



**EU-Japan Centre for Industrial Cooperation**

**Market opportunities for EU agribusinesses in  
the context of the EU-Japan EPA**

**Tokyo, November 2017**

**William FOURNEL**

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# Executive summary

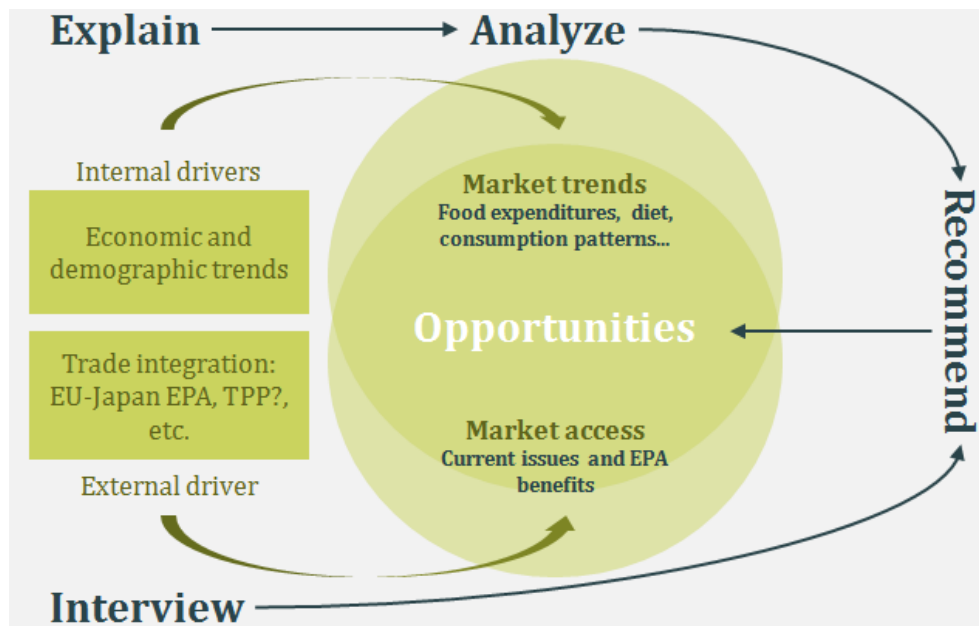
This report consolidates 6 months of research conducted under the [MINERVA Fellowship Programme](#) at the EU-Japan Centre for Industrial Cooperation in Tokyo, from April to September 2017. The report aims to contribute to the support of EU exporters of food products to Japan. It provides an analysis of the economic and demographic situation of Japan as well as of its trade integration in order to show how these factors affect the local demand, the domestic supply and the market access for EU agribusinesses. Then it identifies trends in this changing market that, with the favourable context of the EU-Japan EPA, will bring many opportunities to prepared and informed EU agribusinesses. The report concludes with several recommendations to support this objective ([Chart 1](#)).

Major economic indicators show that Japan is entering a period of economic recovery supported by its domestic consumption and a positive global outlook. At the same time, the market is slowly shrinking. Standard population projections show that the Japanese population will be 88 million in 2065 against 127 million today. Despite aging, the population in urban areas is actually growing – the prefecture of Tokyo has gained 900,000 people in the last 10 years – which signifies that the market will remain large enough for EU exporters, over 575 billion EUR. These two trends affect simultaneously the domestic demand and supply of food products, which set growing opportunities for informed and prepared companies.

On the demand side, consumers will continue spending most of their final consumption expenditures on food thanks to a growing middle-class that holds the highest purchasing power in Asia at 37,484 EUR. The Japanese are now more parsimonious than during the 1990's, yet they have kept high quality expectations and a strong taste for novelty and Western food culture. They are also increasingly in need for convenient and safe foods with benefits due to busy lifestyles, aging and health concerns. As a result, food service, frozen food, organic food and food protected by GIs are particularly interesting trends to bet on. On the domestic supply side, production has been declining for decades, so that the food self-sufficiency ratio based on calorific value will either remain at 38% or fall further. Japan has naturally become the largest net importer of food products in the world with a deficit at about 48 billion EUR. Despite this heavy reliance on imports, trade is hampered by market access issues. In such an environment, the EU share of Japanese food imports was 11.1% in 2016; ranking 3<sup>rd</sup> after the US and China, with 4 countries ranking among Japan's first 20 suppliers. Thanks to the very positive image of the EU origin and to its wide range of food products, whether highly specific and emblematic or undifferentiated, EU agribusinesses are thus well-positioned to grasp substantial benefits in this market.

Moreover, the political agreement in principle reached in EU-Japan EPA negotiations on July 6<sup>th</sup> will give a decisive advantage to EU agribusinesses over their competitors, as 85% of agricultural tariff lines will be allowed to enter duty-free over time, more than 200 EU GIs will be protected and a certain number of NTBs will be lifted, likely from 2019. As a consequence, the best opportunities will lie with products adequately tailored to consumption trends and which at the same time will benefit from a preferential framework under the EPA.

**Chart 1: Outline of the report**



### **Recommendations to policy makers**

1. Pursue EU level dialogues with Japan on market access issues related to food products.
2. Communicate more effectively on EU products, especially with the EU-Japan EPA around the corner.
3. Raise awareness of national brands.
4. Increase investments in EU food culture promotion.

### **Recommendations to agribusinesses**

5. Understand the main characteristics of successful EU companies in the Japanese food market.
6. Prepare yourself and your product(s) carefully and specifically for the Japanese market.
7. Diversify and expand your consumer base.
8. Participate strategically in trade fairs taking place in Japan.

# Acknowledgements

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The author also wishes to thank Mrs Mervi Khalos, Mrs Megumi Kobayashi and Mr Jean-Francois Billet of the Trade and Economic section of the EU Delegation, and Mrs Sabine Hofferer of the Embassy of France for their continuous support and valuable comments.

Last but not least, the author wishes to thank all the interviewees who kindly accepted to contribute to this report by finding the time to share their experience despite their busy schedule.

## Disclaimer & copyright notice

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# Table of content

Executive summary.....	3
Acknowledgements.....	5
Disclaimer & copyright notice .....	5
Table of content.....	6
List of abbreviations .....	8
List of country ISO 3-digit alphabetic codes .....	10
List of tables and charts.....	11
List of figures .....	12
Definitions.....	14
I. Introduction.....	15
II. Featured contributors .....	16
III. An economy driven by strong trends.....	19
A) The early stages of a progressive economic recovery.....	19
1. A bold and comprehensive policy to end 30 years of frozen economy .....	19
2. A mixed assessment despite many reforms .....	19
3. A promising outlook.....	20
B) An inexorable demographic decline .....	21
1. A trend looming since the 1980's.....	21
2. Projections do not show any sign of reversal .....	22
3. Urban areas are still growing .....	23
IV. A growing need for imported food products .....	24
A) A large and westernised demand .....	24
1. A wealthy and growing middle-class.....	24
1. Food absorbs one-fourth of monthly consumption expenditures .....	24
2. The influence of Western food culture .....	28
B) A declining domestic supply .....	30
1. Underexploited land and fragmented farms limit the output.....	30
2. An old and scarcer agricultural workforce .....	31
3. The low productivity has caused the food self-sufficiency ratio to fall.....	32
C) A leading importer of food products .....	36
1. About following figures.....	36
2. Reading indications .....	36
3. A huge trade deficit.....	37
V. Trends in a changing market.....	44
A) Consumption patterns.....	44
1. Increasingly parsimonious consumers have kept high quality expectations and taste for novelty .....	44
2. A need for convenience and proximity due to busy lifestyles and population aging .....	44
3. Growing concerns over food safety and health are generating a demand for food with benefits .....	46
B) Overview of several key market segments .....	49
1. Alcoholic beverages .....	49
2. Meat.....	54
3. Seafood.....	58
4. Dairy products .....	60
5. Olive oil .....	67
6. Confectioneries.....	68
VI. The wind of trade integration .....	72
A) Trade policy as a shield.....	72

B)	The multiplication of FTA negotiations.....	75
C)	Toward a more open trade policy .....	77
1.	The TPP: the tragic fate of an ambitious FTA.....	77
2.	The EU-Japan EPA: the most ambitious agreement concluded by Japan .....	78
VII.	Conclusion and recommendations .....	82
A)	Recommendations to policy makers .....	83
1.	Pursue high-level dialogues with Japan on market access issues related to food products .....	83
2.	Communicate more on EU products, especially with the EU-Japan EPA around the corner .....	83
3.	Raise awareness of national brands .....	83
4.	Increase investments in EU food culture promotion.....	84
B)	Recommendations to agribusinesses.....	85
1.	Understand the main characteristics of successful EU companies in the Japanese market.....	85
2.	Prepare yourself and your product carefully and specifically for the Japanese market	86
3.	Diversify and expand your consumer base.....	87
4.	Participate strategically in trade fairs taking place in Japan .....	87
	Annexes.....	90
	References.....	102
A)	Statistics and figures .....	102
B)	Reports, publications and presentations.....	102
C)	Articles and papers .....	104

# List of abbreviations

AOC	Appellation d'origine contrôlée
ARIC	Asia Regional Trade Integration Centre
ASEAN	Association of South-East Asian Nations
B2B	Business to Business
B2C	Business to Consumer
BoJ	Bank of Japan
BSE	Bovine Spongiform Encephalopathy
CAA	Consumer Affairs Agency
CCAJ	Chocolate and Cocoa Association of Japan
CAGR	Compound Annual Growth Rate
CAO	Cabinet Office
CIGS	Canon Institute for Global Studies
CJK	China-Japan-(South) Korea (Agreement)
EBC	EU Business Council
EEZ	Exclusive Economic Zone
EIF	Entry into Force
EPA	Economic Partnership Agreement
EU	European Union
EUR	Euros
FAO	Food and Agriculture Organisation
FHC	Foods with Health Claims
FOSDU	Food for Special Dietary Uses
FOSHU	Foods for Specified Health Uses
FTA	Free Trade Agreement
FY	Fiscal Year
GDP	Gross Domestic Product
GI	Geographic Indication
GMS	General Merchandise Stores
ICCJ	Italian Chamber of Commerce in Japan
IFOAM	International Federation of Organic Agriculture Movements
IOV	International Organisation of Vine and Wine
ISO	International Organization for Standardization
ITC	International Trade Centre
JAS	Japan Agricultural Standard
JETRO	Japan External Trade Organization
JMA	Japan Macro Advisors
JPY	Japanese JPY
K.K	Kabushiki Kaisha
MAFF	Ministry of Agriculture, Forestry and Fisheries
METI	Ministry of Trade, Economy and Industry
MIC	Ministry of Internal Affairs and Communications
MIPRO	Manufactured Imports and Investment Promotion Organization
MoFA	Ministry of Foreign Affairs
MoF	Ministry of Finance
MRI	Mizuho Research Institute
MRL	Maximum Residue Levels
N.E.C.	Not Elsewhere Classified
NIPSS	National Institute of Population and Social Security Research
NRI	Nomura Research Institute



NTA	National Tax Agency
NTB	Non-Trade Barriers
OEM	Original Equipment Manufacturer
OECD	Organisation for Economic Cooperation and Development
P4	Pacific 4
PM	Prime Minister
PP	Percentage Point
QoQ	Quarter over Quarter
QQE	Quantitative and Qualitative Easing
RCEP	Regional Comprehensive Economic Partnership
RTD	Ready-To-Drink
SME	Small and Medium Enterprises
TPP	Transpacific Partnership
TPSEP	Trans-Pacific Strategic Economic Partnership
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UAL	Utilized Agricultural Lands
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USD	American dollars
USDA	United States Department of Agriculture
VAT	Value-Added Tax
WB	World Bank
WCO	World Custom Organisation
WEF	World Economic Forum
WHO	World Health Organisation
WTO	World Trade Organisation
WWII	World War 2
YoY	Year over Year

# List of country ISO 3-digit alphabetic codes

Argentina	ARG	Latvia	LVA
Australia	AUS	Lithuania	LTU
Austria	AUT	Luxembourg	LUX
Belgium	BEL	Malaysia	MYS
Brazil	BRA	Malta	MLT
Bulgaria	BGR	Mexico	MEX
Canada	CAN	Netherlands	NLD
Chile	CHL	New Zealand	NZL
China	CHN	Norway	NOR
Colombia	COL	Philippines	PHL
Croatia	HRV	Poland	POL
Cyprus	CYP	Portugal	PRT
Czech Republic	CZE	Romania	ROM
Denmark	DNK	Russia	RUS
Ecuador	ECU	Saudi Arabia	SAU
Estonia	EST	Singapore	SGP
European Union	EUN	Slovak Republic	SVK
Finland	FIN	Slovenia	SVN
France	FRA	Spain	ESP
Germany	DEU	Sweden	SWE
Greece	GRC	Taiwan	TWN
Hungary	HUN	Thailand	THA
India	IND	Tunisia	TUN
Indonesia	IDN	Turkey	TUR
Ireland	IRL	United Kingdom	GBR
Italy	ITA	United States	USA
Japan	JPN	Vietnam	VNM
Korea, Rep.	KOR	World	WLD

# List of tables and charts

Table 1: Sample of forecasts on Japan's real GDP growth.....	20
Table 2: Recommended minimum amount of money per capita in EUR for a food basket 2,400 calories in Brussels and Tokyo in 2017 .....	27
Table 3: Food self-sufficiency ratios in 2015.....	33
Table 4: Harmonized Commodity Description and Coding System .....	37
Table 5: Main constraints weighting on organic food development .....	47
Table 6: International comparison of protectionist policies.....	72
Table 7: Domestic support for agriculture in Japan in 2016.....	73
Table 8: Average tariffs effectively applied in Japan in 2015 .....	73
Table 9: Prohibitive ad-valorem tariff rates .....	73
Table 10: Sample of the most recurring non-tariff barriers in Japan.....	74
Table 11: Sample of EU-Japan EPA benefits for the EU regarding exports of agricultural products to Japan.....	80
Table 12: Samples of major trade fairs related to food & beverages in Japan.....	91
Table 13: Categories of food products and their sub-divisions by HS 2012 codes.....	97
Table 14: Sample of services to SMEs provided by the EU-Japan Centre for Industrial Cooperation.....	101
Chart 1: Outline of the report.....	4
Chart 2: Categories of food products exported by the EU .....	39
Chart 3: Japanese label for specified organic food .....	47
Chart 4: Japan FTA coverage as of March 2016.....	76
Chart 5: FTA ratio in Japan's trade, as of March 2016 .....	77
Chart 6: EU-Japan EPA benefits for the EU .....	79
Chart 7: Web of opportunities .....	82
Chart 8: APAC countries with corresponding ISO 3-digit alphabetic codes .....	90

# List of figures

Figure 1: Contribution to percent change in real GDP growth.....	20
Figure 2: Population projections based on standard assumptions* .....	22
Figure 3: Population growth in the prefecture of Tokyo (left scale) and net migration from other prefectures (right scale).....	23
Figure 4: International comparison of population, purchasing power and old-age share in 2016 .....	24
Figure 5: Average monthly food expenditures (left scale) and Engel's coefficient (right scale) per age of household's head in 2016.....	25
Figure 6: Share of monthly food expenditures for home cooking per age of household's head in 2016.....	26
Figure 7: Change in seafood and rice caloric consumption to the benefit of meat and wheat .....	28
Figure 8: International comparison of average calorie intake per capita .....	29
Figure 9: International comparison of average calorie intake structure in 2011 .....	29
Figure 10: Exploitable land area.....	31
Figure 11: Rural population (left scale) and pace of demographic decline in rural areas (right scale) .....	32
Figure 12: Long-term growth in agriculture value-added, overall sector (left scale) and per worker (right scale) .....	33
Figure 13: Products excluded from the study (non-edible products).....	37
Figure 14: Change in import shares by regions.....	38
Figure 15: Principal countries supplying the Japanese market.....	38
Figure 16: Specialization by principal supplying countries based on products' value .....	39
Figure 17: Imports of food products from the EU by specialization and based on products' value .....	40
Figure 18: All food products in Japanese imports by descending EU shares and based on products' value.....	41
Figure 19: Indices of sales in retail stores .....	45
Figure 20: Alcoholic beverages consumption in share of total sales in the period of August to October 2016 .....	49
Figure 21: Change in imports of alcoholic beverages by regions.....	50
Figure 22: Change in imports of alcoholic beverages by products.....	50
Figure 23: Imports of alcoholic beverages by principal supplying countries.....	51
Figure 24: Change in imports of wines by principal supplying countries.....	52
Figure 25: Change in imports of meat by regions.....	55
Figure 26: Change in imports of meat by products.....	55
Figure 27: Import of meat by principal supplying countries.....	56
Figure 28: Change in imports of seafood by regions .....	58
Figure 29: Change in imports of seafood by products .....	59
Figure 30: Imports of seafood by principal supplying countries .....	60
Figure 31: Change in imports of dairy products by regions.....	61
Figure 32: Change in imports of dairy products by products.....	61
Figure 33: Imports of dairy products by principal supplying countries.....	62
Figure 34: Cheese and butter supply (left scale) and consumption (right scale) .....	63
Figure 35: Fluid milk and skimmed milk powder supply (left scale) and consumption (right scale) .....	65
Figure 36: Olive oil imports (left scale) and consumption (right scale) .....	67
Figure 37: Change in imports of olive oil by regions.....	67
Figure 38: Change in imports of olive oil by products.....	68
Figure 39: Chocolates supply (left scale) and consumption (right scale) .....	69

Figure 40: Change in imports of confectioneries by regions ..... 69  
Figure 41: Imports of confectioneries by products ..... 69  
Figure 42: Imports of confectioneries by principal supplying countries ..... 70

# Definitions

- **Abandoned farmland:** Land that has been dilapidated due to abandonment of cultivation and that is objectively not arable through usual agricultural practices.
- **Ad-valorem tariff:** Customs duty calculated as a percentage of the value of the product.
- **Applied tariff:** Customs duty levied on imports of merchandise goods.
- **Basic wage:** The amount a person earns before additional payments such as overtime.
- **Certified farmers:** Farmers who have submitted their agricultural management improvement plans to local municipalities as per the Agricultural Management Framework Reinforcement Act and have received approval and specially designated agricultural corporations that have been deemed equivalent to certified farmers.
- **Commercial Farm households:** Households with cultivated land under management of 0.3 hectares and over, or with annual sales of agricultural products amounting to 4,168 EUR (500,000 JPY) or more.
- **Consumer Confidence Index:** Measure of households' sentiment toward consumption activities. The index consists of four sub-categories: overall standard of living, income growth, employment and willingness to buy durable goods.
- **Deflation:** Sustained fall in the general price level.
- **Economic Watchers Survey:** Survey of people who are working in industries that are sensitive to economic trends, such as household activity, corporate activity, and employment.
- **Elderly households:** Households with members 65 years of age or over.
- **Engel's coefficient:** The proportion of money spent on food in household expenses.
- **Farm households:** Households engaged in farming and managing cultivated land of 10 ares or more, or earning more than 1,250 EUR (150,000 JPY) per year from sales of agricultural products.
- **Food self-sufficiency ratio:** The percentage of food that is produced domestically.
- **Functional food:** Food that has a potentially positive effect on health beyond basic nutrition.
- **Nutraceuticals:** Products derived from food sources with extra health benefits in addition to the basic nutritional value.
- **Per capita:** Per individual.
- **Prevalence of trade barriers:** The extent to which non-tariff barriers limit the ability of imported goods to compete in the domestic market.
- **Primary balance:** The fiscal balance before interests' payments on the public debt.
- **Private households:** All households excluding institutional households such as students in school dormitories.
- **Purchasing power parity:** The ratio between the currencies of two countries at which each currency when exchanged for the other will purchase the same quantity of goods as it purchases at home excluding customs duties and costs of transport.
- **Working-age population:** Those aged 15 to 64.

