

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Wine Annual

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Report Highlights:

Total imports of bottled wine in CY 2009 increased 7.6 percent to 1.27 million hectoliters from 1.19 million hectoliters imported in CY 2008. The total value of imported bottles in CY 2009 decreased by 13.2 percent to \$766.8 million from \$883.1 million in the previous year. In 2009, the United States held a 6.7 percent share of the \$783 million imported bottled wine market.

Executive Summary:

- Total imports of bottled wine in CY 2009 increased 7.6 percent to 1.27 million hectoliters from 1.19 million hectoliters imported in CY 2008.
- Volumes of imported wine from the United States increased 4.6 percent in CY 2009 to 81 thousand hectoliters for a 6.3 percent share of the imported bottled wine market.
- In an effort to extract more value per liter, U.S. traders are working to ship more bottles for the 1000 – 1500 yen (\$11.23 – 16.85) price category
- France's share of the imported bottled wine market fell below 40 percent in CY 2009 with 2.5 percent volume decrease to 487 thousand hectoliters
- Import volumes from Spain increased by 39.6 percent in CY 2009 due to an increased number of Spanish restaurants in Japan.
- Imports of Chilean wine increased by 30.8 percent in CY 2009 due to the implementation of the Chile - Japan Free Trade Agreement which will reduce duties on Chilean wine to zero over the next twelve years
- While total sparkling wine import volumes declined 10.9 percent in CY 2009, import volumes of U.S. sparkling wine increased 11.4 percent in the same period
- Retailers are seeking to procure wine through more direct channels on an increasing basis in an effort to increase margins

The overall wine market

Total imports of bottled wine in CY 2009 increased 7.6 percent to 1.27 million hectoliters from 1.19 million hectoliters imported in CY 2008. The total value of imported bottles in CY 2009 decreased by 13.2 percent to \$766.8 million from \$883.1 million in the previous year. Growth in imported volume is attributed to increased off-premise consumption and consumption in inexpensive restaurants. Total bottled import volumes from France decreased 2.5 percent while total volumes from Italy and the United States increased 3.5 percent and 4.6 percent respectively. Average lower prices for imported bottled wine are attributed to lower consumption of premium wine due to continuing economic recession. However, market share of bottles priced 1000 – 1500 yen (\$11.23 – 16.85) continues to slowly increase.

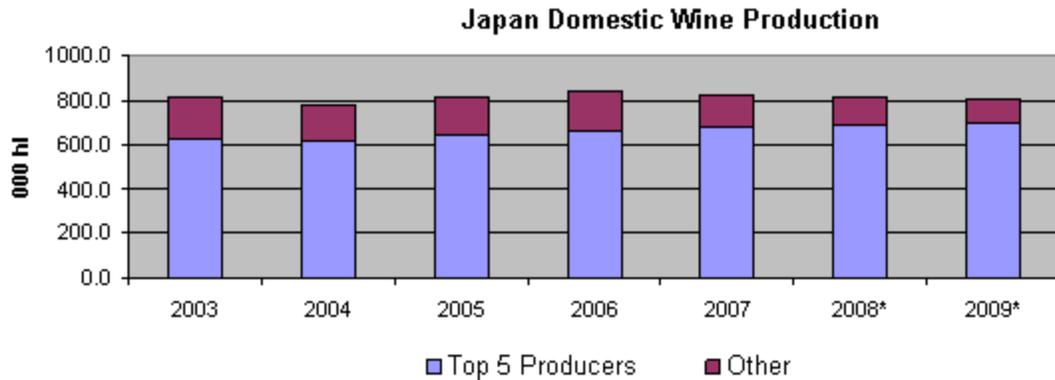
Commodities:

Wine

Production:

Domestic wines maintain a significant presence in the market through wide availability and targeting the low price segment (below 700 yen, US\$7.86). Competition in the under 1000 yen (US\$11.23) segment has intensified with average unit costs of imported wine having dropped in 2009. The average import price-per-liter of bottled wine from Chile, Spain and South Africa were all under US \$4 and under US \$5 for Australian and Italian wines. The average imported unit price of wine from the United States in CY 2009 was US\$6.41.

The domestic industry is concentrated around five major producers which account for approximately 80 percent of all wine production in Japan. While there are well over 100 wineries in Japan, three-quarters produce less than one-thousand hectoliters on an annual basis. Total domestic production totaled an estimated 800 thousand hectoliters in 2009.



