the number of patients is increasing, is on the rise. Propolis-containing products amount to a little less than 50% of this market, followed by products with agaricus and lingzhi mushroom. Other products for pollen allergy include products with lactobacillus and herb material. Most propolis used in products is imported, especially from Brazil. Apart from agaricus from Japan, it is imported also from Brazil, China, and the U.S.

The so-called “green charge” is the range of products which replace the intake of vegetables. The majority is occupied by products containing chlorella and spirulina. “Vegetable tablets” use multiple vegetables as the raw material, and products which contain green juice (kale) are dominated by soluble powder and frozen drinks to be thawed.

As products with intestinal regulation effect are meant to treat constipation and prevent skin trouble, the demand from women is high. As the intake of yogurt, which has similar effects, is common, the share of products containing lactobacillus only amounts to a little more than 20%. Prune-containing products are the main products, which occupy 60% of this market.

As for products to improve symptoms caused by hormone imbalance, saw palmetto-containing products are sold for men, and products containing soy isoflavone, pomegranates, and kwao krua are sold for women.

Etiquette products include ones which deal with mouth and body odor. In 2009, the Fair Trade Commission banned the sales of that champignon (mushroom) extract containing products to respective companies for not having the effect which is displayed on packages, catalogs, and advertisements. As a result, the sales have decreased. The majority of products are in the form of chewing gum, gummy candy, and film rather than tablets. Products contain ingredients such as rose extract from Damascus rose, champignon extract from natural mushrooms, and extract of parsley and sunflower.

Products to prevent and improve anemia include products which contain nonheme iron with plant iron, and ones with heme iron with animal iron. More than 80% are supplements for younger women who tend to have iron deficiency.

The mainstream of products for stress relief and relaxation consists of products with herb extract such as extract of St. John’s wort and valerian.

<Food emphasizing health>

In addition to the above-mentioned health foods and dietary supplements, there are other drinks, snacks, yogurt, and jelly sold in the market which can provide healthy elements handily with these ingredients. They are easier to take than supplements, and many products contain healthy ingredients in order to differentiate from other products.

3. Distribution Channels

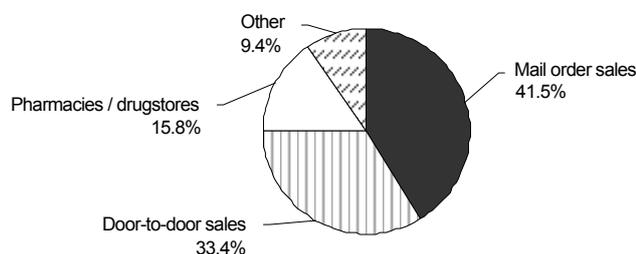
The distribution channels of health foods and dietary supplements are illustrated in Fig. 10-21. There are 2 patterns for supplements produced overseas; where up to packaging for Japan is done in the country of production, and another where only packaging is done in Japan. Usually, they are sold to consumers or wholesalers through Japanese subsidiaries or sales distributors.

As for the sales channel of health foods and dietary supplements, since the need for products varies depending on the individual situation, the main channel is mail order, where selection from a wide range of products is available. Mail order sales also have many repeat customers. Its share among different channels is expanding. As door-to-door sales, where a salesperson visits the consumer’s house (also called network sales, where products are sold to members), also enables consumers to choose according to individual situation, its share is second to mail order. In the actual stores, a good selection of products can be found in pharmacies and drugstores, thus these are the main channels. In mass retailers and convenience stores, selling spaces are smaller in comparison to pharmacies and drugstores, and so the selection of products is focused mainly on best-selling products. Especially in convenience stores, products which are judged as slow movers will be taken out of the store often, thus producers are not putting much effort into them.

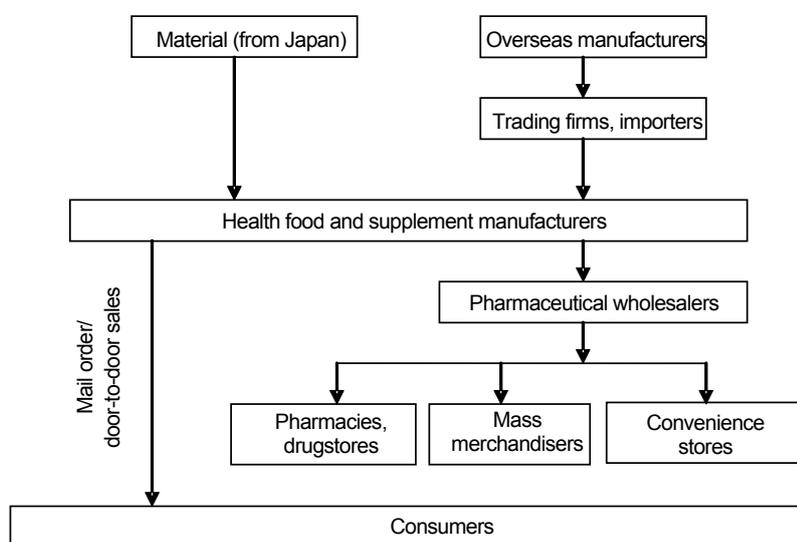
Fig. 10-20: Sales ratio for distribution channels for health foods and dietary supplements (2009)