# I. Introduction

The Japanese demand of food products is among the largest and wealthiest worldwide and is evolving due to the rapid aging of the population. The domestic supply is characterized by a declining agricultural system which produces less and less every year and requires a strong state support and border measures. Although Japan heavily relies on imports of foreign food, market access is often difficult for EU agribusinesses. In this context, the EU ranks 3<sup>rd</sup> in Japanese imports of food products, after the United States and China.

This report has been drafted on the basis that it is possible to increase EU exports of food products to Japan by taking full advantage of the changing demand and the future entry into force of the EU-Japan EPA, which will provide EU agribusinesses with a preferential framework over their competitors. As such, the report will not give technical advice as the current literature is sufficiently documented with exhaustive guidebooks on how to export to or import in Japan, from [EU Business in Japan](#), [JETRO](#), [Taste of Europe](#) and [Mipro](#) to cite a few sources. Instead it will reflect as much as possible opinions of EU and Japanese experts from various backgrounds: EU embassies' trade and agricultural counsellors, representatives of business organisations and professionals with an extensive experience of the Japanese food market in order to bring readers as close as possible to its reality. Following this introduction, the report is structured in 7 sections:

- A presentation of all contributors featured throughout the following sections.
- A description of economic and demographic trends including recent estimates of key indicators and population projections.
- A brief analysis of the domestic demand and supply of food products, which explain why Japan will remain a net importer of food products for years to come.
- A description of major trends, subdivided in an analysis of consumption patterns and an overview of key market segments.
- An analysis of the Japanese trade policy, from evidences of protectionism to recent signs of trade openness, notably characterised by the recent agreement in principle reached in EU-Japan EPA negotiations.
- A conclusion followed by several recommendations.

## **Nota bene**

All underlined words are defined in the [Definition](#) section.

Countries and groups of countries indicated on figures and in tables are labelled with their [ISO 3-digit alphabetic codes](#).

Many amounts have been converted before appearing in euros. The exchange rates used are the 2016 annual average, from [FXtop](#). Thus they are all given in 2016 constant EUR unless otherwise indicated:

- 1000 JPY = 8.336833 EUR
- 1 USD = 0.903890 EUR

## II. Featured contributors

*The following contributors have kindly accepted to share their knowledge and experience of the Japanese market. Although their contribution has been slightly reorganised to fit the sections, the content has not been altered in any ways and has been approved. This section introduces each of them in their own words, except otherwise mentioned.*

### **Francesco Rinarelli, Deputy General Manager, Italian Chamber of Commerce**

*The ICCJ is a Chamber of Commerce Abroad, which in the Italian legal context means that we are publicly recognized by the Italian Ministry of Foreign Affairs to be an association of companies, aimed at fostering Italian business interests in a foreign country. As an association of Italian as well as Japanese businesses, we are interested in promoting the bilateral business community in Japan.*

### **Sabine Hofferer, Agricultural Counsellor for Japan and Korea, Embassy of France**

*The Agri-Food division of the Embassy's Regional economic department is responsible for several missions: firstly, it monitors Japanese sectors and agricultural policies, Japanese positions in multilateral fora on various subjects such as food security, sustainable agriculture, environmental issues related to agriculture, the contribution of agriculture to mitigating the effects of global warming, and so on. Secondly, it conducts bilateral cooperation activities to share knowledge and experiences and strengthen ties between our two countries. Finally, it supports the French agricultural sector in exporting to Japan both on market access issues and on the promotion of our products to Japanese consumers.*

### **Takuji Okubo, Managing Director and Chief Economist, Japan Macro Advisors**

*JMA is a website that runs its own data analytics. What I started partly as a hobby 5 years ago because I thought there was a need for such a website, now became the most popular and comprehensive source of macroeconomic data on Japan, which also comes with analysis, for free. I think that statistics should be available for the public in a convenient way because good data helps everyone in the economy.*

### **Bénédicte Laine, Asia-Pacific Key Account Manager, Rians**

*Rians is a French family business of 1,410 employees created in 1952 but whose know-how goes back to 1901. We produce fresh and refined cheese and high-quality dairy desserts in 9 factories in France, from cow, goat and sheep milk. Rians started exporting in the 1980's. After a successful implementation in Europe and the United States, where we have factories, we are now developing in the Middle East and Asia, especially in Japan since 2014.*

### **Thierry Arnould, Quality and Food Safety Director, Danone Japan Co., Ltd**

*Danone is divided into 4 businesses according to our products: dairy products, mineral water, infant nutrition and medical nutrition. There is also a specific division for Africa. Danone is currently present in Japan in mineral waters with Evian and yogurts with the brands Bio, Danone, Oikos, Densia, Baby Danone and Petit Danone, all produced in Japan for practical reasons: the short life of the products (between 33 and 39 days) and the prohibitive tariffs on dairy products.*

### **Michiko Ono, President, Aeon Saveur Co., Ltd**



*Aeon Saveur co, Ltd is a subsidiary of Aeon Co., Ltd, the largest food retailer in Japan with more than 626 outlets (GMS). Picard is the most popular French operator of high quality frozen food supermarkets. Several years ago, Picard understood that there was a sleeping demand and a growth phase of supply for high quality frozen food on the Japanese market. At the same time, Aeon felt that the Picard concept could be imported to Japan. After successfully testing a selection of products in Aeon stores corner since 2014, they set up a franchise to open the first Picard store in 2016. The brand has now 3 stores in the South of Tokyo.*

***Martin Stuchlík, Representative Director, Ravy Japan K.K.***

*Ravy is a meat products manufacturer established in the Czech Republic in 1992. Our key product is Bohemia Meatloaf (roasted meatloaf), which we export to 16 EU countries. With a daily production of up to 50 tonnes of meatloaf, Ravy is arguably the largest European roasted meatloaf manufacturer. Our strategy includes an expansion to new international markets. Following the Foodex 2015 & 2016, we decided to enter Japan in 2016 as the first step to expand to Asia. Our subsidiary Ravy Japan K.K. was incorporated in Tokyo in April 2016. Subsequently we entered into a cooperation agreement with a local food manufacturer and started to develop a production capacity in Toyama. The first production tests started in October 2016 and we hit the retail shelves for Christmas 2016 season. At present, we focus on expansion of our distribution channels and meatloaf promotion among Japanese consumers.*

***Pascal Gerbert-Gaillard, Manager, Bio c' Bon Japon Co., Ltd***

*Bio c' Bon is one of the most recent actors in the European organic food distribution. The company was founded in 2008, has rapidly in 2012 and has developed in Europe from 2015 (in Italy, Spain, Switzerland and Belgium) with more than 130 stores. Japan was not part of the initial plan for obvious practical and logistical reasons. At the end of 2015, Aeon, the first Japanese distributor, approached Bio c' Bon because organic food (like gluten-free, non-GMO, etc.) is a major development axis for the group. This quickly led to the creation of a joint venture and the first Bio c' Bon store in Japan opened in December 2016 in the Azabujuban neighbourhood of Tokyo in less than a year. In the meantime, we have launched the direct import of about 1,000 new references in the Japanese market, which has never been done before on this scale. We were able to place 500 references for the opening and we currently have more than 700.*

***Richard Ledu, President, Pierre Hermé Paris Japon K.K.***

*I am a trained cook and I have long worked for starred restaurants. I wanted to perfect myself in the world of pastry. I was introduced to Pierre Hermé who was for 11 years the pastry chef of Fauchon. My first contact with Japan happened under the license agreement between Takashimaya and Fauchon. Pierre Hermé subsequently created his own advisory structure, which had La Durée among its first clients. In 1996, we started promoting the Pierre Hermé brand in Japan. We observed in France that there were luxury bakeries and restaurants but nothing in the field of pastry. So we imagined a different pastry based on the concept of fashion, or which we started talking about collections, high-pastry, etc. After several stays in Japan we opened the first Pierre Hermé shop in the world in August 1998, 14 m<sup>2</sup> in the district of Aoyama in Tokyo. We will celebrate the 20<sup>th</sup> anniversary of the brand next year.*

***Kazuhito Yamashita, Research Director, the Canon Institute for Global Studies***

*The Canon Institute for Global Studies (CIGS) is a private non-profit think tank that was established as a general incorporates foundation in December 2008 to commemorate the 70<sup>th</sup> anniversary of Canon Inc. in 2007. The Institute conducts various research activities in line with Canon's corporate philosophy with the aim of contributing to global prosperity.*

**Frédéric Morin, President, Faye Japan Co., Ltd**

*Faye Japan is a joint venture created in 2013 with Faye Gastronomie International, a SME based in Rungis, France, whose business is the export of gourmet products all over the world. Faye Japan imports these products, especially foie gras, poultry, smoked salmon, farmed caviar, truffles, etc. for hotels and restaurants of high standing as well as for some bistros and pastries in Japan. Faye Gastronomie International is a "consolidator" that realizes for us the health and customs documentation and the logistics.*

**Elio Orsara, owner and Chef, Elio Locanda Italiana**

*I grew up in Calabria in the South of Italy. After completing my catering school, I moved to Milan then to England, Spain where I opened my first restaurant at 20, then to America. I was in Los Angeles and was very disappointed by the local culture. I came back to Europe where I met the owner of the Japanese supermarket chain Daiei. He invited me to Japan, of which I had very little knowledge of. I was so amazed and fascinated by the elegance of the culture and really fell in love with Japan in an old-style Japanese restaurant where I was served a "kaiseki-ryōri" (a traditional multi-course Japanese dinner). It was completely new to me because in Europe or America, I never felt that I could learn anything about food or food presentation. Since then, I have stayed 26 years in Japan, working in several restaurants before opening mine in 1996. My mission is to "make people (of Japan) know the true culture, taste the true flavour and experience the true joy of Italy".*

**Dr. Evert Jan Krajenbrink, Agricultural Counsellor, Embassy of the Kingdom of the Netherlands**

*The Netherlands are the 2<sup>nd</sup> exporter of food products worldwide. We have approximately 30 Agricultural Counsellors in the world. In Tokyo, my 3 colleagues and I are first tasked to keep markets open by engaging in policy dialogues with Japanese authorities, notably on market access and SPS issues. We also help connect Dutch entrepreneurs from the Netherlands with Japanese intermediaries in order to support their business development on the Japanese market.*

**Jean-Marc Lisner, President, CEO, Castel Japan K.K.**

*The Castel group is the 3<sup>rd</sup> wine producer in the world. We are at the same time producer, owner of Châteaux in France and mostly a wine trader. We buy wines from cooperative wineries to transform it, create brands and distribute it. We represent about 60% of the wines sold in mass retail in France with brands like Baron de Lestac or Roche Mazet, of which we sell nearly 50 million bottles. We carry out 20% of our export business and have been present in Japan for more than 15 years. We distribute our main brands but we also make brands for distributors such as Aeon for example. We work with the four major Japanese brewers and major wholesalers.*

# III. An economy driven by strong trends

## A) The early stages of a progressive economic recovery

### 1. A bold and comprehensive policy to end 30 years of frozen economy

Japan has been stuck in deflation and declining GDP growth since the burst of the asset price bubble in the early 1990's. While consumer price indices have been flat since mid-1990's, the annual real GDP growth fell from 4% on average between 1980 and 1990 to 2% between 1993 and the aftermath of the financial crisis. Meanwhile, major structural issues such as population aging and the weak integration of Japan in the world economy gained momentum. Shortly after being elected Prime Minister in December 2012, Shinzo Abe implemented his "Abenomics", an aggressive set of monetary and fiscal policies, combined with structural reforms, aiming to revitalise the Japanese economy by improving the virtuous cycle from corporate performance to private consumption. The three "arrows" of this policy consist of:

1. A "flexible" fiscal stimulus in the short term, coupled to a return to primary balance in 2020.
2. An unprecedented asset purchase program by the BoJ, which aims to achieve a 2% inflation target as early as possible.
3. A program of structural reforms in order to boost Japan's competitiveness, by slashing business regulations, liberalizing the labour market and agricultural sector, cutting corporate taxes, and increasing workforce diversity, accelerating Japan's trade integration with the rest of the world through major FTAs, among other things.

In addition to these arrows have been introduced three new objectives in fall 2015:

1. Increase the nominal GDP from 491 trillion JPY in 2014 to 600 trillion JPY in 2020 (from 4.1 to 5.0 trillion EUR).
2. Increase the fertility rate from 1.4 to 1.8 in 2020.
3. Build a society in which people would not have to quit their job in order to provide health care to their aged relatives.

### 2. A mixed assessment despite many reforms

On the one hand, Japan has been successfully driven out of deflation although the country is not completely out of the woods, corporate profits are higher than ever recorded at 176 billion EUR in the April to June 2017 quarter, unemployment has fallen to 2.8% since February 2017 for the first time since 1994, GDP growth approaches its 2020 target, etc.

On the other hand, inflation is actually quasi-null, basic wages are not taking off, growth remains supported by fiscal stimuli and public spending is rising dangerously, pushing gross public debt up and raising concerns about fiscal sustainability. More importantly, profits made overseas by multinational companies have not filtered down to SMEs as promised, so that most households have not benefited from sharp increases in wages. Companies have retained cash and wealthy households have benefited from the rapid rise of the Nikkei 225 stock index. As a result, private

consumption, which account to 60% of GDP, has risen slower than expected. The raise of the VAT from 5% to 8% in April 2014 has also severely altered consumption that year. Another raise from the actual level to 10% is so far scheduled for 2019.

### 3. A promising outlook

After a subdued real GDP growth of 1.1% in 2015 and 1.0% in 2016, the Japanese economy is accelerating its recovery through 2017 thanks to fiscal support packages and a better than expected outlook in Asia and especially in Europe that has been boosting exports since mid-2016. Private consumption is finally picking up after years of relative sluggishness. The Consumer Confidence Index has been rising regularly, yet moderately, since the financial crisis. Similarly, the Economy Watchers Survey indicates that the Japanese economy is on a positive footing. The increased capital investment related to 2020 Tokyo Olympic Games and the recent productivity gains are also contributing to the outlook. Therefore, Japan recorded its 6<sup>th</sup> consecutive quarter of GDP growth in the April to June 2017 quarter. The last time this happened was between the 1<sup>st</sup> quarter of 2005 and the 2<sup>nd</sup> quarter of 2006 (**Figure 1**). Forecasts see the Japanese economy growing in 2018 but at a slower pace as the effect of fiscal stimuli wanes (**Table 1**).

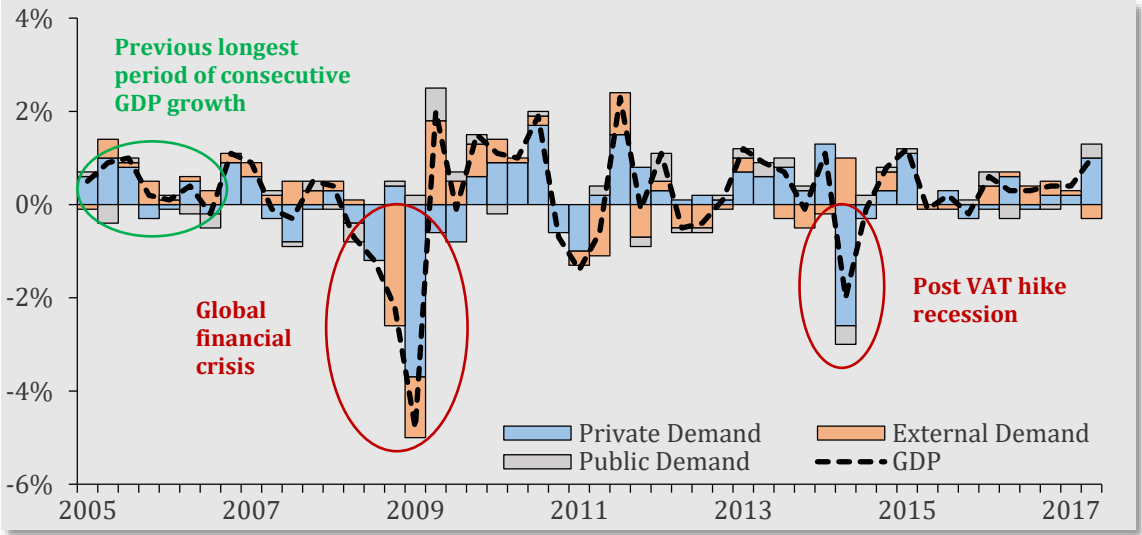
**Table 1:** Sample of forecasts on Japan’s real GDP growth

	2017	2018	2019
Boj (July)	1.8 (FY)	1.4	0.7
IMF (June)	1.3	0.6	0.8
OECD (June)	1.3	1	/
MRI (August)	1.7	1.2	/

*Note: Forecasts for 2019 take the potential effect of the next VAT hike on private consumption into account, hence the weaker growth.*

*Sources: Boj, IMF, OECD, MRI*

**Figure 1:** Contribution to percent change in real GDP growth



*Source: CAO*

## Featured contributors

**Takuji Okubo, Managing Director and Chief Economist, Japan Macro Advisor**

### *What is your assessment about the Abenomics?*

*Japanese media are quite good at reading the direction of the wind in the Japanese society. They are turning against PM Abe and the Abenomics simply because they feel that the public opinion is on their side. I used to be very critical on the Abenomics. My view has not changed but I may appear less critical compared to the shift in the opinion. It is true that PM Abe seems to be failing on the political scandals control front but on the economic front, he has shown some achievements. Despite the failure of structural reforms, because very little has been effectively done when it comes to deregulation, there are actually positive signs that the inflationary policy is working and many economists are too dismissive about this. Some criticisms state that there is still no inflation after over 4 years of the current monetary policy. I believe that it was a mistake in the first place to promise a short-term inflation target of 2 years. But today, inflation expectations are turning favourably. Also on wages, the general perception is that they are not raising but they have actually stopped declining for the first time in 20 years. If we look closely, wages have increased by 3.1 % YoY in June for part-time workers, which account for almost 40% of the workforce. This is the highest rise since August 2008. Even if full-time workers' wage growth is rather flat, their working hours have decreased by 1.5% over the last 5 years, which is not taken into account when calculating wage inflation. On a per-hour basis, wages are actually raising.*

### *What is your outlook for the coming years?*

*The Japanese economy is currently enjoying a steady positive growth for the 6<sup>th</sup> consecutive quarter. It is surely debatable to what this growth should be attributed to. Perhaps it has nothing to do with the Abenomics and has more to do with the uptrend in the global economy, particularly in Europe. When it comes to assessing the situation, I must say that Japan is now doing well: there is positive growth, unemployment is falling to record-low levels and corporate profits have doubled over the last 5 years. It is of course difficult to foresee what will happen next but I do not see any obvious "dark cloud" on the horizon, at least in Japan: there is no tax hike until 2019, the government doesn't seem to be working on fiscal tightening measures and the BoJ will probably maintain the current easing. In that sense, it is reasonable to think that the Japanese economy will continue growing in the coming years.*

## **B) An inexorable demographic decline**

### **1. A trend looming since the 1980's**

In 2015, the population of Japanese and foreign residents was 127 million according to the last census. Japanese are also the 2<sup>nd</sup> oldest population in the world, after the Monegasque population, with a median age of 46.9 years old in 2016. The population started aging in the 1980's, when the share of children started to decrease, followed in the 1990's by the share of the working-age population. Finally in the 2000's, baby-boomers reached retirement age. However, the population only declined from 2010, after peaking over 128 million (**Figure 2**).