Source: National Tax Agency
*estimates

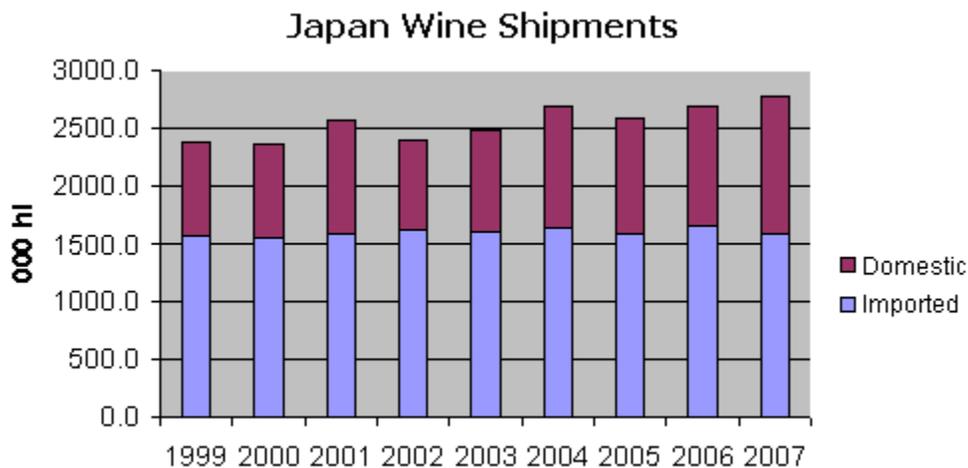
It is interesting to note that while domestically produced volumes appear to be significant, an estimated 75 percent are produced with imported ingredients. Bulk wine is imported from major suppliers, namely France and the United States, to blend with Japanese product and bottled for sale at retail. This is an increase from five years earlier when imported wine accounted for 70 percent of Japanese production.

Consumption:

Wine Market Overview

Historical Consumption

With several decades of steady expansion, the Japanese wine market has experienced multiple surges in consumption. Two of the most significant booms involved Beaujolais Nouveau in the late 1980's and a boom in red wine in 1997 and 1998. The Beaujolais brand is now strongly established among consumers with imports having peaked at 1 million cases in 2004. A major boom in imported red wine occurred in 1998 following a series of studies linking health benefits to consumption. Excessive inventories led to a subsequent bust which bottomed out in 2005.



Source: National Tax Agency

Note: Based on tax volumes which differ from import volumes

Demographics

In Japan wine consumption occurs more among women than men. Wine drinkers can be found among women of all ages, but consumption among men declines significantly for men over the age of 50, who prefer Japan's more traditional alcoholic beverages.

Preferences for wine also vary with location. Most of the wine consumption occurs in urban areas with more than 60 percent of premium wines consumed in the greater Tokyo area alone. In rural areas, a greater share of alcoholic beverage consumption is made up of more traditional drinks such as shochu, sake and beer. Historically, inexpensive domestic bottled wine was popular in rural areas but wine markets throughout Japan continue to become more sophisticated. Therefore, the cultivation of markets outside of Tokyo is important to the expansion of the wine trade.

Prices

The average price per liter of imported bottled wine has declined approximately 19 percent in CY 2009. Consumers are shifting from premium wines toward the mid-range category from on-premise to off-premise consumption, and towards greater consumption of inexpensive wines in *izakaya* restaurants. Currently, on-premise and off-premise wine consumption accounts for approximately 40 percent and 60 percent of the total respectively.

Japanese imported wine traders expect a continuing gradual shift from very inexpensive wines (below 1,000 yen, \$11.23) to mid-range wines (1,000 – 1,500 yen, \$11.23 – \$16.85) as more consumers become knowledgeable and interested.

Trade:

Competition among exporting countries

The Japanese wine market continues to be very competitive. Although 45 countries supply wine to Japan, seven countries account for 95 percent of the imported volume. Imports of wine from France,

Italy and the United States were relatively steady in CY 2009 while imports of new world wine increased considerably as suppliers such as Chile, Spain, Australia and South Africa showed double digit increases. In particular, import volumes from Spain increased by 39.6 percent due to an increased number of Spanish restaurants in Japan. In addition, imports of Chilean wine increased by 30.8 percent due to the implementation of the Chile - Japan Free Trade Agreement.

Imported Wine

Total CY 2009 still wine imports totaled 1.6 million hectoliters valued at \$ 804 million. Imported wine accounts for an estimated 60 percent of all wine consumed in Japan. In addition to consumed bottled wine, the majority of raw material for domestic production is imported bulk wine. Bottled wines represent approximately 75 percent of imported wine value and 65 percent of volume. The following discussion focuses primarily on bottled wine as it makes up the majority of the trade.

United States

In 2009, the United States held a 6.7 percent share of the \$783 million imported bottled wine market. This is a decrease from the 6.9 percent share in 2008 and the 7.2 percent share in 2007.

The majority of imported wines from the United States are sold at a price-point in the 700 – 1000 yen (\$7.86 - \$11.23) range. The United States faces significant competition in this segment from Chile.

Much of the decline in U.S. share is due to an increase of Chilean due to the Japan – Chile free trade agreement. In an effort to gain more value value per liter, U.S. traders are shifting more to U.S. wines in the 1000 – 1500 (\$11.23 – \$16.85) retail price range. While U.S. wines typically face competition from French and Italian wines in this price range, it is perceived to be a favorable opportunity.

Much like in the United States, American wines in Japan are identified by state or region which allows traders to work with the regional perceptions for marketing. California has established an image as one of the best new world wine regions supplying Japan. The “Napa” name carries well with Japanese consumers and it is now associated with a high quality wine in the same fashion that “Bordeaux” is with French wine. “Napa” is also easy for Japanese consumers to remember opposed to names of French or Italian regions. The more than 100 California restaurants in the Tokyo area support brand building and sales by increasing awareness of the region’s wines. Currently, several California brands are distributed by Japanese liquor companies, including *Robert Mondavi, Franzia, Markham, Raymond, Beringer, River Crest* and *Carlo Rossi*.