Unit: ¥ million

Distribution channels	Sales	Ratio
Mail order sales	260,850	41.5%
Door-to-door sales	209,760	33.4%
Pharmacies / drugstores	99,070	15.8%
Mass merchandisers	9,330	1.5%
Convenience stores	12,290	2.0%
Other	37,250	5.9%
Total	628,550	100.0%



Source: 2011 H/B Food Marketing Handbook No. 2, Fuji Keizai

Fig. 10-21: Distribution channels for health foods and dietary supplements

Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

Exporting health foods and dietary supplements to Japan is handled the same as the export of food products. Therefore, it is necessary to confirm that all ingredients including additives comply with the Japanese Food Sanitation Act. Since they are not medicines, it is forbidden to have markings regarding indication and efficacy, as well as using expressions which imply indication and efficacy.

When exporting health foods and dietary supplements, similar to the case of processed food, when pesticide residue is found, the product can be banned from entering the country. When the Japanese company which sells the final product is suspected of violation of the Pharmaceutical Affairs Act, trustworthiness of the actual efficacy, or for containing carcinogens, sudden cancellation of production and sales can occur.

<Exhibitions>

The Tokyo Health Industry Show, which will be held for the 29th time in 2011, can be referred to as the exhibition for health foods and dietary supplements. This exhibition is organized by UBM Media Co. Ltd. The exhibition is divided into following sections: health foods / raw material for cosmetics / OEM, health foods, organic & natural, wellness, health & beauty. Health foods and supplements are displayed in the health foods section.

Fig. 10-22: Exhibitions for health foods and dietary supplements

Overall food products	Tokyo Health Industry Show	
	http://www.this.ne.jp	TEL: +81-3-5296-1025
	HFE JAPAN (Health Food Exposition & Conference)	
	http://www.ifajapan.com/2011/jp	TEL: +81-3-6459-0444
	Diet & Beauty Fair	
	http://www.dietandbeauty.jp/ja	TEL. 3-5296-1013

5. Failure Cases

<Violation of Food Sanitation Act>

In 2008, it was suspected that a raw material for health foods imported from the U.S. by a major food producer had been exposed to gamma rays, which is banned in principle by the Food Sanitation Act. Although it was picowaved for disinfection and the amount of gamma ray was within the standard set by the FAO, the use of gamma ray is not permitted in Japan. Related products became the target of a voluntary product recall.

<Suspected carcinogenicity>

In 2006, the Ministry of Health, Labor and Welfare (MHLW) ordered several manufacturers to voluntarily halt sales and recall products as “a health foods product, from a certain manufacturer which uses agaricus as the raw material, was proven in animal testing to have the effect of promoting carcinogens”. All related products were all banned from sales. Because other similar products suffered from negative rumors, the market shrunk significantly. However, in 2009, the MHLW announced that “agaricus itself was not the problem, but the individual product”. This announcement was considered practically as a declaration of safety.

<Violation of Act against Unjustifiable Premiums and Misleading Representations>

In 2009, the Fair Trade Commission pinpointed 7 companies selling products containing champignon (mushroom) extract for “not having rational grounds to prevent mouth or body odor” as displayed on the product packages, catalogues, and advertisements and ordered sales to be halted. Therefore, all respective products were banned from sales. The entire market is shrinking.

6. Import Associations & Related Organizations

Fig. 10-23: Health foods and supplements importer associations & related organizations]

Japan Health Food & Nutrition Food Association	http://www.jhnfa.org	TEL: +81-3-3268-3134
The Japanese Institute for Health Food Standards	http://www.jihfs.jp	TEL: +81-3-5803-1565
Japan Health Food & Nutrition Food Association	http://www.jhnfa.org	TEL: +81-3-3268-3131
Japan Propolis Conference	http://www.propolis.or.jp	TEL: +81-3-3384-8964