As a result, the average size of households has actually dropped from 2.82 to 2.34 in 20 years and the number of private households has increased from 43.9 million in 1995 to 51.9 million in 2015. That year, 57.3% of households were nuclear-family households, against 58.3% in 1995. 32.6% were single-person households, against 27.6% in 1995. This increase is attributed to

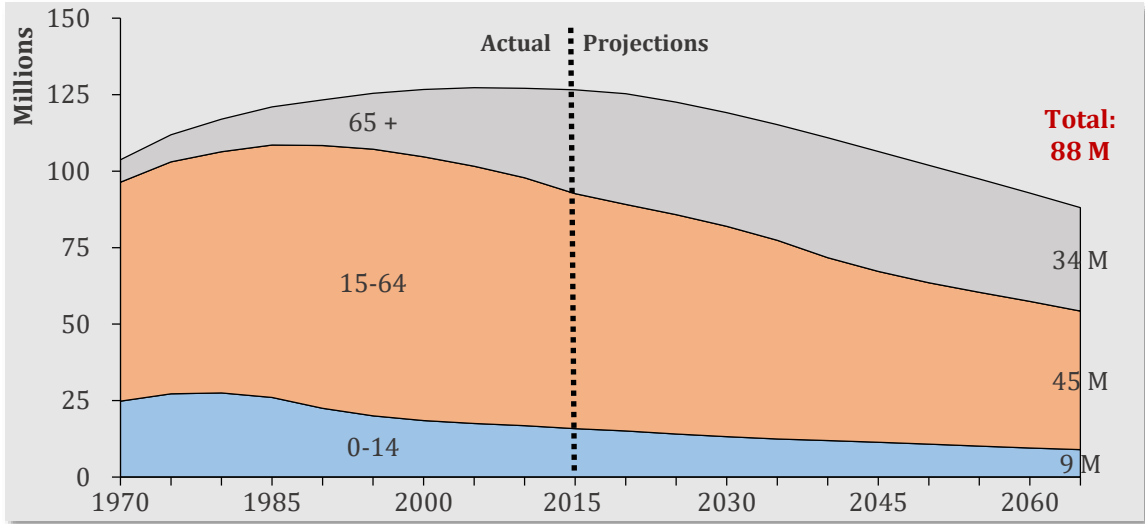
young people waiting to marry (at 31.1 years old for grooms and 29.4 for brides, against respectively 28.5 and 26.3 in 1995) notably because female labour participation increases and to aging people living alone. 41.5% of single-person households were elderly households. 10.8% were one-person elderly households and women are twice more represented than men in this category. Japanese businesses have started shifting their focus to senior and single-household consumers across a wide range of products. For instance, they offer delivery services by telephone (instead of internet delivery only) and sell more individual portions of prepared meals.

## 2. Projections do not show any sign of reversal

According to the NIPSS, which has conducted population projections released in April 2017, the Japanese population would eventually range from 97 million in the most optimistic scenario (high fertility/low mortality) to 80 million in the most pessimistic scenario (low fertility/high mortality) in 2065. People of 65 and over would, at maximum, account for more than 42.2% of the population given low fertility/low mortality assumptions, against 26.6% in 2016. In these projections, fertility rates range from 1.25 to 1.64 and only a stable net migration of non-Japanese origin is considered. In 2015, the fertility rate was 1.45 and the number of migrants of non-Japanese origin was about 70,000.

According to auxiliary projections, only a fertility rate superior to 2.2 or, taken separately, a net migration superior to 500,000 people from 2035, could maintain the Japanese population at its current level. In other words, the solution to the Japanese demographic issue could only be grasped with a combination of both. Authorities are increasing the support for families with children to boost the fertility rate. They also appear to be moving gradually toward allowing a more permanent form of immigration. Nevertheless, the demographic decline is inevitable under the current fertility rate and the absence of a proper immigration policy. Assuming bold policies could be implemented in the short term, population growth would not return before decades.

**Figure 2: Population projections based on standard assumptions\***



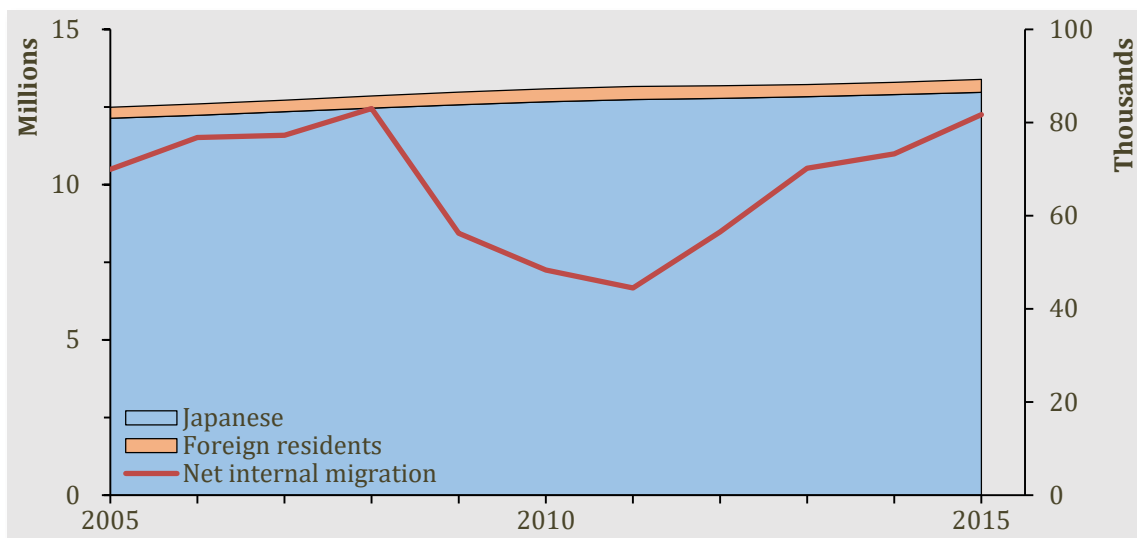
Note: \*Medium fertility/medium mortality scenario

Source: NIPSS

### 3. Urban areas are still growing

The demographic decline is a national trend that first affects rural areas, where the population is already quite old. Major urban areas still attract population as rural areas get depopulated. About 93% of the population is urban. The grand area of Tokyo is the 2<sup>nd</sup> most populated in the world with 42.8 million people, much less than the delta of Hong-Kong (65.7 million) but much more than Jakarta (30.3 million). As it represents consumers that are approximately equivalent to half of the German population on only 9.1% of its territory, the area of Tokyo alone would be able to cover export prospects of EU food products. The prefecture of Tokyo itself, counted as much as 13.4 million inhabitants in 2015 (about 10.5% of Japan's total population), which is almost 900,000 more than in 2005 (**Figure 3**). Future retirees in urban areas will spend more out of the wealth they accumulated in the past. This will reasonably boost households' final consumption expenditures.

**Figure 3: Population growth in the prefecture of Tokyo (left scale) and net migration from other prefectures (right scale)**



Source: Statistics Bureau

#### Featured contributors

**Takuji Okubo, Managing Director and Chief Economist, Japan Macro Advisor**

*What is the impact of ageing on private consumption?*

*Ageing affects consumers in at least two ways. On the one hand, I am sure there will be a decrease in the size of the overall private consumption because pensioners generally have less disposable income than the working population. They also switch their spending to healthcare goods and services. On the other hand, ageing brings new opportunities as consumption behaviour evolves. The size of households is shrinking so the old-age population will cook less, buying more prepared meals. When you go to convenience stores, the quantity of many items is small because it is designed for single consumers.*

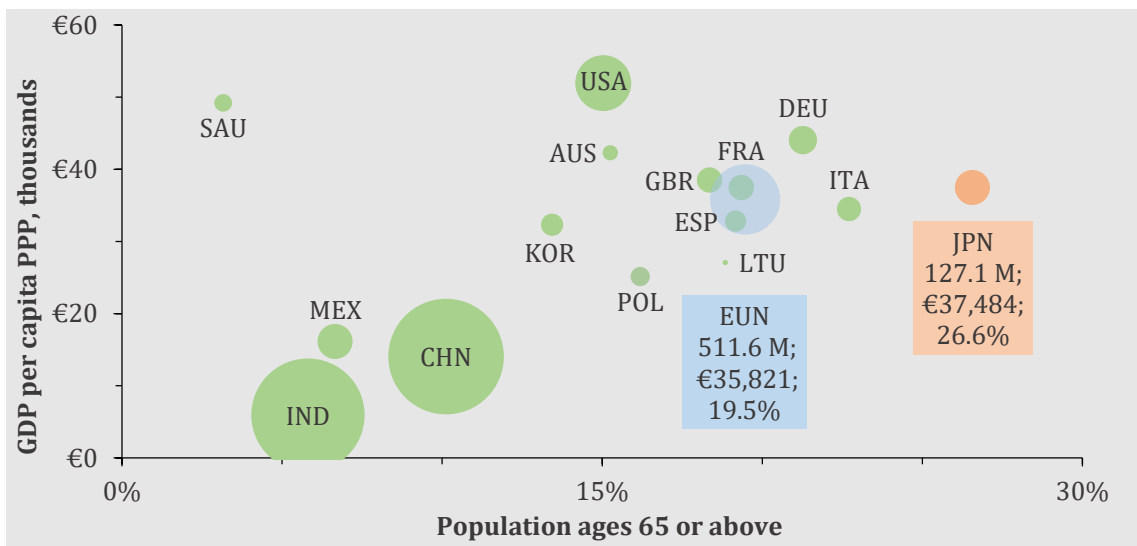
# IV. A growing need for imported food products

## A) A large and westernised demand

### 1. A wealthy and growing middle-class

Japan is one of the largest developed markets with consumers among the wealthiest in the world (**Figure 4**). The GDP per capita based on purchasing power parity reached 37,484 EUR in 2016 according to the WB. This is much lower than in the US at 51,944 EUR but is slightly higher than in the EU at 35,821 EUR. Inequalities will increase with the rise of single-person households, which generally have lower disposable incomes. Nevertheless, the middle-class will remain the 2<sup>nd</sup> largest of all developed economies according to the Brooking Institute. The Institute estimates that Japan's median income will grow to 56,957 EUR per household in 2030 to be one of the highest in APAC, giving Japanese middle class households a comfortable spending capacity.

**Figure 4: International comparison of population, purchasing power and old-age share in 2016**



Source: WB

### 1. Food absorbs one-fourth of monthly consumption expenditures

Food expenditures represent the largest category of final consumption expenditures for a Japanese household. In 2016, households spent 2,021 EUR monthly on average, of which 519 EUR (25.7%) were allocated to food. Of these, 97 EUR were spent outside and 71 EUR were spent on prepared meals. The rest was spent on ingredients for home cooking (**Figure 5**). Japanese under 29 years old, whose income, and thus consumption expenditures are lower, spend on average 354 EUR on food. They also spend 60% less on food for home cooking, 62% more on prepared meals and they tend to eat a lot more cakes, sweets and soft drinks than their



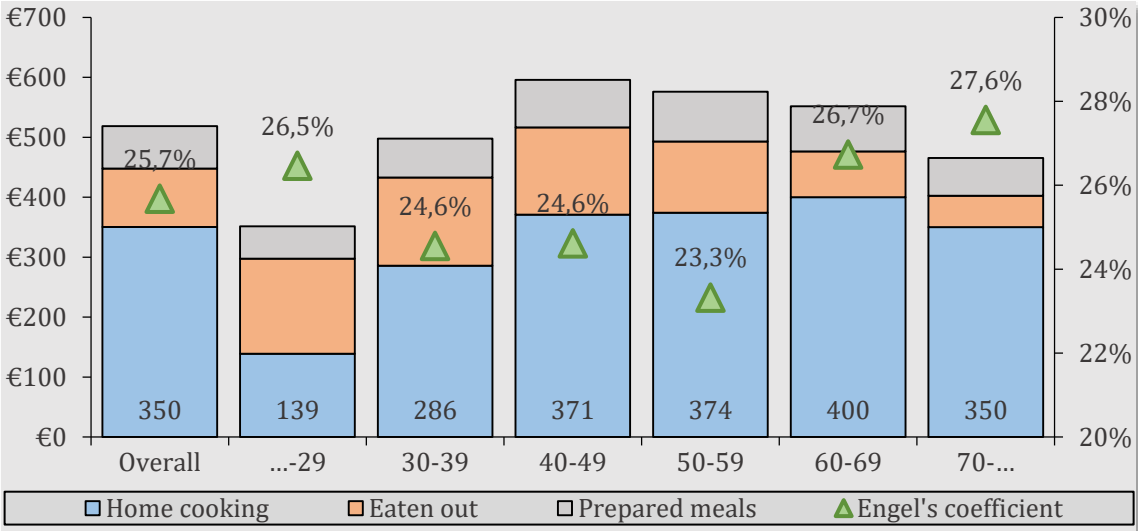
elders. These categories represent more than 36.2% of their home cooking expenses, against 20.2% on average for their elders. They also appear to eat fewer vegetables and fish (Figure 6).

Japanese tend to visit several food outlets to purchase high quality and fresh food products and there is a slow movement away from daily shopping to weekly shopping trips due to time pressures. Women are usually the primary decision makers for grocery purchases because they traditionally cook the family meal. As households' income rises, a lower proportion of their income is spent on food even if this amount actually increases. When aging and getting wealthier, Japanese eat less outside and cook more. Households translate the rise of their living standard into more expensive food products and ingredients since the level of prepared meals bought is relatively constant. Engel's coefficient is lower for households between 30 and 59 years old and is higher for younger and older people. In Japan, Engel's coefficient has been rising in recent years, from 23.5% in 2012 to 25.7% in 2016, as prices rose faster than net wages due to the VAT hike in 2014 and to the depreciation of the yen, which pushed up the cost of imported food.

The average 2,400 calories basket of Western food is 1.5 more expensive in Tokyo than in Brussels with prices of some items, such as vegetables and fruits multiplied by 3. Even the Asian food basket is cheaper in Brussels. In contrast, the price of eating out in Tokyo restaurants is halved compared to Brussels (Table 2).

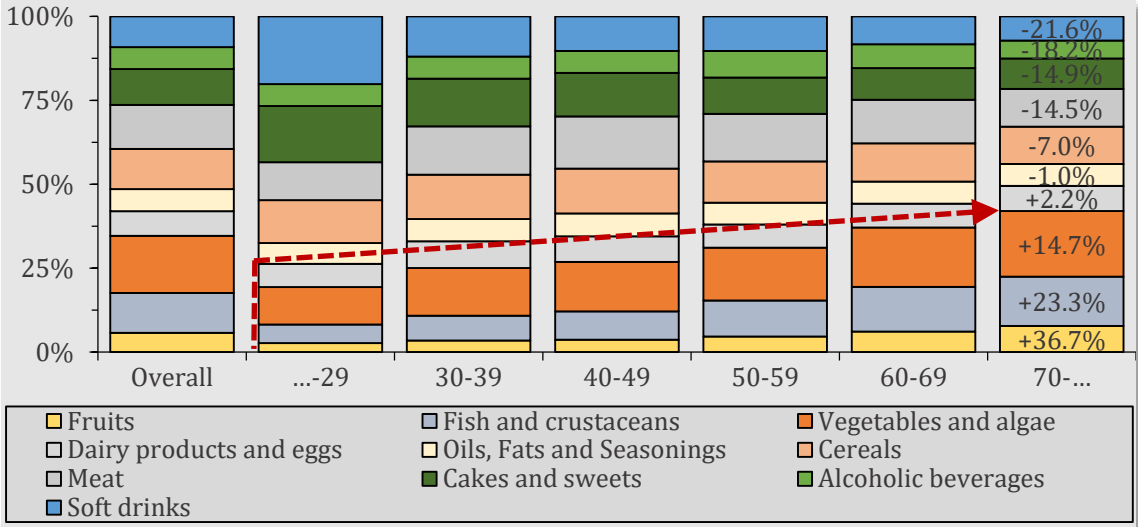
Consumers' lifestyle is also changing because of the demographic trend. A decline in the size of households and a rise in the number of families in which both parents work have led people to eat out and purchase prepared meals more often — practices that are typically more expensive than home cooking. Food expenses per capita are also higher for small households than larger ones, typically for single elderly households. Furthermore, the purchase of food is no longer a daily necessity. According to a 2015 survey by the NRI that examined the changes in life values and spending behaviour of 10,000 Japanese aged 15 to 79, food was among the items on which respondents said they want to actively spend their money. It also cited dining out, eating expensive food and trying out well-known restaurants as increasingly popular leisure activities.