Washington State also supplies to Japan and is establishing a presence on many wine lists in hotels and restaurants in Tokyo. Some of the major importers who sell Washington wines are promoting regions such as *Columbia Valley* and *Walla Walla* in categorizing products. In Japan, available Washington brands include *Columbia Crest, Abeja,* and *Camille*. The price-competitiveness of Washington wines may be an issue as most are sold for over 1000 yen (\$11.23). A parallel can be drawn between Washington and New Zealand; both are located near a major supplying region (California, Australia) and the establishment of one very successful brand may establish the industry as a whole, such as New Zealand’s Marlborough Sauvignon.

In addition to California and Washington, Oregon wine can be found through multiple Japanese importers. There is a great opportunity to establish Oregon wine if quality bottles can be supplied for a competitive price. Promoted regions for Oregon wine production include the *Columbia*, *Willamette* and *Applegate Valley* regions. Oregon has the potential to build an image of family-based, small scale wine producing image, which has the potential for success in Japan.

France

While France carries the strongest image for wine in Japan, market share continues to decline due primarily to competition from new world wines. While import volumes of French wines declined only 2.5 percent in CY 2009, the total value of French wine declined 18.5 percent. Much of this may be attributed to cautious consumer spending which reduced demand for premium French wine in both the retail and HRI sectors. The share of imported wine from France fell below 40 percent in terms of volume in 2009 and to 55.2 percent in terms of value, a considerable drop from the 60 percent share held in 2007.

Italy

Imports from Italy remained relatively stable in CY 2009. While there was a decline in unit and overall value it was on par with the imported wine market total, and Italy was the only old world supplier to show a volume increase in Japan with 3.5 percent in CY 2009. The quantity share of wine imported from Italy declined only slightly to 18.4 percent and value held relatively steady at 14.9 percent.

Continued stronger enforcement of alcohol and driving laws is expected have an adverse effect on demand for Italian wine, sales of which are relatively dependent on the foodservice sector.

Chile

Japan imports of Chilean wines increased significantly in CY 2009 with volume and value increases of 31 and 21 percent respectively. Much of the marketing of Chilean wines in Japan benefits from trader interests in the Japan – Chile FTA agreement which will gradually lower import duties on wine from the standard 15 percent to zero over the next 12 years. While Chile's image as a supplier of wine is relatively new to Japan, it is strengthened by a positive image of Chile as a food supplier through Japanese imports of Chilean seafood, meat and produce. With these advantages, Chile strongly competes in the lower price segments (500 – 1000 yen, \$5.60 - \$11.23) and has established a presence in Japan's inexpensive *izakaya* restaurants. Wine journalists in Japan have noted that Chilean wine is perceived to have less oak and less acidity which is favorable to Japanese consumers. Chilean wine is less competitive in higher price segments.

Spain

The volume of imported wine from Spain in CY 2009 increased 39.6 percent while total value increased 8.0 percent. Spanish wine currently benefits from a boom in the number of Spanish restaurants in Japan. However, unit values of Spanish wine are declining due to sales of lower priced Spanish wine in supermarkets and *izakaya* restaurants. Spain's share of Japan's total import wine market increased to

9.7 percent and 5.0 percent by volume and value respectively. Traders do not perceive the restaurant and related wine boom to be sustainable as new food trend will attract consumers' interest.

Germany

Imports of German wine continued their decline in CY 2009 with a 13.4 percent drop in volume and a 17.6 percent decline in value. This marks an 83 percent decline in imports of German wine from the 1998 peak. Much of the reason for the decline is a taste that is too sweet for Japanese consumers.

Australia

Japan imports of Australian wine increased moderately in volume to 83 thousand hectoliters and decreased moderately in value in CY 2009 to \$33.5 million. This suggests greater sales of lower priced Australian bottles both on and off premise.

South Africa

While volumes are still small, Japan imports of South African wine increased nearly 40 percent in CY 2009. Much of the increase is attributed to interest in South African products due to the soccer World Cup in 2010. The wine trade has indicated a belief that growth in inventories of South African wine will lead to a decline in import volumes in the near future.

Policy:

Legal Regulations Related to the Wine Trade

1. Food Sanitation Law requirements

Under the Food Sanitation Law, the Japanese Ministry of Health, Labor and Welfare (MHLW) outlines the permissible quantities of wine coloring agents and preservatives used as additives. All wines

imported as gifts or for sale and other commercial purposes are subject to the Food Sanitation Law. Import notification is required. Importers must submit a “Notification Form for Importation of Foods, etc.” to the quarantine station with jurisdiction over the port of entry. Depending on the content of this notification form and the import history of the wine, inspection may be required.

2. Labeling requirements

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

16: Labeling Requirements For Wine		
Label Item	Requirement	Name of Statute*
Product Name	Wine, fruit wine, or sweetened fruit wine	FSL
Food Additives	Name of substance (and usage category) of anti-oxidants or synthetic preservatives, etc. Genetically modified substances must be identified.	FSL
Alcohol Content	Label must list the ethyl alcohol content at 15°C as a percentage of total volume rounded to the nearest percentage point. (Example: "14%" or "Over 14% and less than 15%")	LBA/MSR/LT
Container Volume	Listed in milliliters (<i>ml</i>) or liters (<i>l</i>)	LBA/MSR/LT, ML
Type	Sparkling wine labels must state, "Contains carbonation," or, "carbon dioxide gas mixture."	LBA/MSR/LT
Country of Origin	The country of origin	AUPRMR
Name and Address of Importer and Distributor	Wines must list the name and address of the importer and distributor	FSL, LBA/MSR/LT
Destination	Label must list the destination after removal from the bonded area or the location of the bottler or packager. However, a symbol may be used with the permission of the Ministry of	LBA/MSR/LT

	Finance	
Other Requirements	(1) Blends of imported and domestic wine	Voluntary industry standard
	Wines made from mixtures of domestic and imported wines must list the wines in order of quantity. For example, "Made from domestic and imported wine."	
Other Requirements	(2) Geographic labeling	Labeling standard based on LBA/MSR/LT and ML
	Geographic brand names such as Bordeaux and Chablis, whose product quality and reputation fundamentally arise from place of origin, can only be used on products that actually originate from the said region.	
Labeling Requirements For Wine: Other Requirements Continued		
Label Item	Requirement	Name of Statute*
	(3) Labeling to prevent consumption by minors	Labeling standard based on t LBA/MSR/LT and ML
	All liquor containers must clearly state that "Consumption of alcohol by minors is prohibited," or "Alcohol may only be consumed by those who are 20 years or older."	
Other Requirements	(4) Promotion of recycling of liquor containers	Law for Promotion of Utilization of Recycled Resources
	Products packed in steel cans, aluminum cans, and PET bottles must have a mark on the container identifying the packaging material type.	
	(5) Warning of risks to pregnant and breast-feeding women	Voluntary Industry Standard
Pregnant and nursing mothers are advised that consumption of alcohol may adversely affect their infant's health. For example, "Drinking alcohol while pregnant or breast-feeding may harm the fetus or infant."		
* · Food Sanitation Law: FSL (http://www.jetro.go.jp/en/market/regulations/pdf/food-e.pdf)		
· Measurement Law: ML (http://www.jetro.go.jp/en/market/regulations/pdf/keiryo2003jan-e.pdf)		

·Law Concerning Liquor Business Association and Measures for Securing Revenue from Liquor Tax:		
LBA/MSR/LT		
· Act against Unjustifiable Premiums and Misleading Representation: AUPRMR		
Source: JETRO Marketing Guidebook for Major Imported Products 2004/Food		

3. Requirements under the new packaging recycling law

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

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

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

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

4. Tariff and tax

WTO Uruguay Round tariff reductions

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

Note that Chilean wine is imported under an agreement that is gradually reducing tariffs on agriculture and food imports from that country.

Tariff Rates on Wine (as of January 2009)

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

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

Liquor Tax Law regulations

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

Tax rate on wine after the tax increase

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

Marketing: Distribution Channels

Approximately 60 percent of wine consumed in Japan is distributed through retail, and the remainder through on-premise channels including bars and restaurants. Traders expect more of the volume growth in the wine market to occur off-premise as more consumers purchase wine for home consumption.

Consumers of mid-range and premium wine (above 1000 yen, \$11.23) are becoming more knowledgeable and placing more importance on distribution practices as purchasing criteria. There is an increase in demand for wine shipped at cool temperatures, which can raise shipping costs up to 50 percent. The United States holds a unique advantage in this regard as U.S. shipments do not cross the equator, unlike Chilean, Australian and South African shipments which are more likely to require chilled shipping.

Retail

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

Recently distributors have been more aggressive in seeking ways to increase margins. While the major wine distributors have previously purchased from various specialty importers, they are finding it more profitable to send buyers to wine producing regions and import and distribute directly to retail shops.

Import Wine Shops

The number of import wine specialty shops in Japan has grown over the last decade having started with the expatriate community in Tokyo. Most are located in the upscale areas of urban areas and have staff who are increasingly knowledgeable about wine and are educating their customers about wine types, consumption and storage practices.

Supermarkets

Supermarkets are allotting an increasing amount of shelf space for wine and are projected to increase wine sales. The majority of bottles sold in supermarkets are in the 700 – 1000 yen (\$7.86 - \$11.23) or 1000 – 2000 (\$11.23 – \$22.47) ranges with limited shipments of more expensive bottles. In terms of future sales, traders are optimistic about supermarkets as this is the only channel to offer convenience in terms of overall product selection, convenient locations and a full wine selection.

Convenience Stores

Most convenience stores carry a selection of very inexpensive domestic wines (fewer than 700 yen, \$7.86) and mid range imported wines (1000 – 1500 yen, \$11.23 - \$16.85). Convenience stores carry wines from most major supplying countries.

Bulk Suppliers

Costco wholesale supermarket has been mentioned by traders as possibly having an influence on market prices and related consumer perceptions. With nine locations in Japan, Costco trades the volume of wine necessary to profit from selling some imported bottles at a steep discount, sometimes under 500 yen (\$5.49) per 750ml bottle. Some traders note that this may change price perceptions held by some consumers regarding wine as well as other food products.

Another outlet able to offer steep discounts on imported wine is Yamaya, a liquor store chain with over 200 locations nationwide. Yamaya sells imported and domestic wine, beer and spirits at a discount. Yamaya may also have an effect on price point perceptions, but it may also be an opportunity to build exports of higher quality Washington and California wines at competitive retail prices.

Packaging

The standard package for domestic and imported wine is the 750ml glass bottle. Consumers are slowly accepting screw caps on quality wines. In general, consumers under 35 years of age fully accept screw caps whereas older consumers have a strong association between corked wine and quality.