**Figure 5: Average monthly food expenditures (left scale) and Engel's coefficient (right scale) per age of household's head in 2016**



Source: MIC

**Figure 6: Share of monthly food expenditures for home cooking per age of household's head in 2016**



Source: MIC

**Table 2: Recommended minimum amount of money per capita in EUR for a food basket 2,400 calories in Brussels and Tokyo in 2017**

Cheaper in Tokyo: green  $\leq 0.5$  light green  $< 1$

$1 <$  light orange  $< 2$   $\leq$  orange  $< 3$   $\leq$  dark orange: cheaper in Brussels

Western basket	BEL	JPN	Ratio
Milk (regular), (0.25 litre)	0.2	0.4	2.0
Loaf of Fresh White Bread (125 g)	0.4	0.4	1.0
Rice (white), (0.10 kilo)	0.2	0.4	2.0
Eggs (regular) (2.40)	0.5	0.4	0.8
Local Cheese (0.10 kilo)	1.6	1.6	1.0
Chicken Breasts (Boneless, Skinless), (0.15 kilo)	1.3	1	0.8
Beef Round (0.15 kilo) (or Equivalent Back Leg Red Meat)	2.1	2.1	1.0
Apples (0.30 kilo)	0.6	1.9	3.2
Banana (0.25 kilo)	0.4	0.7	1.8
Oranges (0.30 kilo)	0.5	1.6	3.2
Tomato (0.20 kilo)	0.4	1.2	3.0
Potato (0.20 kilo)	0.2	0.7	3.5
Onion (0.10 kilo)	0.1	0.3	3.0
Lettuce (0.20 head)	0.2	0.4	2.0
<b>Daily</b>	<b>8.7</b>	<b>13.1</b>	<b>1.5</b>
<b>Monthly</b>	<b>269.2</b>	<b>404.6</b>	<b>1.5</b>
Asian basket	BEL	JPN	Ratio
Loaf of Fresh White Bread (50 g)	0.2	0.2	1.0
Rice (white), (0.25 kilo)	0.4	0.9	2.3
Eggs (regular) (2.40)	0.5	0.4	0.8
Chicken Breasts (Boneless, Skinless), (0.20 kilo)	1.8	1.3	0.7
Beef Round (0.10 kilo) (or Equivalent Back Leg Red Meat)	1.4	1.4	1.0
Apples (0.25 kilo)	0.5	1.5	3.0
Banana (0.25 kilo)	0.4	0.7	1.8
Oranges (0.15 kilo)	0.3	0.8	2.7
Tomato (0.20 kilo)	0.4	1.2	3.0
Potato (0.20 kilo)	0.2	0.7	3.5
Onion (0.10 kilo)	0.1	0.3	3.0
Lettuce (0.10 head)	0.1	0.2	2.0
<b>Daily</b>	<b>6.2</b>	<b>9.7</b>	<b>1.6</b>
<b>Monthly</b>	<b>191.3</b>	<b>299</b>	<b>1.6</b>
Eaten out	BEL	JPN	Ratio
Meal, Inexpensive Restaurant	15	7.7	0.5
Meal for 2 People, Mid-range Restaurant, Three-course	60	38.6	0.6
Meal at McDonalds (or Equivalent Meal)	8	5.3	0.7
Domestic Beer (0.5 litre draught)	3.8	3.1	0.8
Imported Beer (0.33 litre bottle)	3.8	3.5	0.9
Cappuccino (regular)	2.8	3	1.1
Coke/Pepsi (0.33 litre bottle)	2.1	1	0.5
Water (0.33 litre bottle)	1.8	0.9	0.5

Note: A comparison for fish or seafood product is not provided.

Source: Numbeo, Cost of Living Comparisons, July 2017

## 2. The influence of Western food culture

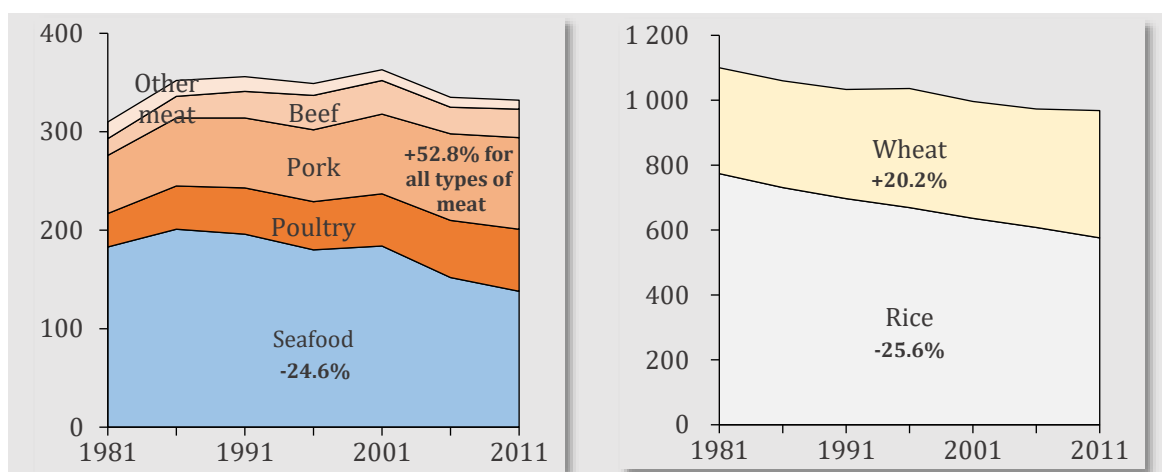
Japan has a very unique food culture. The Washoku cuisine, composed of fresh, seasonally available, low-fat ingredients has been designated as an Intangible Cultural Heritage by the UNESCO in 2014. Japan has the lowest rate of obesity among developed countries, below 4.0% according to the FAO but the diet is evolving due to the long-time rising influence of Western food culture.

Breakfast usually consists of rice, miso soup, fish, seaweeds or an omelette. There is a growing trend for young and single Japanese to skip breakfast. Lunch is often eaten quickly, outside, given the fast-paced lifestyle of employees. It is either prepared the day before or the morning at home or purchased at convenience stores in the form of lunch packages. These packages include rice, vegetables, meat, rice balls, or sushi rolls. Soup bowls of ramen (buckwheat) or udon (wheat flour) noodles are also popular. It is more common to see Japanese men eating out for lunch than women. Dinner is the most important meal of the day, is often prepared by women and is typically consumed with family at home. The most common food products are meat, fish, vegetables, pickled vegetables, and rice. Cereals and cereal bars are rising in popularity but snacking throughout the day is not so common. Men are snacking more often than women. As Japanese eat out more often, they consume more fast food products, which results in of more meat and wheat consumed to the detriment of seafood and rice (**Figure 7**).

According to the FAO, the average daily calorie intake of Japanese was 2,717 in 2011. This is lower than in the US (3,641), Germany (3,539) and China (3,073). The world average is also higher since 2006 (**Figure 8**). The Japanese diet is mostly composed of rice (21%), wheat (14%), vegetable oils (13%), meat (12%), sugar and sweeteners (10%). Altogether, grains, sugar and fat account for two-thirds of the average daily calorie intake (**Figure 9**).

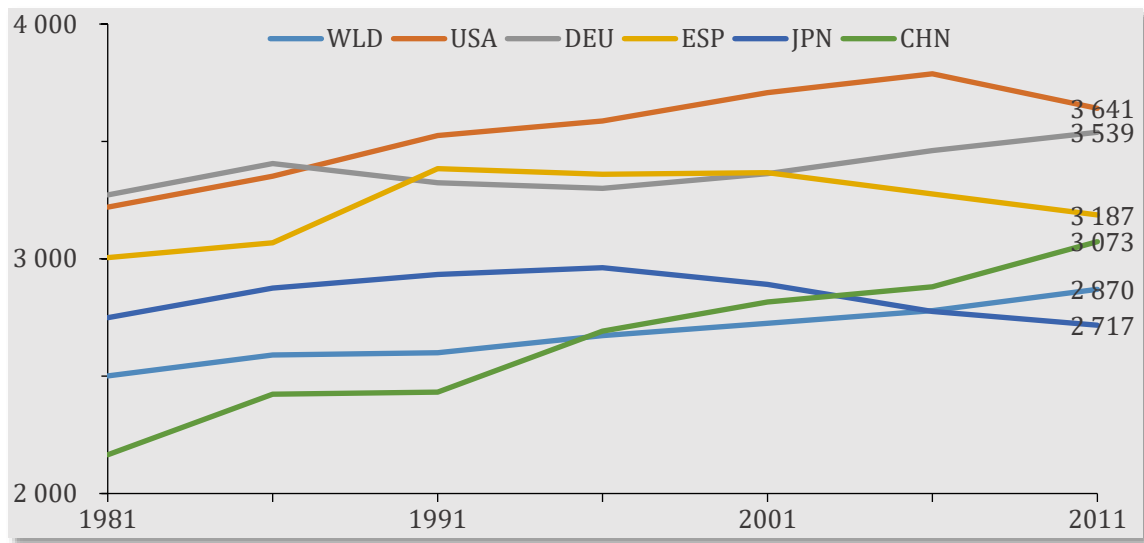
Japan does not have a unique taste profile. For instance, consumers in Kanto's major cities (one-third of the population) such as Tokyo and Yokohama, tend to be less concerned by cost and prefer saltier and spicy food. Their diet is also more diversified.

**Figure 7: Change in seafood and rice caloric consumption to the benefit of meat and wheat**



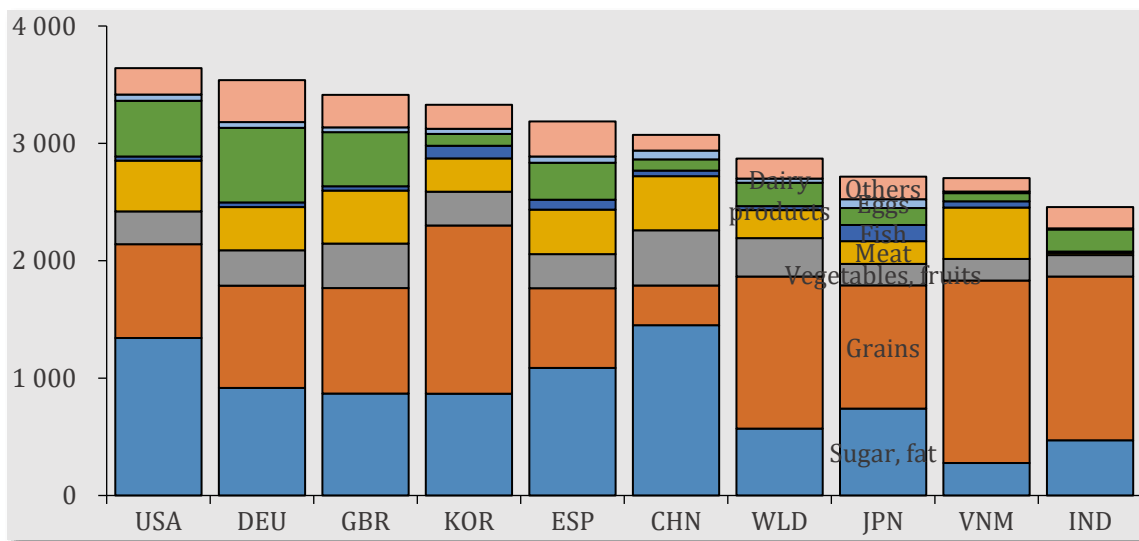
Source: FAO

**Figure 8: International comparison of average calorie intake per capita**



Source: FAO

**Figure 9: International comparison of average calorie intake structure in 2011**



Source: FAO

### Featured Contributors

**Takuji Okubo, Managing Director and Chief Economist, Japan Macro Advisor**

#### How do Japanese households spend?

Japanese consumers opened their eyes on foreign goods, among which food products, in the 1980's, the same way Chinese consumers behave today. They are now mature and most of them do not go for the brands automatically. Many Japanese no longer accept to buy European food products at a particularly high price. Typically, these products are bought by wealthy Japanese consumers but are unable to reach the vast majority of them, especially young ones. Of course, the high price of EU food products in Japan can be attributed to transportation costs and tariffs but the way European products are sometimes marketed in Japan, as luxury goods hence the high price, is an issue. This is important because Japanese have tried to reduce their nominal consumption in the last 10 years in

order to save their budget, even to the expense of quality. Recently however, consumers have become more confident about job security so I think that they might go for the quality again. We can see that the consumer confidence index is improving and, although it is not the historical high, it has reached its highest level in the last 3 years.

**Kazuhito Yamashita, Research Director, the Canon Institute for Global Studies**

*Will Japanese consumers continue to spend on food the way they currently are in the next decade or so?*

*On the one hand the total food consumption will decrease because there will be decreasing population and more and more senior citizens who eat less and less. The calorie intake per capita has already been decreasing since the mid 1990's and is now at a level previously reached after WWII. On the other hand, the per capita income of senior citizens tends to be higher than that of younger citizens. In other words, senior citizens will continue benefiting from a higher spending capacity and will likely buy high quality food products that will keep them healthy. However, this will depend on Japan's ability to maintain its current social security system in the future, with the same level of pensions. Japan's public debt in percentage of GDP is one the highest worldwide, more than 90% of it is being held by Japanese. Even if the debt keeps increasing, some argue that Japanese may continue financing it.*

*The previous sharp rise in per capita income happened after the WWII, when the Japanese were much younger and used their additional income to buy foreign products. As a result, the Japanese diet has drastically changed to become more westernized, with dairy products, pork and beef being added to the menu.*

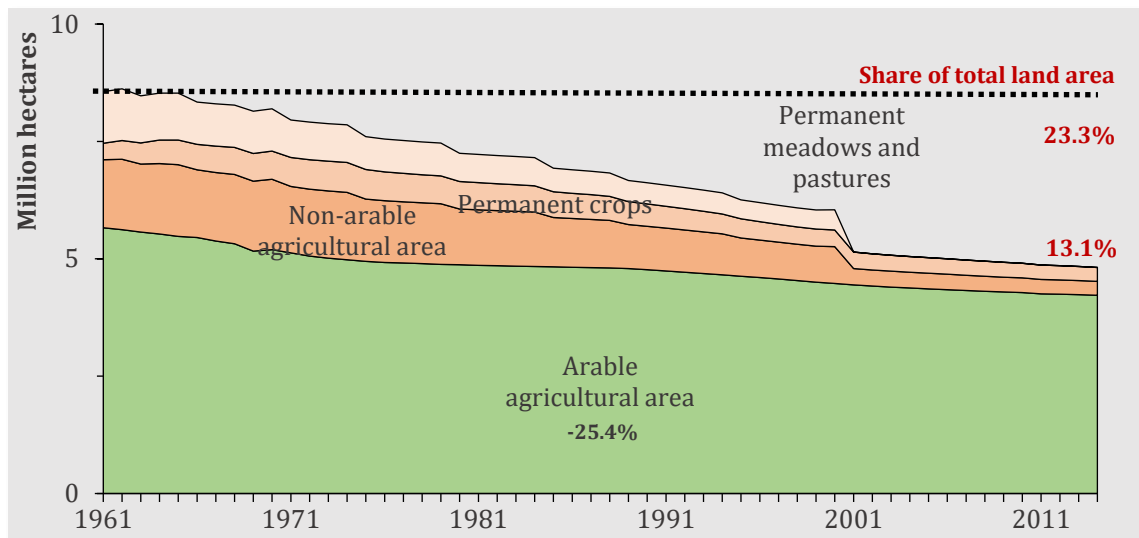
## **B) A declining domestic supply**

### **1. Underexploited land and fragmented farms limit the output**

Japan is a mountainous archipelago that extends over 3,000 km, with a total land area of 364,560 km<sup>2</sup>. Forests cover 70% of the surface and 70% of the land has a slope greater than 15%. Of this, natural forests account for 54% while planted forests, most of which are conifers planted after WWII in order to meet the need for building materials, account for 41%. The seismic context and the significant precipitation give the forest an important role in protecting soils and preventing landslides. Japan also has one of the largest fishing areas in the world with nearly 30,000 km of coastline. Today, these resources are underexploited.

Agricultural areas and arable lands are very limited (respectively 12.4% and 11.6% of the land area in 2014) and have both been reduced severely since 1961 (respectively by 36.4% and 25.4%), mainly due to the dilapidation of farmlands and land conversion for residential and other uses (**Figure 10**). The amount of abandoned farmlands in Japan has jumped 70% over the past two decades, while efforts to reuse these areas remain largely limited.

**Figure 10: Exploitable land area**



Source: FAO

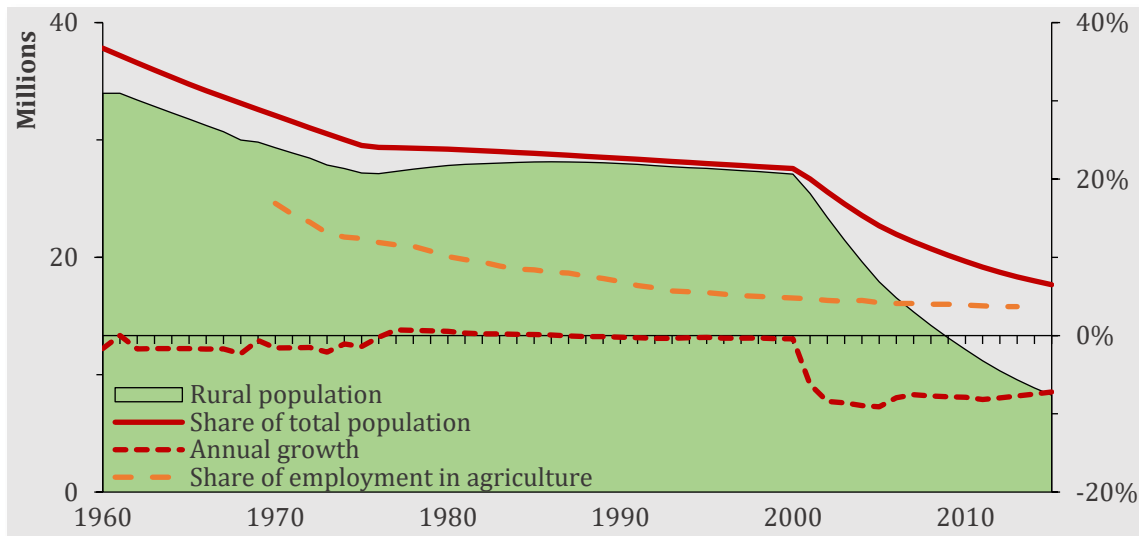
## 2. An old and scarcer agricultural workforce

Since the post WWII era of fast economic growth and industrial progress, authorities have strongly supported the industry, leading to the remobilisation of the rural workforce out of farmlands. The mechanisation of agriculture has also allowed the population to work in non-farming jobs and farm part-time. Since the early 2000's, the demographic decline has accentuated a phenomenon that shows no sign of reversal as young generations are attracted by better perspectives in cities and aged agriculture workers continue to leave the profession.