In addition to 750ml bottles, there have been other package types, but most have encountered limited success.

Quantities of *bag-in-box* wine have increased with *by-the-glass* type consumption in both on-premise and off-premise markets. With boxed wine, lower end restaurants can offer consumers single glasses, and consumers demonstrate greater willingness to store a tapped box than a partially empty 750ml bottle in a home refrigerator. Retail prices for a 5L box range from 3000 – 3500 yen (\$33.70 – \$39.32). Leading brands include *Almaden* (California), *Franzia* (California), *Trivento* (Argentina) and *Pays d'Oc* (France).

There has been some volume of imported wine sold in one-half (375ml) and one-quarter (187.5 ml) sized bottles. These options initially met some success as Japanese consumers were neither comfortable with finishing a 750ml bottle nor storing the remainder. Recently, consumers know more about storing practices and are comfortable with the 750 ml bottle.

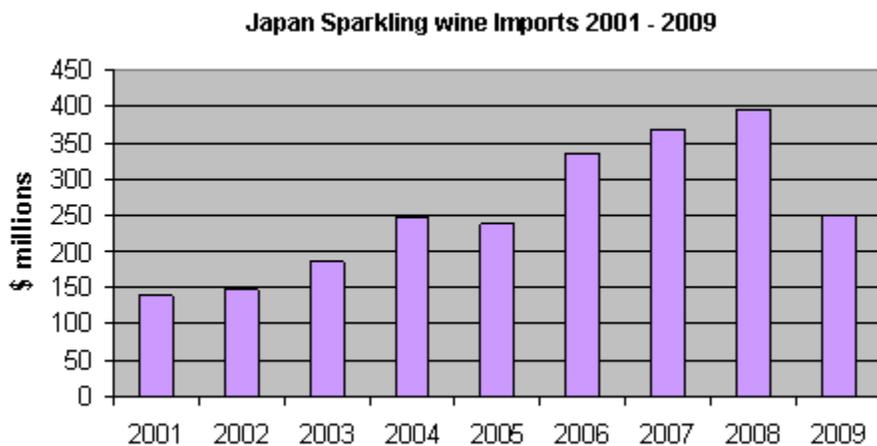
Australian brand *Barokes* sells 250 ml cans of wine in Japan. The campaign has been met with very limited success due to perceptions associated with canned beverages.

Other Types

Sparkling

Japan's value of imported sparkling wine declined 36.7 percent in CY 2009 after relatively consistent growth over much of the last decade. Consumption of sparkling wine increased due to relatively cheap unit prices (as compared to Japanese sake and imported spirits), low alcohol levels and drinkability. It is perceived that the decline of CY 2009 imports in was due to the high inventory levels from a 67 percent increase in imports over the last three years.

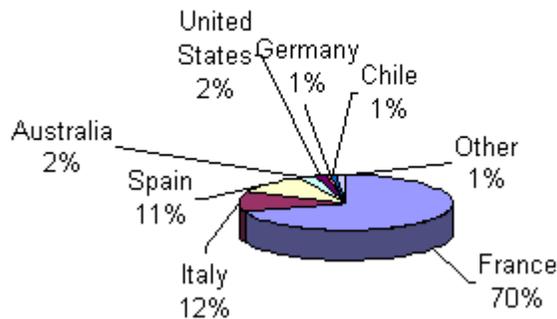
While sparkling wine was previously consumed on only special occasions and holidays, the market has expanded to regular consumption, especially among women.



Source: Japan Customs

The majority of Japan's imported sparkling wine is supplied by France which holds a 36.8 percent volume market share nearly a 69.7 percent value market share. However, the volume and value of French imports saw a CY 2009 decline of 26.6 percent and 44.7 percent respectively. This illustrates a decline in imports of premium sparkling wine and champagne, much of which is consumed in the on-premise market affected by the ongoing recession. The quantity of imported sparkling wine from Chile more than tripled, but volumes are still low with CY 2009 totals below four thousand hectoliters. From the United States, Japan imported 11,400 hectoliters in CY 2009 valued at \$4.8 million. Other major suppliers include Italy, Spain and Australia.

Japan sparkling wine import value



Total: \$250.6 million

Source: Japan Customs

Although import volumes have declined in 2009, traders indicate optimism in long term growth.

Fortified Wines

Japan imports a small amount of Sherry and Port primarily from Portugal and Spain; imports from the two countries account for approximately 85 percent of the market in both volume and value. Fortified wine import values declined 15.3 percent in CY 2009 to 6.6 million dollars from 7.8 million one year earlier.

Organic Wine

Japanese consumers are among the most health conscious in the world and have shown an interest in organic wine. The first organic wine shop opened in Tokyo in 1998 and other outlets selling organic wine have opened since. Approximately three-quarters percent of imported organic wine is supplied by France with most of the remainder from other European producers. Organic wine is priced at a premium like many organic foods with 750ml bottles starting at 1500 yen (\$16.85).

American organic wine has not yet been successful in Japan due to different organic standards and labeling. Foods and beverages must meet the requirements of the Japan Agricultural Standards (JAS) law to be certified as organic in Japan. U.S. producers can arrange to be certified in the United States under the USDA's organic program, which is recognized by JAS. However, US regulation stipulates that in order to label wine as "100% Organic", it must be produced using 100% organic ingredients and processed using 100% organically produced processing aids. If the wine is simply produced with "organically grown grapes" it must be labeled as such and not "100% Organic". For marketing in Japan, this is a significant difference, and traders cannot draw the organic premium or sell as "100% Organic" unless the product can be such labeled.

More information is available from the USDA website:

Production, Supply and Demand Data Statistics:

Table 1: Wine imports by type

Volume (000 hectoliters)				
	2007	2008	2009	2009/2008 % Change
Bottled Wine	1,310.0	1,273.4	1371.1	7.6
HS220421020 (2L or less)	1,191.0	1,189.4	1,277.9	7.4
HS220429010 (2L to 150L)	119.0	83.9	92.6	10.3
Sparkling Wine	207.1	230.4	205.3	-10.9
HS220410000				
Wine Coolers	35.0	30.1	29.3	-2.5
HS220600221				
Bulk Wine	140.7	205.9	224.5	9.0
HS220429090 (>150L)				

Grape Must	77.8	80.4	71.1	-11.6
HS220430191 (1%+ alcohol, <10% sucrose by weight)	0.0	0.0	0.0	
HS220430200 (1%+ alcohol - other)	77.8	80.4	71.1	-11.6
Vermouth	21.3	22.9	23.4	0.2
HS220510000 (2L or less)	20.9	22.1	23.3	5.1
HS220590200 (1%+ alcohol)	0.4	0.8	0.1	-81.1
Sherry/Fortified Wine	9.0	7.9	7.2	-9.3
HS220421010				

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

Table 1: Continued

Value (US\$ mill)				
	2007	2008	2009	2009/2008 % Change
Bottled Wine	855.2	899.0	783.1	-87.1
HS220421020 (2L or less)	836.5	883.1	766.8	-13.2
HS220429010 (2L to 150L)	18.6	15.8	16.3	3.2
Sparkling Wine	367.9	396.0	250.7	-36.7
HS220410000				
Wine Coolers	20.2	18.4	14.8	-19.4
HS220600221				
Bulk Wine	13.1	19.8	21.8	10.4
HS220429090 (>150L)				
Grape Must	16.5	18.3	18.7	2.6
HS220430191 (1%+ abv, <10% sucrose by weight)	0.0	0.0	0.0	0.0
HS220430200 (1%+ abv - other)	16.5	18.3	18.7	2.6

Vermouth	7.1	7.1	8.5	
HS220510000 (2L or less)	7.0	8.3	8.5	2.6
HS220590200 (1%+ alcohol)	0.1	0.1	<0.1	-80.1
Sherry/Fortified Wine	8.0	7.8	6.6	-15.2
HS220421010				

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

Table 2: Bottled Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Volume	Share (%)	
1	France	525.9	499.8	487.0	38.1	-2.5
2	Italy	227.1	228.0	236.2	18.4	3.6
3	Chile	105.2	132.9	173.8	13.6	30.8
4	Spain	82.4	88.1	123.0	9.6	39.6
5	Australia	72.4	73.5	83.8	6.6	14.0
6	United States	99.8	77.4	81.0	6.3	4.6
7	Germany	36.0	34.4	29.8	2.3	-13.4
8	South Africa	12.1	14.9	22.1	1.7	47.9
9	Argentina	13.9	21.9	22.0	1.7	0.5
10	Portugal	2.7	4.0	5.6	0.4	39.9
	Others	10.7	12.7	13.6	1.0	107.0
	Total	1190.4	1189.4	1277.9	100.0	7.45

Table 2: Continued

Value (\$ mil)						
Rank	Country	2007	2008	2009		2009/2007 % Change
				Value	Share (%)	
1	France	511.8	519.8	423.7	55.3	-18.5
2	Italy	120.7	132.9	115.1	14.9	-13.5
3	Chile	35.3	46.1	55.9	7.3	21.1
4	United States	60.3	61.7	51.9	6.8	-15.9
5	Spain	29.5	35.6	38.4	5.0	8.0
6	Australia	35.6	36.3	33.5	4.4	-7.7
7	Germany	20.6	21.7	17.9	2.3	-17.6
8	Argentina	5.3	8.4	8.0	1.0	-4.4
9	South Africa	4.6	5.6	7.9	1.0	39.8
10	New Zealand	5.5	6.1	5.5	0.7	-10.0
	Others	7.3	8.9	9.0	1.2	101.2
	Total	836.5	883.1	766.8	100.0	-13.2

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

Table 3: Sparkling Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Volume	Share (%)	
1	France	99.0	102.8	75.5	36.8	-26.6
2	Italy	41.3	51.9	48.8	23.8	9.8
3	Spain	41.3	44.4	45.8	22.3	-11.7
4	United States	8.0	10.2	11.4	5.6	11.9
5	Australia	8.5	10.1	9.7	4.7	-3.7
6	Chile	0.8	1.2	3.9	1.9	210.6
	Others	3.7	5.9	10.2	20.1	172.9
	Total	207.1	230.4	205.3	100.0	-10.9