The population living in rural areas has dropped from 36.7% in 1960 to 6.5% in 2015, which represents a decrease of 25.7 million people while the total population increased of 33.1 million. There are now only 8.2 million Japanese living in rural areas (**Figure 11**) and the farming households fell to 2.1 million in 2015, compared to 2.5 million only in 2010. This number is about half what it was 20 years ago. Over the same period, the farming households' population has fallen by 85.8% at 4.9 million people and the number of agricultural workers in percentage of total employment has fallen to 3.5%. The average age of core farmers is 66 years old (77 for rice producers) and 65% of them are 65 years old or older, whereas only 10% of them are 40 or younger. Overall, only 7.6% of farming households (164,790 farmers) earned their income mainly from farming in 2015 and only 4.9% of households were certified farmers. In 2014, the total income per commercial farm household was 38,349 EUR. Of that amount, only 25.9% was from farming income, 32.6% was from non-farming income, and 41.5% was from pension benefits and other sources. Rice account for 58.3% of the sales value.

The government is trying to help farmers increase their earning capacity but the industry faces other challenges besides a labour shortage, such as difficulties in reforming the distribution system. Another problem is the differing interests of full-time and part-time farmers. For young people seeking jobs in agriculture, stable employment and income are crucial. There is also an important ambiguity between the "industrial" vision and the awareness of revitalization needs in rural areas, the conservation of know-how, and the preservation of the environment.

**Figure 11: Rural population (left scale) and pace of demographic decline in rural areas (right scale)**



Source: MAFF

### 3. The low productivity has caused the food self-sufficiency ratio to fall

In order to maintain production levels with fewer workers and conciliate part-time farming with another source of income despite a low agronomic level, farmers have increased the use of inputs such as chemical fertilizers, pesticides and agricultural machinery. According to the WB, Japanese farmers used 240 kilos of fertilizers per hectare of arable land, compared to 161 kilos in the EU and 137 kilos in the US. According to the OECD, the nitrogen surplus per hectare of agricultural land in 2007-2009 was one of the highest in the OECD and around twice the OECD average. The use of fertilizers is especially high in small farmlands. Also, Japan used over 4,500 tractors per 100 km<sup>2</sup> of arable land in 2000, compared to 460 in the OECD on average. Thus the value-added per worker in agriculture has progressed “artificially” to become one of the highest in the world, reaching 55,080 EUR in 2014, compared to 24,550 EUR in the EU (**Figure 12**).

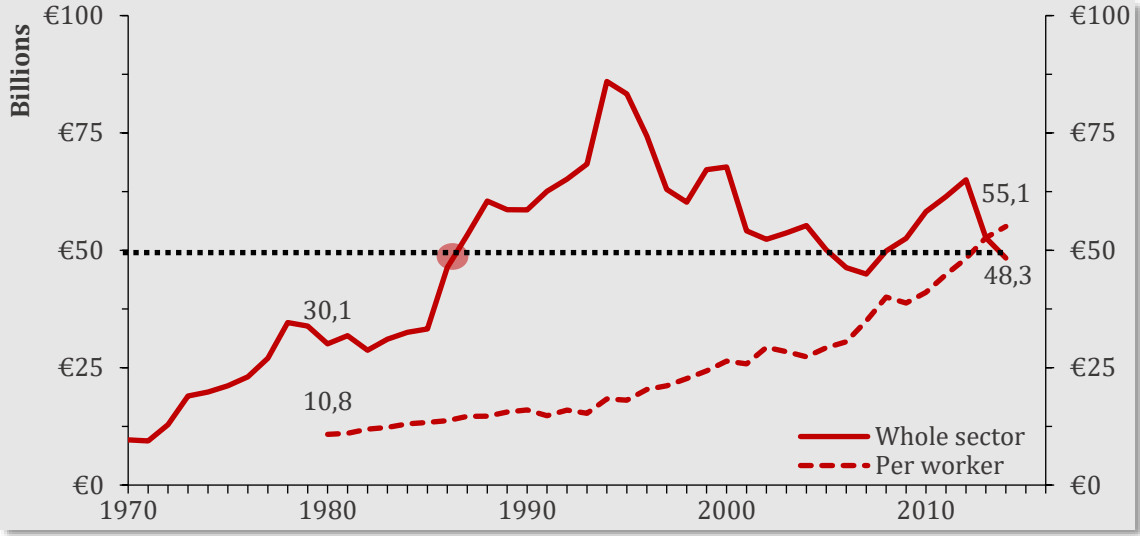
Most farmlands are low-profit and micro-sized plots of a current average size of only 2 hectares (20 hectares in Hokkaido). The government wishes to consolidate farmlands with an average size target set between 10 to 20 hectares but this policy is difficult to implement, notably given farmland acquisition and land transaction regulations. This type of land-intensive agriculture also benefits from high domestic prices. Profits from tariffs are redistributed through direct support programs. According to the WB, the value added of the Japanese agriculture was about 48,340 million EUR, a level that Japan previously reached in the middle of the 1980’s.

With demographic decline, there are fewer and fewer full-time workers on fewer and fewer farmlands, so that the Japanese agricultural production has decreased by 25% on average since 1990. Cultivated areas are still dominated by irrigated rice fields, nearly 50% of the total UAL, while rice only accounts for 20% of the production in value. Livestock, whose share of value increases is completely dependent on imports for feeding.

As a result, Japan has by far, the lowest food self-sufficiency ratio of the OECD, at 39% in calorie basis (**Table 3**). The figure is flat since 2000 but was much higher in the 1960 at 79%.



**Figure 12:** Long-term growth in agriculture value-added, overall sector (left scale) and per worker (right scale)



Source: WB

**Table 3:** Food self-sufficiency ratios in 2015

<b>Total food self-sufficiency ratio based on calorific value</b>	<b>39</b>
Grains (including feed grains) self- sufficiency rate	29
Self-sufficiency ratio of grains for food	59
Self-sufficiency ratio for feeding	27
<b>Total food self-sufficiency ratio based on production volume</b>	<b>64</b>

Source: MAFF

**Featured contributors**

*Kazuhito Yamashita, Research Director, the Canon Institute for Global Studies*

*What is the problem of the Japanese agriculture?*

*The total output in value of the Japanese agriculture is among the highest worldwide although in volume, we fall way behind other developed countries. Japanese consumers are paying very high prices for their food and the system is supported by prohibitive tariffs on foreign food products. Our market is actually kind of isolated.*

*After WWII, the Japanese government used to give fiscal incentives to factories installing in rural areas in order to reduce the income gap with the cities. Farmers could work in these factories while working part-time in their farm. Years after years, mechanization and the growing use of chemical products have considerably reduced the time needed to farm. As a result, 90% of rice farmers are called “week-end rice farmers”, as only 30 days per year are required on a 1 hectare paddy field compared to 251 days in 1951. In 1965, the rice production was more than 14 million tonnes and our consumption was about 13.5 million tonnes. Nowadays, we consume only 7.5 million tonnes. The “week-end rice farmers” can afford to be inefficient thanks to high rice price realized by acreage reduction program and subsidies. They produce 60% of the rice. When it comes to fruits and vegetables, less than 20% of the production is produced by part-time farmers. Similarly only 5% of the dairy production is produced by part-time farmers. The number of Japanese farming households remained at 5.5 million until 10 years ago, because 80% are week-end rice farmer but it has recently decreased to 2.2 million. The number of full-time households is approximately*

280,000, so about 13%.

### *What is the most likely future scenario for Japanese agriculture?*

*The decrease in farming households also means that the average farm size has increased substantially, from 1.6 to 2.5 hectares, given that the total farmlands do not change and that abandoned farmlands, although increasing, are only 10% of the farmlands. Land prices are high so some small-scaled farmers lease the land to full time farmers. But this small consolidation of paddy fields has small effect on productivity.*

*They are not many people willing to enter the sector because it is very difficult to start a business. Since the Post-war redistributions of farmlands, it is not possible to operate a farmland with joint-stock company because the company cannot legally own the land; the owner had to be a natural person, a farmer. As a result of successive small deregulations, the majority of the company (51%) has to be owned by a natural person and some organization related to agricultural production. Under this system, any ordinary company could only own farmlands and do farming by acquiring at maximum 49% of joint-stock companies.*

*The situation is different for fruits and vegetables because this agriculture does not require large cultivable areas but are very intensive in labor. In the dairy sector, the number of farmers decreases by 5% every year, from 400,000 40 years ago to 20,000 today. So the remaining farms have greatly expanded their farm size; the number of cows. The milk production quadrupled from 2 million tonnes of milk to 8 million during the same period of time. The milk production was thus rationalized and the production per cow is among the highest worldwide. But the cost of production is high because it depends on imported feed grain.*

### *How did JA secure such an inexpugnable position in the Japanese agriculture?*

*JA is a very unique organization in Japan from a legal point of view. It can sell agricultural inputs to farmers, buy their output and sell it to the food industry and the distribution network. It can also provide banking services as well as damage and life insurance services.*

*Japanese farmers' income dropped just after the Great Depression when Americans could no longer afford their high-end Japanese silk products. The demand for rice also decreased and the price decreased consequently, also because Japan could not stop imports from the colonies. The bad harvest in the Tohoku region aggravated the situation of farmers. So the MAFF set up cooperatives that could do anything to help the farmers, including buying their output and providing banking services. After WWII, the government added the capacity to provide insurance services. Bad harvests just after the war drove the rice price high so that farmers were tempted to sell their production to the black market rather than to the authorities which distributed rice to the Japanese nation equally, the rich or the poor alike by the rationing program. The government transformed the wartime entities which were established by combining cooperatives and farmers associations in charge of political activity and technical assistance to farmers into agricultural cooperatives to collect and sell rice to the government. In the 1960's the government bought up rice from farmers under the Food Control Law, at a high price determined annually, in order to increase their income. Small-scaled inefficient part-time farmers could stay in the rice industry thanks to the high rice price and started depositing their income from their main activity that mostly come from outside of farming to JA bank. The high prices reduced the demand and increased supply but the government tried to avoid stock pile the huge surplus of rice because it had spent a lot of money for its disposal. The acreage reduction program was created in 1970 and is still active today. Basically, the government gives subsidies to not produce rice. In 1995 the government abolished the Food Control Law and stopped buying rice from farmers. Before that, the agricultural cooperatives were against the acreage reduction program because they wanted farmers to produce as much rice as possible to sell it to the government, but they are now fully supporting it because it is the only*

*instrument left that maintains the high rice price.*

*Now JA is the 2<sup>nd</sup> largest bank in Japan with about 1,000 billion EUR in deposits. With the decline in agricultural production, only 1% of the deposits is leased to farmers. Farmers, full-time or part-time, large or small alike, are full members of JA forever because theoretically, you can still be a farmer at 90 years old... Most of them are no longer farming. 30% of the deposits are leased to non-farmers, associate members who have bought JA stocks. They can use JA services but do not have the right to vote in the cooperatives. The rest, about 70% of the deposits, is invested on financial markets such as the Wall Street through Norinchukin activities. So the agricultural cooperatives flourished because the rice industry has been declining, with part-time farmers depositing their income*

### ***Sabine Hofferer, Agricultural Counsellor for Japan and Korea, Embassy of France***

*Where does the Japanese agriculture stand today?*

*Japan produces only 40% of its caloric intake, which means that many essential products are imported. The situation has deteriorated drastically since the 1960's when Japan was virtually self-sufficient, which has been somewhat forgotten. The Japanese agriculture was even called a "miracle for Asia" because it had succeeded in modernizing itself to rapidly improve its productivity.*

*There are many reasons for such a decline. The big break was the political choice of Japan to massively promote its industrialization to the detriment of the agricultural sector which saw a large part of its rural labour force redeployed in the industry. At the same time, agricultural land has been sacrificed for the benefit of individual habitats which have gradually eaten up all the space available to the feet of the mountains. The population that is now fully engaged in agriculture is residual. Its average age is about 67 years and continues rising. As a result, agricultural productivity is currently extremely low, with an over-use of inputs, which shows that there is no purely agronomic progress, although some sectors can be technically efficient (milk production, market gardening, greenhouse agriculture, etc.).*

*The scarcity and fragmentation of land are difficult to overcome. The average area of a Japanese farm is between 1 and 2 hectares. There is therefore no possibility of achieving sufficient economies of scale on these lands and of investing to improve the competitiveness of the sector. Moreover, most of the available agricultural area is devoted to rice because it is relatively easy to grow. Rice is one of the only products for which Japan is self-sufficient, with some fruits and vegetables but only because low consumption is satisfied with low production. Fruits in general are very expensive in Japan, which does not push consumers to eat them regularly. They are often offered, which underlines their very special status. However, any production in small quantities requires protecting the market to similar and much more competitive foreign products and this role is perfectly fulfilled by SPS barriers. Japanese agriculture is also one of the most assisted in the world, setting up its competitiveness deficit. Farmers, who are often retired or wage earners, are satisfied with high complement income in the current context and do not invest to improve their productivity. The high level of agricultural subsidies has a deleterious effect.*

*Finally, the last aspect of the problem and perhaps the most important one is the agricultural trade unionism. JA-Zenchu, which groups together all Japanese agricultural cooperatives, is an extremely powerful organization that holds all the rural life in its hands. With a membership of 10 million members (of which only 2 million are mainly agricultural producers on a secondary basis), this organization manages the whole chain, from the supply of fertilizers, seeds and machineries to the distribution of agricultural products. All are sold to farmers at prices well above market prices and farmers can buy because of the level of subsidies. Their monopoly does not force them to rationalize*

*the services offered to farmers. So here we are with high prices for farmers and consumers alike.*

*The agricultural sector is a loss-making sector for JA-Zenchu, which serves the continuation of the group's more lucrative activities, such as banking or insurance. In this system, individual initiatives of producers are very limited, which favours stagnation. The group's political lobbying is powerful and is positioning itself as a defender of rural areas and abandoned areas, a theme that continues to be very popular in public opinion. For example, 17,000 Japanese milk producers weigh on the negotiation of free trade agreements (EPAs, TPP), which involve 127 million consumers but also the interests of the Japanese industrial sector. They feel threatened by free trade agreements, while their main production, fresh milk to drink, cannot be imported... Several agricultural reforms, both past and future, aim to increase the competitiveness of the Japanese agriculture by liberalizing practices, helping non-unionized producers... And weakening the influence of JA-Zenchu. Nevertheless, these reforms are timid and have no real effect. Yet, some sectors are doing well: the dairy sector is a good example. The technical results of Japanese breeders are very good. Individually, they produce as much as the best producers in the world even if their production costs are twice as high. Some sectors can also be quite innovative, especially urban agriculture. Japan also created the first short consumer circuits in the 1960's when we thought we had invented this concept 15 years ago. In Europe, farmers suffer from too low prices and high market volatility. The right approach is probably in the middle, with well-adapted regulation and protection mechanisms. In Japan, the agricultural sector is overprotected or even suppressed.*

## C) A leading importer of food products

### 1. About following figures

EU-Japan trade in food products is sufficiently documented on the EU side, thus following figures have been built with data extracts from the Japanese [MoE](#). This allows comparisons on the same basis with other exporting countries to Japan. Food products refer exclusively to sections I to IV (chapters 1 to 24) of the Harmonized Commodity Description and Coding System of the WCO. This standard harmonizes tariff lines' codes until the 6<sup>th</sup> digit ([Table 4](#)). The report uses the 2012 classification for data up to 2016 although the 2017 classification has been released with updates, as it is the case every five years.

Data has been classified based on the Directorate-General for Agriculture and Rural Development's [products classification](#). Then, these categories have been adjusted. For example, wine is no longer included in processed agricultural products but in beverages. Similarly, pet food is no longer included in food preparations but in non-edible products, which are not taken into account ([Figure 13](#)). Two categories for seafood products have been added. A list of categories' sub-divisions is provided in the [Annexes \(Table 13\)](#).

### 2. Reading indications

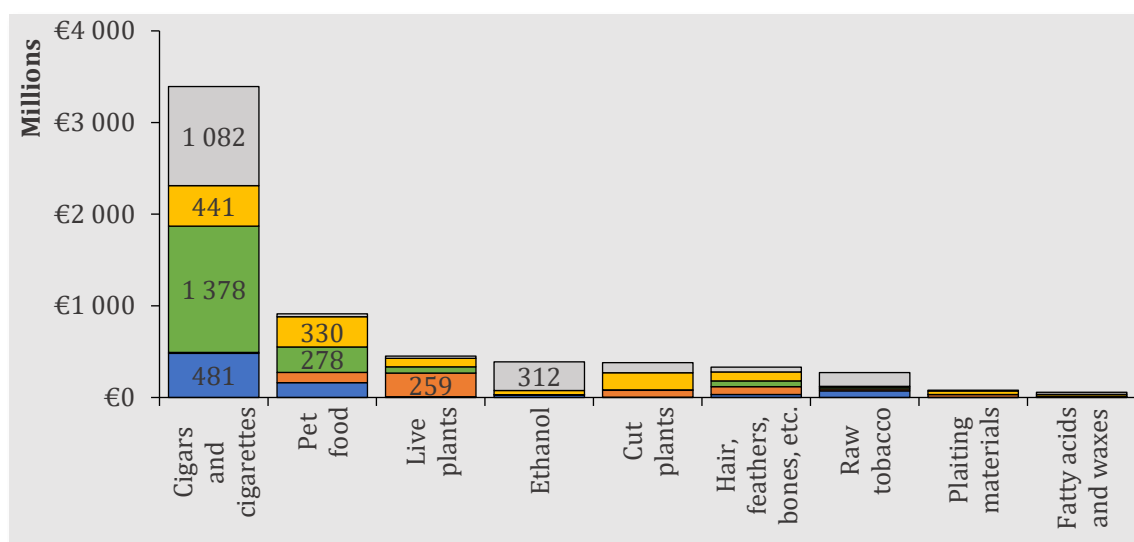
1. APAC countries are listed in the [Annexes \(Chart 8\)](#).
2. Specific colours are associated to regions: **the US**; **China**; **the EU**; **other APAC**; **other countries**.
3. 2016 is the year of reference unless otherwise indicated.
4. Colours are not associated with categories of products. However, some are associated to the nature of products, except non-edible food products: **commodities**; **primary agricultural products**; **processed agricultural products**; **primary seafood products**; **processed seafood products**; **food preparations**; **beverages**.
5. Amounts are indicated only when significant.