Table 3: Continued

Value (\$ mill)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Value	Share (%)	
1	France	306.5	316.2	174.8	69.7	-44.7
2	Italy	24.5	29.4	30.0	12.0	2.0
3	Spain	23.5	32.5	27.9	11.1	-14.4
4	Australia	5.3	7.0	6.0	2.4	-14.9
5	United States	3.1	4.5	4.8	1.9	5.8
6	Germany	3.2	3.3	2.0	0.8	-39.5
	Others	1.8	3.1	5.2	2.1	169.0
	Total	368.0	396.0	250.7	100.0	-36.69

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

Table 4: Wine Cooler Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Volume	Share (%)	
1	France	20.8	15.8	14.3	47.6	-9.5
2	Spain	4.6	6.7	5.7	19.0	-14.64
3	Germany	3.3	2.9	3.0	10.0	4.41
4	United States	5.3	2.5	2.1	7.0	-17.3
5	Italy	0.1	0.3	2.0	6.8	612.1
	Others	0.9	1.5	2.9	9.6	192.7
	Total	35.4	30.0	30.05	100.0	-2.49

Value (\$ mill)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Value	Share (%)	
1	France	16.2	13.9	9.7	65.6	-30.0
2	Spain	1.7	2.4	1.8	13.5	-23.8
3	Italy	0.1	0.2	1.3	9.1	700.0
4	Germany	1.0	0.9	0.9	6.4	0.0
5	United States	0.6	0.4	0.4	2.7	0.0
	Others	0.7	2.3	0.4	2.7	-575.0
	Total	20.2	18.3	14.8	100.0	-19.36

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

Table 5: Bulk Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Volume	Share (%)	
1	United States	5.2	53.8	76.4	34	42.03
2	Chile	45.5	62.0	69.5	31.0	12.0
3	Argentina	50.4	47.5	43.1	19.2	-9.1
4	Spain	12.2	11.6	12.6	5.6	8.3
5	France	8.9	7.8	8.4	3.7	7.9

6	Italy	6.0	8.7	4.3	2.1	-49.6
7	South Africa	1.8	2.7	2.5	1.1	-4.4
8	Brazil	3.6	2.1	1.9	0.8	-8.7
9	Bulgaria	2.3	3.0	1.8	0.7	-40.8
10	Macedonia	3.0	2.3	1.5	0.6	-34.5
	Others	5.0	3.4	2.0	0.9	-62.5
	Total	140.8	206.0	224.5	100.0	46.27

Table 5: Continued

Value (\$ mill)						
Rank	Country	2006	2007	2008		2009/2008
				Value	Share (%)	% Change
1	Chile	4.1	6.4	7.2	33.0	13.2
2	United States	0.6	3.9	5.8	26.6	47.9
3	Argentina	3.7	3.8	4.2	19.3	10.2
4	France	1.6	1.5	1.5	6.9	15.3
5	Spain	1.1	1.3	1.4	6.4	-0.4
6	Italy	0.7	1.1	0.5	2.3	-55.8
7	South Africa	0.2	1.2	0.2	1.1	0.1
8	Bulgaria	0.3	0.4	0.2	1.1	-7.6
9	Brazil	0.3	0.2	0.2	0.9	-36.8
10	Macedonia	0.3	0.3	0.2	0.9	-34.4
	Others	0.5	0.4	0.4	1.6	0.0
	Total	13.1	19.8	21.8	100.0	10.37

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

Table 6: Grape Must Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2007	2008	2009		2009/2008
				Volume	Share (%)	% Change
1	Argentina	51.8	54.7	48.1	67.7	-11.6

2	Chile	23.0	22.7	21.0	29.6	-12.1
3	South Africa	2.9	3.0	1.9	2.7	-7.2
4	France	0.0	0.0	<0.1	0.2	20.0
	Others	0.1	0.0	0.0	0.0	0.0
	Total	77.8	80.3	71.0	100	3.36

Value (\$ mill)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Value	Share %	
1	Argentina	9.8	11.1	11.8	62.8	6.7
2	Chile	6.2	6.6	6.6	35.5	-1.01
3	South Africa	0.5	0.6	0.4	0.6	-34.6
4	France	0.0	0.1	<0.1	<0.1	363.3
	Others	0.0	0.0	0.0	0.0	0.0
	Total	16.5	18.3	18.8	100.0	2.72

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

Table 7: Vermouth Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Volume	Share (%)	
1	Spain	9.4	10.0	10.1	43.2	9.0
2	Italy	4.7	5.1	6.1	26.1	21.2
3	France	4.2	4.2	3.4	14.5	-13.3
4	Germany	0.8	1.1	1.7	7.3	46.2
5	China	1.9	1.5	0.8	3.1	-41.4
	Others	0.4	0.9	1.4	6.0	156.6
	Total	21.3	22.9	23.4	100.0	2.2

Table 7: Continued

Value (\$ mill)						
Rank	Country	2007	2008	2009		2009/2008 % Change
				Value	Share	

					(%)	
1	Italy	1.7	2.1	3.1	36.5	50.2
2	Spain	2.8	3.4	3.0	35.2	-12.2
3	France	1.8	2.1	1.7	20.0	-16.7
4	Germany	0.1	0.2	0.3	3.5	71.2
5	China	0.4	0.3	0.2	2.4	-39.3
	Others	0.3	0.3	0.2	2.4	-150.0
	Total	7.1	8.4	8.5	100.0	1.1