**Table 4: Harmonized Commodity Description and Coding System**

<b>Sections</b>	Sections are the largest classification units, composed of ‘Section 1 Live animals; animal products’ to Section 4 “Prepared food stuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes’ (21 sections).
<b>Chapters (HS 2)</b>	Chapters are the classification units which divide sections, given by 2 digits (97 chapters).
<b>Headings (HS 4)</b>	Headings are the classification units which divide chapters, given by 4 digits.
<b>Subheadings (HS 6)</b>	Subheadings are the classification units which divide headings, given by 6 digits.
<b>Statistics subdivisions</b>	“Statistic subdivisions” are the classification units which divide HS subheading based on Commodity Classification for Foreign Trade Statistics, given by 3 additional digits.

Source: WCO

**Figure 13: Products excluded from the study (non-edible products)**



Source: MoF

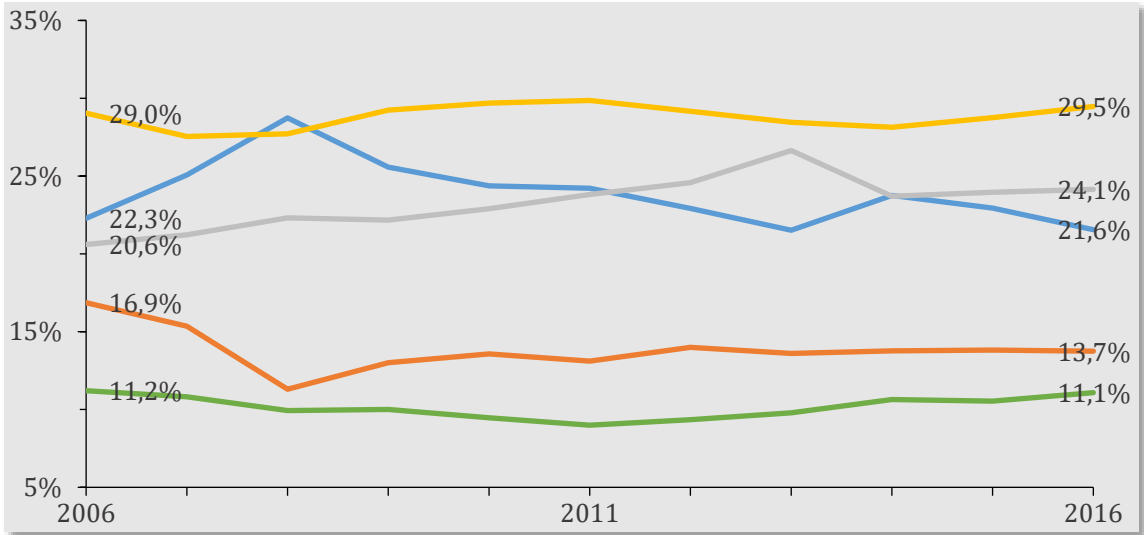
### 3. A huge trade deficit

Japan imported 53.1 billion EUR of food products in 2016. With exports amounting to 5.0 billion EUR, Japan’s trade deficit in food products was 48.0 billion EUR. In 2016, commodities, primary agricultural and seafood products represented three-fourth of the deficit with only three products fuelling it up to one-fourth: fish, pork meat and maize (corn). Japanese imports have increased by 12.9% in the last decade and by 27.9% since a 10-year low reached in 2009, when international trade slowed down after the global financial crisis. In 2016, the US, China and the EU are Japan’s 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> suppliers with 21.6%, 13.7% and 11.1% of imports of food products (**Figure 15**). Separately, EU countries lag behind the first APAC countries, which accounted altogether for 43.0% of imports. France, Italy and Spain accounted to more than half of imports from the EU, and only 5 products generated half of these imports: pork meat, still and sparkling wine, fish and spirits.

Food imports from the EU have been resilient during the last 10 years, ceding only 0.1 PP in value at 11.1 %. In comparison, the US and China have lost 0.7 PP and 3.2 PP at 21.6% and 13.7%, respectively, to the benefit of countries outside APAC (**Figure 14**). The 5 countries which

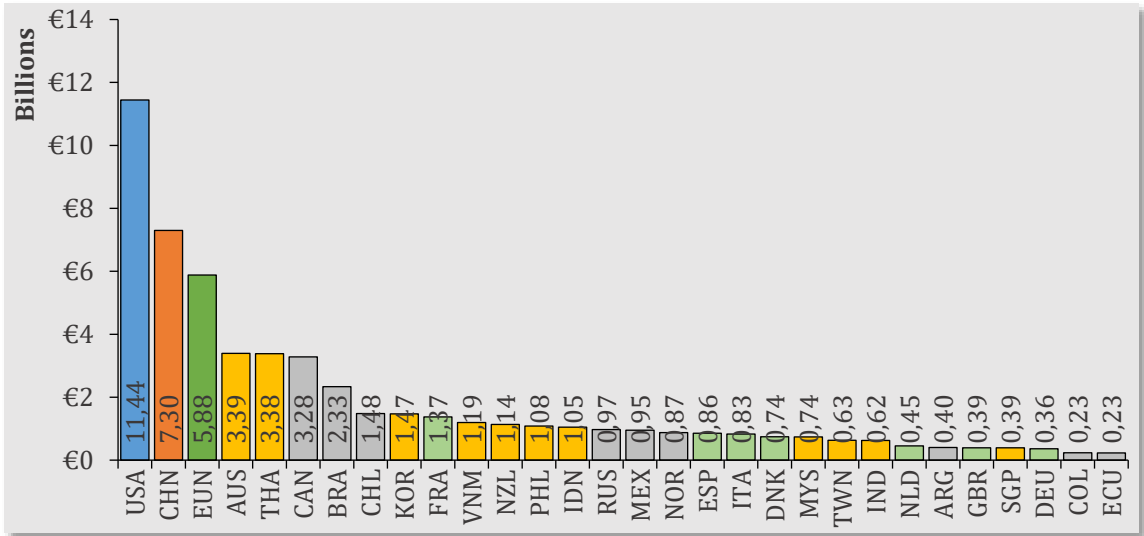
have gained the most are Brazil (+1.7 PP), Thailand (+1.7 PP), Spain (+0.9 PP), Norway (+0.8 PP) and Mexico (+0.7 PP). The 5 countries that have lost the most are China (-3.1 PP), Australia (-2.1 PP), France (-0.7 PP), the US (-0.7 PP) and Denmark (-0.7 PP). Countries' market shares in Japanese imports show their trade specialisation (**Figure 16, 17 & 18**). Japan imports most of its commodities from the US (cereals, soybeans and wheat), most of its processed food from China and Thailand (seafood, meat, fruits and nuts) and most of its beverages from the EU. The US, Australia and emerging countries such as Brazil tend to export large volumes of commodities and primary agricultural products. EU countries often share similar trade specialisations. France, Spain, Italy and the United Kingdom are key exporters of beverages (wine, beer and spirits), whereas Spain, Denmark, Hungary and Austria export mainly primary agricultural products (pork meat) for example. Besides pork meat, most cheese and some other food products, of which volumes are mostly undifferentiated products, EU exports tend to be very specific food products (**Chart 2**). Few countries can compete with the EU on these products so that the fiercest competition for EU countries first comes from their neighbours.

**Figure 14: Change in import shares by regions**



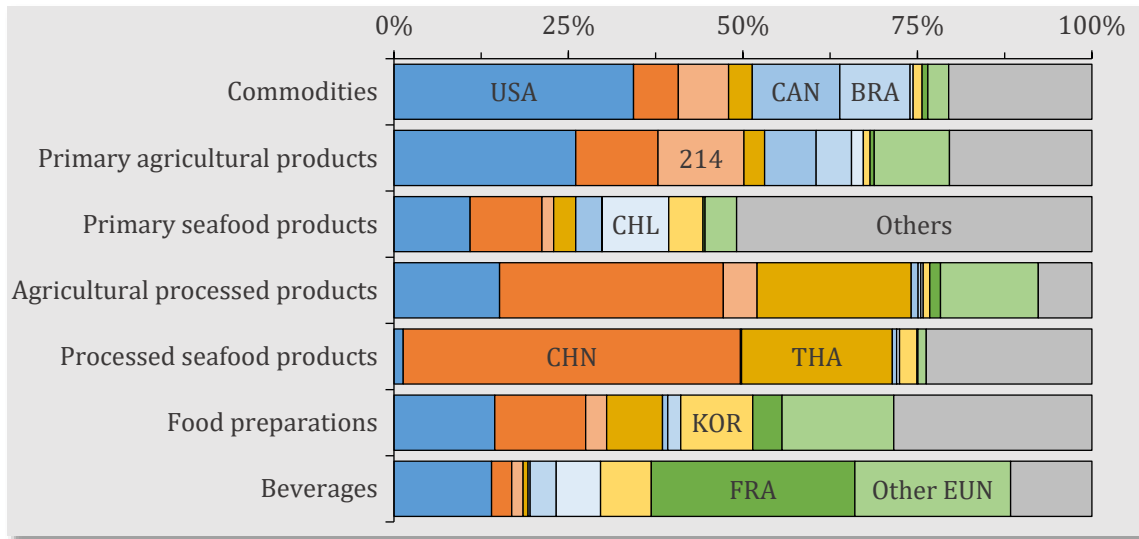
Source: MoF

**Figure 15: Principal countries supplying the Japanese market**



Source: MoF

**Figure 16: Specialization by principal supplying countries based on products' value**



Source: MoF

**Chart 2: Categories of food products exported by the EU**



Source: Author

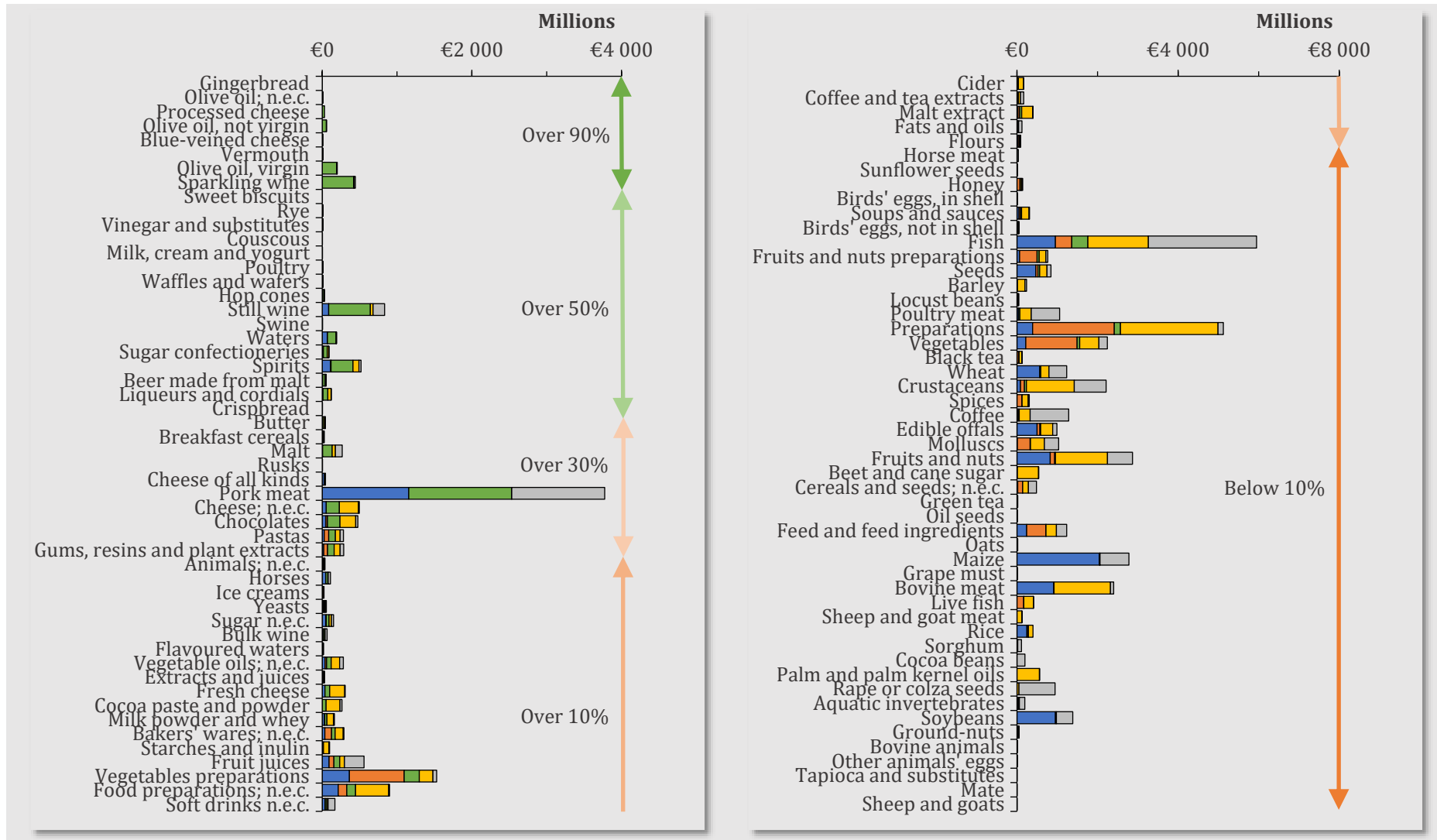
**Figure 17: Imports of food products from the EU by specialization and based on products' value**



Source: MoF



**Figure 18: All food products in Japanese imports by descending EU shares and based on products' value**



Source: MoF

## Featured contributors

### **Francesco Rinarelli, Deputy General Manager, Italian Chamber of Commerce**

*Could you present the last figures and trends regarding Italian food exports to Japan?*

*Overall, exports to Japan have been positive but the picture is mixed for food products. We are on a negative trend for beverages due to the increasing competition of emerging countries. We lost the 2<sup>nd</sup> position in wines to Chile last year and the gap has widened this year. This has a lot to do with the price of lower band wines and I do not think that we will be able to fill the gap in the next few years. We are still competitive on mid-range and high range wines but we should not take that for granted. We have also had a contraction on olive oil and dairy products. Italy used to be the 1<sup>st</sup> exporter of olive oil to Japan both in volume and value but we lost to Spain in both categories. Regarding dairy, cheese and especially natural cheese, its awareness of Japanese people has risen modestly. It is easier today to find quattro fromaggi pizzas in a bar, blue cheese, mozzarella. Up to 5 years ago it was very difficult to find local mozzarella but now you have facilities in Hokkaido producing mid-quality mozzarella. Of course this production cannot be compared with EU cheese but in the end you can find it in all supermarkets. Even if the demand rises, part of it will be absorbed by the local production.*

*There is some increase in charcuterie. We see that in supermarkets, which have their own confections, lowering prices and reducing the package in order to target consumers who cannot afford to pay too much. Charcuterie is difficult to recreate in Japan due to the seasoning process, at least for now, which is relieving for our production. However, there are a lot of new competitors. Although Italy has a brand for fine food in Japan, we cannot live on our past image. The Italian food industry has to prove to Japanese consumers that its products are superior in quality and especially on quality to price. You really need to market your products because you can no longer send a container and hope that your products are bought.*

### **Sabine Hofferer, Agricultural Counsellor for Japan and Korea, Embassy of France**

*Could you present the last figures and trends regarding French exports of food products to Japan?*

*The Japanese market is a demanding, remunerative, prescriptive market in Asia and is a major market for us. France sells more than 1.2 billion euros of agri-food products in Japan, 70% of which are wines and spirits or other beverages. They benefited from the economic boom of the 1970's, the passion of the Japanese for gastronomy and the fact that renowned French chefs settled in Tokyo. This has shaped a glamorous and luxurious image in the Japanese mind-set, which is still very much alive today. So we sell mainly high-end products: wines, spirits, jams, biscuits, foie gras, etc. It would be appropriate to diversify our products in range and to expand our offer towards more solid and accessible products because the current specialization tends to weaken us, especially on wines and spirits. This is very difficult because our products are expensive in Japan. Transportation costs and customs duties sometimes position them in the high-end segment of the Japanese market although they can be regular products elsewhere. Importers are also confining French products to this image and will prefer to sell expensive French products because Japanese consumers do not perceive the possibility that they can be cheaper. The strategy of these importers has changed very little since the 1970's and 1980's. These actors sometimes have an archaic functioning, are not very flexible and resist any attempt to change. In a way, we are actually suffering the consequences of certain problems intrinsic to the Japanese corporate system.*

*Some companies are importing on their own, usually for their store(s) but are facing enormous difficulties, particularly with entry barriers. Primary-exporting SMEs have no other choice than to partner with a Japanese importer.*

**Dr. Evert Jan Krajenbrink, Agricultural Counsellor, Embassy of the Kingdom of the Netherlands**

*Could you present the last figures and trends regarding Dutch exports of food products to Japan?*

*Although Dutch exports of food products grew quickly until 2000, reaching 590 million EUR, they were relatively stable from that year on, reaching 650 million EUR only in 2016. In contrast, Dutch exports of food products to Hong-Kong and China reached 3 billion EUR. However, the beauty of the Japanese market is its stability, its demand and the fact that quality is highly-valued. We can sell our finest products at a high price and there are not so many markets like that in the world. For companies wishing to balance their risk in several markets, being active in Japan also brings a good coverage. The Japanese market is mature and does not grow so business is about competing to gain market shares by offering the best price based on an excellent quality as well as bringing innovative products to the market. We are paying attention to consumers' trends: Japanese eat more pasta, bread and bakery products than rice, organic food is growing in popularity and ageing consumers wish more convenient products. Regarding the products, some perform better than others such as pork meat, fruits and vegetables (peppers, cherry tomatoes, chicory, etc.), dairy products and paprika. They are mostly sold to the processing industry as ingredients or in order to be repacked as private-label foods, which explains why Dutch products are not often clearly visible for consumers in Japanese supermarkets.*

# V. Trends in a changing market

## A) Consumption patterns

### 1. Increasingly parsimonious consumers have kept high quality expectations and taste for novelty

Since the 1990's, weakening economic conditions have exacerbated consumers' price sensitivity. Premium and luxury items such as specific fine food are however the exception because price matters less. In fact, consumers prefer to spend the same amount for a greater value or to spend less for the same value. This seems logical but it was not the case during the bubble. Products with added value, such as better taste with exclusive ingredients are sought after.

Women increase the amount of home cooking they do, cooking more from scratch for which they tend to purchase less expensive ingredients. In order to save money, Japanese buy more in bulk at discounted price despite having rather small living spaces. Once only considered as cheap products, private-label foods have become more attractive and are now seen as an affordable alternative. This means that consumers also put more time and effort in price comparisons. This trend is likely to persist because young generations have grown up under more difficult economic conditions than their elders.

While elsewhere, consumers often define the quality by a product's intrinsic characteristics, Japanese consumers always include all services provided during sales and after-sales processes and they are willing to pay a premium for their satisfaction. Freshness, origin, taste, nutritional intake, brand information, advertising, packaging and all possible services are important factors in assessing quality. Products' freshness and origin (associated with safety, particularly for old consumers) are very important and influences purchasing decisions greatly. EU products can capitalize on their strong regulatory framework and their very positive image in Japan.

Consumers place a high value on new experiences which benefits regularly to foreign food products, bought to enjoy a piece of foreign lifestyle. They jump easily on food trends, especially if highlighted in the numerous cooking-themed television programs, magazines and blogs. This characteristic is independent to the age. Consumers over 50 years old are also very keen to experience new varieties, flavours and packaging.

### 2. A need for convenience and proximity due to busy lifestyles and population aging

Young consumers, of which more and more professional women, are willing to pay a higher price for convenience due to their fast-paced lifestyle, which is often synonymous to individual eating habits, so they rely more and more on packaged food. Instead of cooking at home (which they can also do for other reasons), consumers purchase more meal replacements (prepared food, canned/preserved food, frozen food, delivery food, etc.) Almost all Japanese households have microwave ovens but fewer have freezers. There will be an increase in freezers as Japanese consumers are eating more frozen food.

In contrast to young consumers who first look for a high level of convenience with cheap packaged food products, elderly consumers demonstrate an interest in premium packaged products in supermarkets and department stores. These elderly consumers are targeted

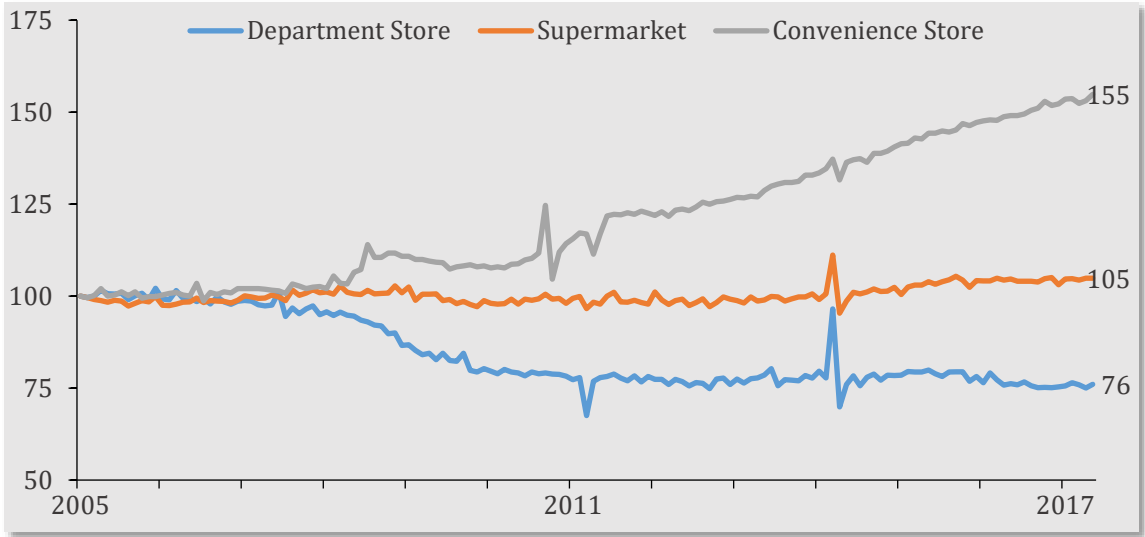
specifically by manufacturers because they represent a large and growing consumer base and have a greater purchasing power. Assuming that it becomes too difficult for them to travel far from home, they would in this case favour the proximity of convenience stores. As for single-person households, they live in smaller living spaces and consider it a burden to cook for just one person. They will look for more packaged products with unique convenience and storage attributes.

Supermarkets and convenience stores are the most important retailers. While sales in supermarkets are relatively flat, sales in convenience stores have grown by 55% since 2005. Department stores, which face difficulties in their completion of other channels, have seen their sales drop by 24%. They are usually located near train stations in upscale buildings (**Figure 19**) and usually present a good offer of foreign food products at a relatively high price.

Convenience stores are the most popular shopping channels as they are located throughout Japan and often represent the nearest and most convenient option for consumers. The three main retailers are 7-Eleven, Lawson and Family Mart. Japanese visit convenience stores 2 or 3 times a week on average because many have an ATM machine, printers and scanners and are also postal delivery points.

Japan is a tech-savvy society with 124 million internet users and 77 million digital buyers. In 2015, 28% of households bought some food products online. Total online grocery sales reached 1.8 billion EUR with edible grocery sales of 442 million EUR. Women aged from 35 years to 54 years frequently purchase directly from farmers or manufacturers due to past food scandals, shop for nutritional supplements or buy heavy or bulky food products which are easier to deliver through online shopping. The ability to browse products, compare prices and make purchases relatively anonymously is important to consumers. In 2015, almost half of online purchases of food were conducted via mobile devices, a share that is growing. Consumers, particularly the young, find shopping through mobile devices more convenient than shopping in physical stores. However, most people still prefer to select their own fresh food.

**Figure 19: Indices of sales in retail stores**



Sources: JMA, METI

## Featured contributors

**Michiko Ono, President, Aeon Saveur Co., Ltd**

*What is the situation of frozen food on the Japanese market?*

*It has been said during the last decade that the Japanese market for frozen food will grow rapidly but the market has grown remarkably only since last year. In Japan, frozen food is usually used for lunch boxes and most of the market is filled with (simple and low-cost) foreign vegetables. As a consequence, regardless of its origin foreign frozen food is often considered similarly, whether the product is low-cost or of high quality. This perception is evolving little by little with more frozen food being added to Japanese dinner tables. The market for high quality frozen food is growing faster than the market for low-cost frozen ingredients, even if it remains much smaller. High quality frozen food is able to fill the demand for more convenient food products that are prepared, tasty and healthy. In particular there is a growing market for frozen appetizers, which Japanese would eat with beer or wine. However, Japanese households tend to have little room to store these products, which might limit the pace of the trend. Apartments are smaller than in Europe, hence kitchens, fridges and in the end freezer compartments are rather smaller on average.*

*What particular difficulties do you face?*

*We have realized that some products could not be imported due to differences in standards between the EU and Japan. For example, some appetizers include poppy seeds, which are considered as a drug in Japan if they blossom. Meat products are also difficult to import. Avian flu, FMD (foot-and-mouth disease), transportation costs, inspection fees and tariffs increase the final price in Japan.*

*What is your main objective?*

*It took about 40 years for Picard to reach the top of the high quality frozen food market in France and we are working to reach the same position in Japan in 5 to 10 years. This is not about the number of stores but about gaining the trust of Japanese consumers and building the reputation of the products in the long-term. Our ultimate objective is to make possible that Japanese consumers enjoy our products as much as French consumers do.*

### **3. Growing concerns over food safety and health are generating a demand for food with benefits**

With 26.6% of the population over the age of 65 in 2016 and compulsory health checks that can lead to greater medical insurance costs if one does not pay attention to his or her dietary habits, the demand for food products with health benefits is rising. They are especially concerned about the amount of fat and sugar they consume in line with the rise of lifestyle diseases caused by the influence of the Western food culture. Key concerns, especially for women, are avoiding poor nutritional habits and managing a balanced set of ingredients in a meal. Home cooking is an attractive option for health-conscious consumers, as it enables them to choose their own ingredients. Unique food ingredients with healthy attributes are also sought despite the associated extra cost. This covers food products with antioxidants, with a positive impact on blood sugar or cholesterol for example, dietary supplements, functional food and nutraceuticals.

In 2015, the CAA has amended the health claims system for food and beverages with the FHC. This updated system allows for function claims, in addition to the previously allowed nutrient and FOSHU claims. Unlike FOSHU, products with function claims do not require individual preapproval, and claims can now be made based on scientific reviews of the functional

ingredients the product contains. Ingredients with health benefits will be featured more prominently on food product labels. FOSHU is one of the five categories of [FOSDU](#), which permits to display that the food is appropriate for specified dietary use.

One bite at time, Japanese consumers are buying into organic food due to strong concerns for food safety and environmental issues, especially after the catastrophe of Fukushima in March 2011. Importers have a trump card to play in a market that remains very small (less than 0.5% of the food produced and about 2% of the food consumed) because of the heavy constraints limiting the local organic production drastically ([Table 5](#)).

**Chart 3: Japanese label for specified organic food**



The MAFF established [specific JAS Standards for organic](#) plants and organic processed foods of plant origin in 2000 under the JAS Law (“The Law Concerning Standardization, etc. of Agricultural and Forestry Products”). It defines agricultural food products (plants) and agricultural processed food products of plant origin as “specified products” and require them to be JAS organic certified and affixed with JAS organic seal in order to be sold as organic in Japan ([Chart 3](#)). The system has been further developed in 2005 with the addition of the JAS Standards for organic livestock products, organic processed foods of animal origin and organic feeds. The EU benefits from the equivalency to the JAS system for its organic products exported to Japan.

Until recently, there was no major organic supermarket regrouping all consumers’ needs of organic products. These products were previously sold in different shops. This development, along with the diversification of organic products, is helping the demand grow. Organic is also trendy. There are a lot of fashionable cafes and restaurants, mainly in Tokyo and other major cities, attracting consumers with their healthy, natural or organic menus. Food service could help raise the awareness of consumers for organic food sales of organic food through internet or in prepared food could play a similar role in boosting the market. Japanese consumers are “fin gourmets” but are also shy customers. They are willing to pay a premium for organic products, but need to be guided in their purchase. It is advised to explain the health benefits and gustative quality of your products.

**Table 5: Main constraints weighting on organic food development**

On the supply	On the demand
<ol style="list-style-type: none"> <li>1. The scarcity of arable land, the climatic conditions and the prevalence of small scale farming. With around 10,000 hectares of land in organic production, Japan ranks 88<sup>th</sup> in terms of organic cultivated area, Japan is forced to import most of organic products.</li> <li>2. The long and complex certification system with many inspections, analysis and researches.</li> <li>3. The economic monopoly and political lobbying power of JA group, which prefer to maintain a standardised production.</li> </ol>	<ol style="list-style-type: none"> <li>4. The low level of awareness among Japanese consumers despite food safety concerns. According to the 2011 Organic Market Research Project conducted by IFOAM Japan, 97% of respondents knew the word “organic”, but only 5% understood its meaning.</li> <li>5. The premium on organic products, which makes them between 20 to 30% (and often beyond) more expensive than conventional products.</li> <li>6. The less appealing look of organic products in a country valuing the homogeneity of the production.</li> </ol>

## Featured Contributors

**Pascal Gerbert-Gaillard, Manager, Bio c' Bon Japon Co., Ltd**

### *What is the current state of the organic market?*

*The organic market in Japan is at the same stage of development as the organic market in France 20 years ago. It accounts for only 0.5-1% of the agri-food market and 0.5% of the cultivated area, so overall production is relatively low. The Japanese agricultural model, promoted and organized by agricultural cooperatives, has not favoured the development of the organic production although its circuit and vision are simply different. For agricultural products, we work with more than 200 small Japanese producers who are on average quite old. We see in young farmers the desire to look for larger plots, develop direct sales and marketing. This is good for us but this is far from being the usual way. As it is often the case in Japan, the paradigm shift results from a foreign impulse. Authorities have pledged to have "green" Tokyo 2020 Olympics, which implies natural products and therefore if you follow the line, organic food. In addition, Japanese are concerned over the consequences of the Fukushima disaster on their food. The environment thus becomes more favourable to organic food. However, the domestic supply remains limited and is rather difficult to access. Consumers often have to flutter from one store to another in order to carry out all their organic groceries and we want to change that. There is no support from the authorities, so the concept of organic food is still poorly understood by most Japanese.*

### *How much does organic cost?*

*Japanese have in mind that organic food is expensive. In Europe, the premium, compared to conventional products, is in the range of 20% to 30%. In Japan, it can be significantly greater due to much higher production costs. We try to limit this premium while preserving our margins and without ruining customers. Since we import many products directly, we are able to control our costs to keep them affordable. It is also common for us to be cheaper than conventional products sold in our competitors' stores, because we do not have to use multiple intermediaries. This is the case with most of our wines and cheeses for example.*

### *What are the main reasons to buy?*

*Taste comes first and health benefits come second. Japanese, especially women, pay more attention to what they eat but are not ready to buy products that do not taste good just for their health benefits. Conversely, if products taste good, customers will come back to the store because they are also healthy. Almost 80% of our customers place at least one imported product in their basket. The ecological nature of the production is not necessarily a reason for buying because Japanese are accustomed to many layers of packaging for the least product. We sell certain products in paper bags, such as fruits and vegetables and bulk nuts, and reusable bags to bring groceries home. We try to explain our approach little by little without seeming to impose a way of doing things, which would not work in Japan because it would be perceived as arrogant.*

### *What is your typical clientele?*

*Women aged 25-45 who have a comfortable purchasing power and are attracted to foreign products constitute our customer base even though we address all potential customers. Mothers of families buy healthy products for their child (ren) and young women buy "extraordinary" products that stand out. The sports clientele buys very specific products: food supplements, pasta, nuts and dried fruits. We do not reach elderly people as much, even though things are actually more complex. One third of our customers know about organic food. Our foreign customers know more but represent only 5 to 10% of the clientele. Most of our customers do not know exactly the*



differences between the European, American and Japanese labels but some are very aware and will look for the label on products.

*What steps do you take to attract and retain your clientele?*

*We want to be as visible as possible, whether through our website, our participation in conferences or through our appearances in the media. In store, we train our team to accompany the customer, present the products, their history, how to prepare, cook and finally eat them. Customers usually feel reassured. For processed products, we organize tastings and/or workshops. If customers like the product, they buy it 90% of the time. For raw products such as various flours, basmati rice, etc., less familiar to Japanese, we organize workshops every week. Customers register via website and word of mouth does the rest.*

## B) Overview of several key market segments

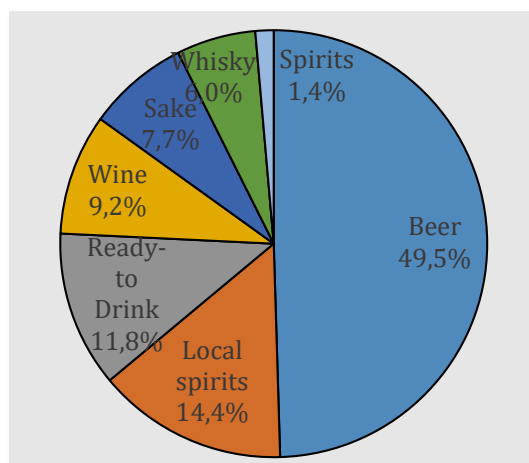
### 1. Alcoholic beverages

The consumption of alcoholic beverages is mainly driven by beer and local spirits given the strong Japanese tradition in their making (**Figure 20**). However, the consumption of beer has been decreasing in the last decade. Beers include Happōshu, of a lower malt-content and third-category beers made of malt substitutes. Wines account for 9.2% of the consumption but take over half of all alcoholic beverages imports in volume. In value, wine even reaches two-thirds of imports.

The EU is by far the principal supplier of alcoholic beverages in value with more than 1.4 billion EUR imported by Japan in 2016. After a sharp fall between 2007 and 2009, imports have now almost recovered their pre-crisis level. In volume, the EU is the 2<sup>nd</sup> supplier of alcoholic beverages since 2008, after South Korea took over the 1<sup>st</sup> place by exporting large volumes of cheap beers to Japan (**Figure 23**)

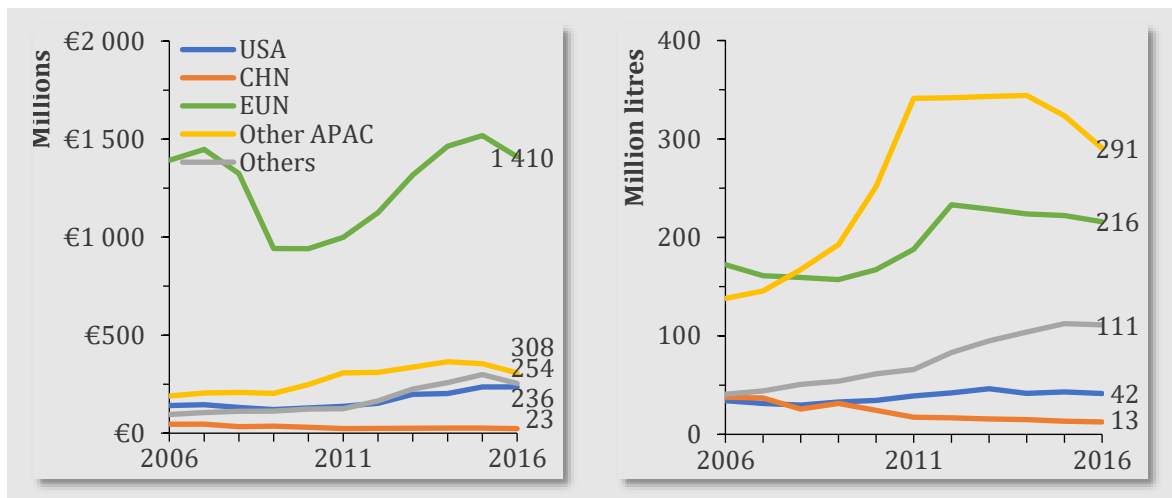
France is by far the 1<sup>st</sup> supplier of alcoholic beverages in value with 703 million EUR of still and sparkling wine, which accounted to more than half of the supply to Japan in 2016. Other EU countries are also important suppliers: the UK with spirits, Italy and Spain with still and sparkling wine and Ireland, Belgium and Germany with beers. However in volume, South Korea and Chile outperform all EU countries. South Korea takes the 1<sup>st</sup> place with 167 million litres of cheap beer and other fermented drinks.