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

Table 8: Sherry/Fortified Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2007	2008	2009 Volume	Share (%)	2009/2008 % Change
1	Portugal	4.8	4.2	3.9	53.4	-7.7
2	Spain	3.0	2.4	2.2	30.5	-8.0
3	Italy	0.7	0.7	0.7	8.5	7.0
4	France	0.2	0.2	0.2	3.0	-20.3
5	United States	0.2	0.2	<0.1	3.0	-77.3
	Others	0.0	0.2	0.2	1.6	0
	Total	9.0	7.9	7.2	100.0	-9.3

Value (\$ mill)						
Rank	Country	2007	2008	2009 Value	Share (%)	2009/2008 % Change
1	Portugal	4.5	4.4	3.8	57.6	-2.6
2	Spain	2.5	2.2	2.0	30.0	-13.4
3	France	0.4	0.7	0.4	6.0	57.1
4	Italy	0.3	0.4	0.4	4.7	6.1
5	United States	0.1	0.1	<0.1	0.9	-0.4
	Others	0.1	0.1	0.1	1.0	0.0
	Total	8.0	7.8	6.6	100.0	-15.3

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

Author Defined:

An overview of Japan's alcoholic beverage market

Alcoholic beverage consumption in Japan increased significantly over three decades from the early 1960's, leveling off in the early 1990's due to the start of the prolonged economic recession. Alcoholic beverage consumption has remained relatively steady over much of the last two decades with some sectors showing an increase and others a decline. According to the latest World Health Organization data, Japan is the top quarter of all countries in terms of per-capita alcohol consumption at 7.4 liters annually.

Wine consumption in Japan has experienced significant growth since the 1960s, but wine as a share of total alcoholic beverage consumption is low, accounting for approximately 2.6 percent of the total.

This is because there are many other options to choose from among alcoholic beverages, such as sake, shochu and beer.

Alcoholic Beverage Categories

Wine: Wine consumption has been trending upward since the 1960's experiencing several boom and bust cycles over the last three decades. The last major boom occurred in 1998 following a series of reports about the health benefits of red wine which led to consumption doubling during the two year period following 1996. Excessive growth in inventories led to a 25 percent decrease in import volume in 1999 with consumption hovering around that level for the past decade. Most market observers remain confident however that future growth in the wine market will outpace that of the overall alcoholic beverages market. Some of the best recent opportunities include wine by the glass and restaurant based promotions.

Beer, Happoshu and Third Beer: While beer has traditionally accounted for more than half of Japan's total alcohol consumption, it has faced increasing competition from a cheaper, low-malt, low-tax beer variety called *happoshu*. More recently, an even lower-taxed *third beer* which contains no-malt and consists of other base ingredients such as soybeans or peas has emerged in the market and has significantly taken market share from both *happoshu* and beer. Despite higher consumption of *third beer*, the overall beer/happoshu market has declined due to more available alternatives and changing consumer preferences.

Sake: Consumption of sake, traditional Japanese rice wine has been declining steadily during the last half century due to greater availability of other alcoholic beverages and a change in consumer preferences. While sake is consumed less by younger consumers, there has been efforts by the sake trade to attract a younger demographic.

Shochu: Consumption of shochu, a traditional spirit distilled from potatoes, wheat or rice has increased in recent years. Growth is mainly attributed to perceived health benefits and less severe after-effects compared to those of other alcoholic beverages. Shochu has also gained popularity due to its drinkability as it can be served with fruit juice or cold tea.

Chuhi: Chuhi (*pronounced: choo-high*) is a shochu based flavored drink that is canned and usually carbonated. The best selling flavors are grapefruit and lemon due to the perceived health benefits of citrus. Other flavors such as grape, strawberry, orange and lime are widely available. Chuhi is also offered in restaurants as an alternative to beer.

Whiskey and Brandy: Straight whiskey and brandy consumption is in decline. The only recent exception to this trend is stable sales of single malt scotch as a niche of consumers have renewed their interest. The overall decline is primarily due to shochu becoming a preferred alternative at home and in restaurants.

High-ball, a cocktail made of whiskey and soda has seen a recent increase in consumption. Japanese whiskey manufacturers have launched advertising campaigns for canned high-ball drinks with promotions visible throughout Japan’s *izakaya* (Japanese) bar/restaurant scene.

Spirits and Liqueurs: Although still low in overall share, consumption of liqueur and spirits grew significantly in recent years, particularly as ingredients in cocktails. They are especially popular among women due to their sweet taste, lower alcohol content and visual appearance. Spirits and liqueurs are also popular among men who find beer too bitter.

Japan Alcohol Consumption by Variety

year	Wine		Sake		Shochu		Beer/ Happoshu		Wiskey/ Brandy		Liqueur/ Spirits	
	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%
2004	234	2.7	809	9.3	983	11.3	5830	67.0	100	1.1	751	8.6
2005	247	3.1	782	9.8	999	12.5	5087	63.5	94	1.2	798	10.0
2006	238	3.1	745	9.6	1000	12.9	4851	62.6	90	1.2	824	10.6
2007	239	3.1	717	9.2	1005	12.9	4678	60.2	88	1.1	1038	13.4
2008	237	3.1	682	9.0	973	12.8	4291	56.6	85	1.1	1307	17.3
2009*	230	3.2	641	8.9	915	12.6	3755	51.8	88	1.2	1618	22.3

Notes: (% = percentage share, Volume in KL)

Source: Tokkei Geppo, Food and Liquor
National Tax Agency
*estimated