**Figure 20: Alcoholic beverages consumption in share of total sales in the period of August to October 2016**



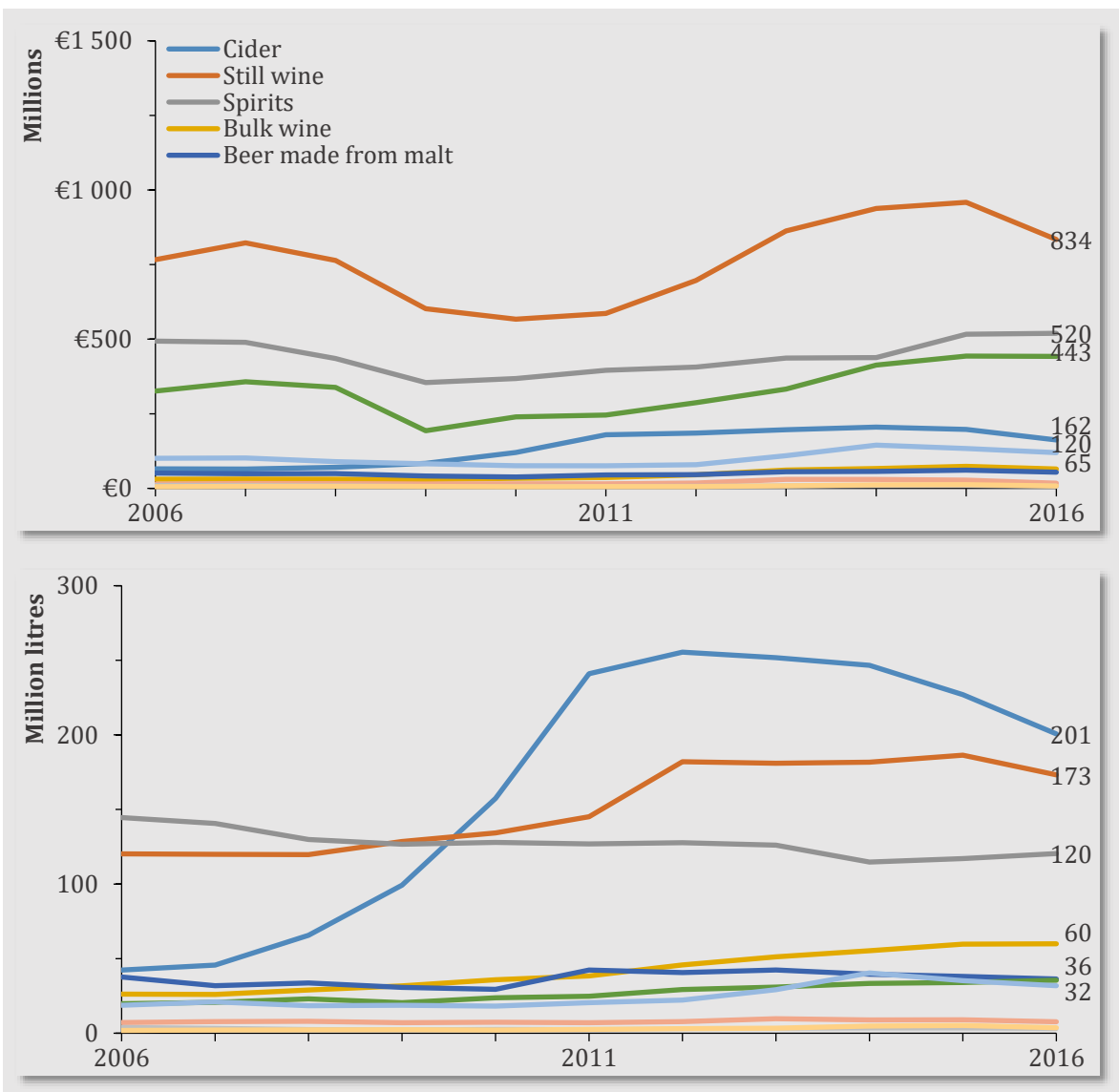
Source: Castel Japan

**Figure 21: Change in imports of alcoholic beverages by regions**



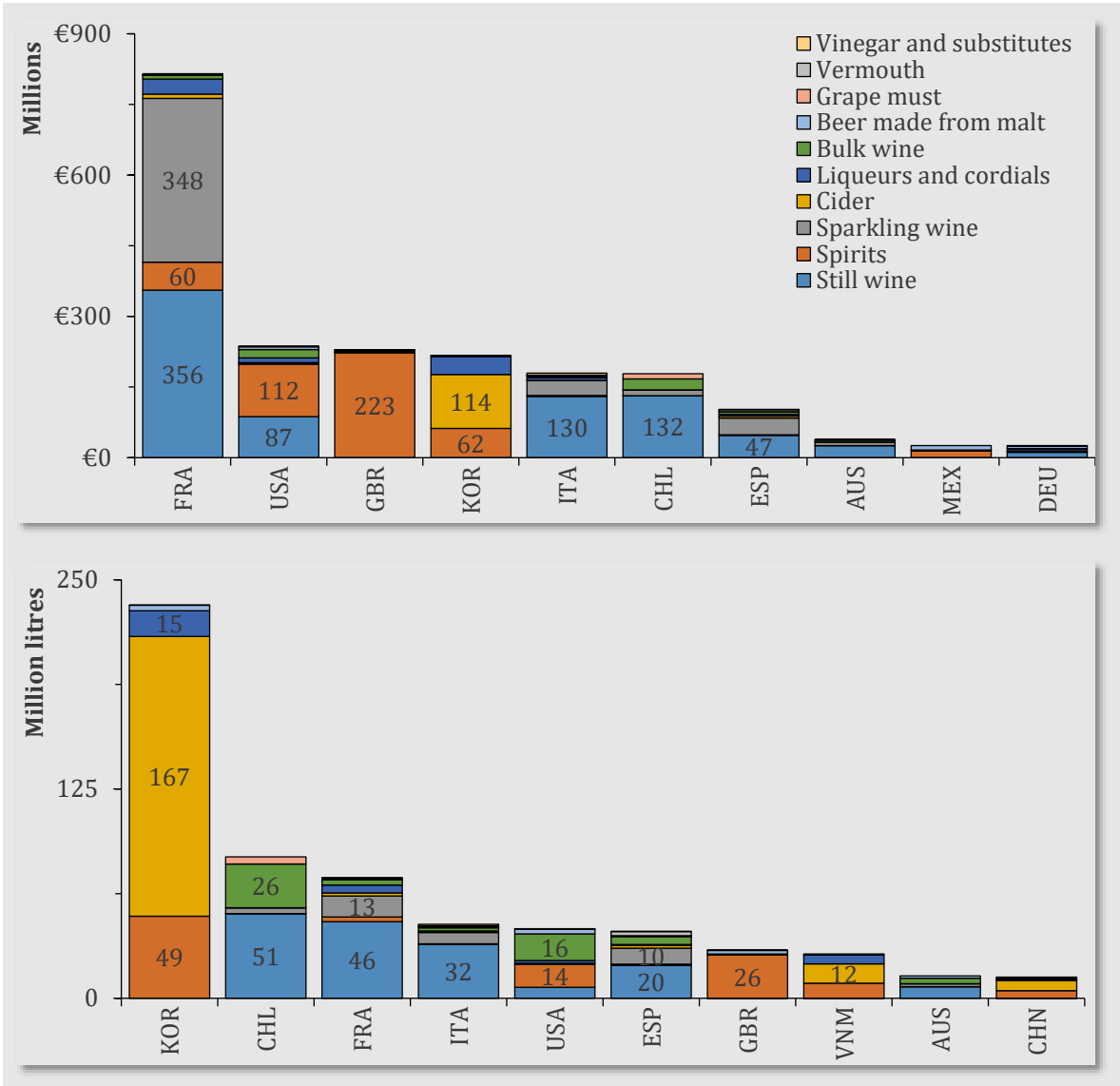
Source: MOF

**Figure 22: Change in imports of alcoholic beverages by products**



Source: MOF

**Figure 23: Imports of alcoholic beverages by principal supplying countries**



Source: MOF

**a. Wine**

Japan is not suited to viticulture due to high levels of humidity, heavy rainfall, acidic soil and, principally, the lack of space. Yet, 30% of the wine consumed in Japan has been produced locally. This relatively high share is due to the fact that the Japanese definition of wine is much broader than that of the IOV. Japan allows local products that are not exactly wine to be sold as such. Apart from wine exclusively made from domestic ingredients (kokunaisan), most of the Japanese wine is made from imported grape must (kokusan) or imported, then bottled in Japan (yunyu). The kokunaisan wine is a small industry and its market share is less than 4%. The production remains unknown abroad and most of its brands are cheaper table or cooking wines. Consumers have already established a regular purchase of wine.

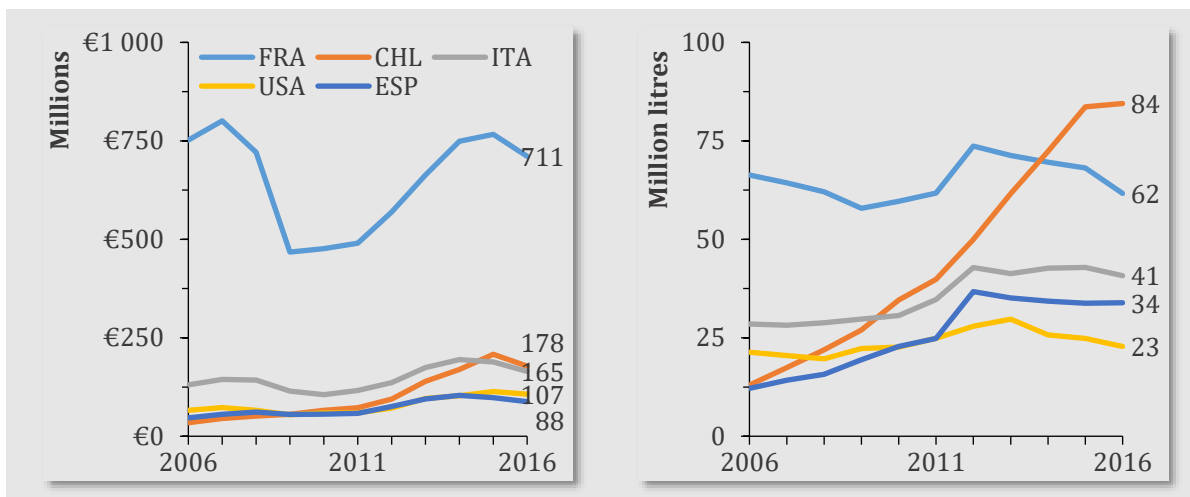
Since the 1990's, Japan has become the 2<sup>nd</sup> largest wine importing country in APAC. Over 50% of Japanese drink wine at least once a week. In the Tokyo area, consumers of all age ranges and income class drink on average 8 litres of wine annually. They tend to favour red wine (50%) over white wine (38%) while their consumption of rosé is marginal (12%). Middle-aged and old

consumers tend to prefer high-quality wines, whereas young consumers tend to favour sparkling wines, especially women.

In 2016, wine imports represented 41% of alcoholic beverages imports in volume and 61% in value. These shares are similar to those of 2006, reaching 1.3 billion EUR. 70% of the wine consumed in Japan has been imported in 2016. France, Italy and Spain benefit clearly from a dominant position in Japanese wine imports. Together they capture 74% of the external demand in value and 53% in volume. Consumers are not aware of the Eastern EU production (Bulgaria, Croatia and Czech Republic), which remains rather confidential. Japan also imports wine from Chile, the US, Australia, Argentina, South Africa, New Zealand, etc. In particular, Chile has outperformed all its competitors in volume over the last decade: Spain before 2006, the US in 2008, Italy in 2010 and eventually France in 2014 (**Figure 24**). Chilean wines face average tariffs of 4.4% thanks to the bilateral FTA with Japan, whereas EU countries face average tariffs of 15.6%.

The size of the market and the growing demand offer a good potential for EU wines in all ranges of price and variety. GIs and other kinds of recognition are well-understood by retailers and consumers. Private labelling is supporting the sales of bulk wine and sparkling and organic wines show a dynamic growth.

**Figure 24: Change in imports of wines by principal supplying countries**



Note: Above figures include bulk wine, still and sparkling wine and grape must.

Source: MOF

**Featured Contributor**

**Jean-Marc Lisner, President, CEO, Castel Japan K.K.**

*How has the Japanese wine market developed in recent years?*

Wine accounts for only 6-8% of the alcohol consumed in Japan, whereas beer accounts for almost half of it. Japanese first approached wine by the high-end segment in the 1990's. Consumption was then somewhat democratized with daily wines, then Japanese discovered the Beaujolais Nouveau and the Chilean wines eventually arrived. Meanwhile, the consumption increased and became more regular so that supermarkets now display shelves of respectable size. Consumption of still wine has increased considerably and that of sparkling wines continues its development. Distributors are very fond of appointments (GIs, AOC, etc.), medals and notes of famous guides. They are less important

*for the final consumer but they clarify a rather complex offer. Japanese love the history of the product built around the small local producer, which greatly benefits European wines.*

*What are the emerging trends in this market?*

*Organic wines are trendy but it is difficult to guarantee their quality after 5 weeks in boats due to the absence of preservatives. Bringing organic wines from the other side of the world is actually not very in tune with the ideology of organic products. RTD cocktails based on Shōchū and fruity flavours are rapidly developing. They compete with entry-level wines because of their low price (about 100 yen a can). Sales of rosé remain marginal while they are developing enormously in Europe. Japanese do not consider it as wine and also have the image of a sweet beverage that does not marry well their cooking. Similarly, the Japanese market does not seem to be ready for bags-in-box, which represent 30% of the shelf supply in France. We expect sales to increase even if, for logistical reasons, Japanese would prefer to buy bulk wine and then fill in boxes in Japan.*

*Can you present the competition to European wines, especially the Chilean competition?*

*Chilean wines have shown the fastest sales growth in recent years and are now leading the volumes. In comparison, competition from American and Oceania wines is less important. The progressive reduction of Japanese tariffs on Chilean wines under the Japan-Chile FTA has contributed greatly to this success, although Chile can also rely on its grape varieties, its brands, the stability of its production, its organic wines and finally on its large financial and marketing resources. Because of their position, part of the Japanese youth only knows Chilean wines. For us, the challenge is to propose quality European wines in a price range that approaches Chilean wines, in order to secure the renewal of the demand. We are setting up campaigns combining our wines with food products such as cheese and lifestyle in order to improve our attractiveness but we especially expect a lot from the EU-Japan EPA.*

*The heart of the Japanese market has a price range between 750 and 1,000 yen. In this highly competitive segment, price plays a very elastic role so that the immediate dismantlement of Japanese tariffs on wines under the EPA would reduce the final price of a bottle by about 100 yen. Wines currently sold between 750 and 850 yen would get closer to Chilean wines, usually ranging between 500 and 700 yen. For such a small gap, the attractiveness of the producing country comes into play and although Chile has a good image, European wines remain advantageous. Crossing the 1,000 yen mark is also very important. The EPA will also be extremely beneficial because our Japanese partners really want to lower prices to return to European wines. Japanese consumers love change but are also very classical, with traditional tastes. European wines are the most likely to bring them this type of novelty.*

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## **b. Beer**

The average volume of beer consumption is about 45 litres a year, with prefectural averages between 35 and 82 litres, notably in Tokyo. Although it has decreased, beer remains the favourite alcoholic beverage due to a large-scale domestic production of light lagers that hold 90% of the market. Local beers diversify poorly from traditional malt beers to happōshu, of lower malt content, and third category beers. Happōshu has become more popular due to the fact that it is significantly cheaper than regular beer. Third-category beer made with malt substitutes like soybeans, corn and even peas, is even cheaper than Happōshu. Marketing terms such as “zero calorie” and “low alcohol” have proved very appealing for women. Recently, the largest Japanese brewers (Asahi, Kirin, Sapporo, Suntory and Orion) have been forced to innovate to prevent the consumption from declining further and compete with strengthening foreign producers which propose a much larger offer.

The undisputed market shares of Japanese brewers and the homogeneity of the market in price and product range mean that the best prospects for EU exporters are mainly premium artisanal beers with original taste. This niche market exists mainly in cities due to the greater awareness of consumers for imported beers.

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### c. Spirits

Spirits and liqueurs enjoy great popularity as cocktail ingredient (gin, vodka and rums) among young consumers. Cocktails continue to be favoured by women for their sweet taste and visual appearance. Stronger spirits, either foreign (whisky, Brandy, Cognac, etc.) or local (nihonshu and Shochu) are consumed by senior consumers, mostly male, who favour premium products. Famous brands of foreign spirits are often purchased as gifts to offer in formal social and professional contexts. The consumption of foreign spirits is expected to grow in value to the detriment of local spirits.

Japan is the biggest importer of spirits in APAC with every tenth alcoholic drink bought belonging to the segment. The Japanese market is also one of the largest for the EU which can capitalise on many GIs. Japanese distilleries have also created world-beating whiskies that compete with the best foreign producers in the UK and Ireland. The American and Canadian competition is strong, whereas emerging and APAC countries such as South Korea, Mexico, China, Vietnam and Thailand mainly export large volumes of low quality spirits.

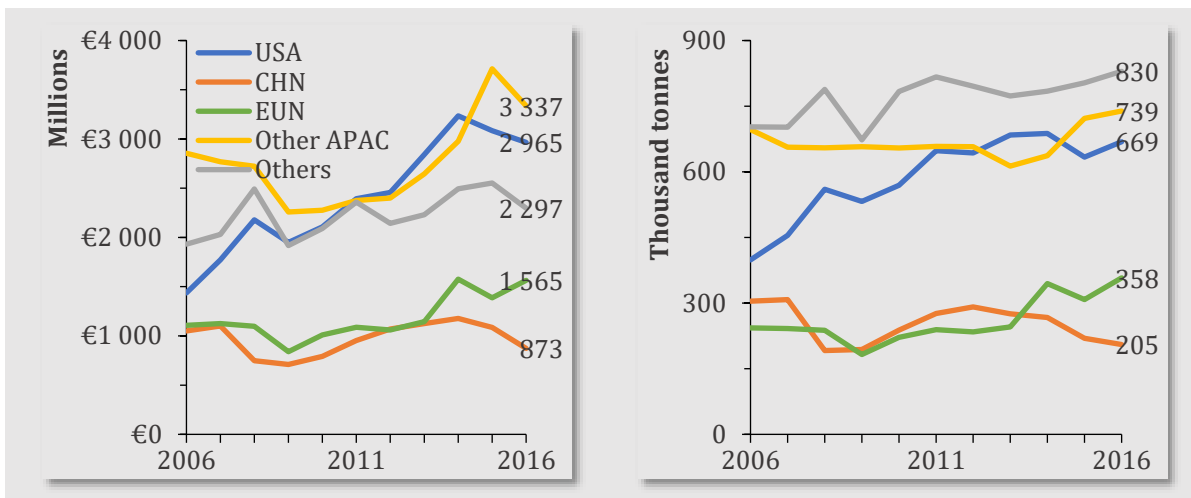
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## 2. Meat

The consumption of meat has been growing in line with the decline of seafood associated with the influence of Western food culture. Consumers particularly appreciate the convenience and simplicity of meat and are particularly fond of high-end EU delicatessen but these products account for a relatively small proportion of the market. Japan imports most of its meat due to the lack of space for livestock and for the cultivation of feedings.

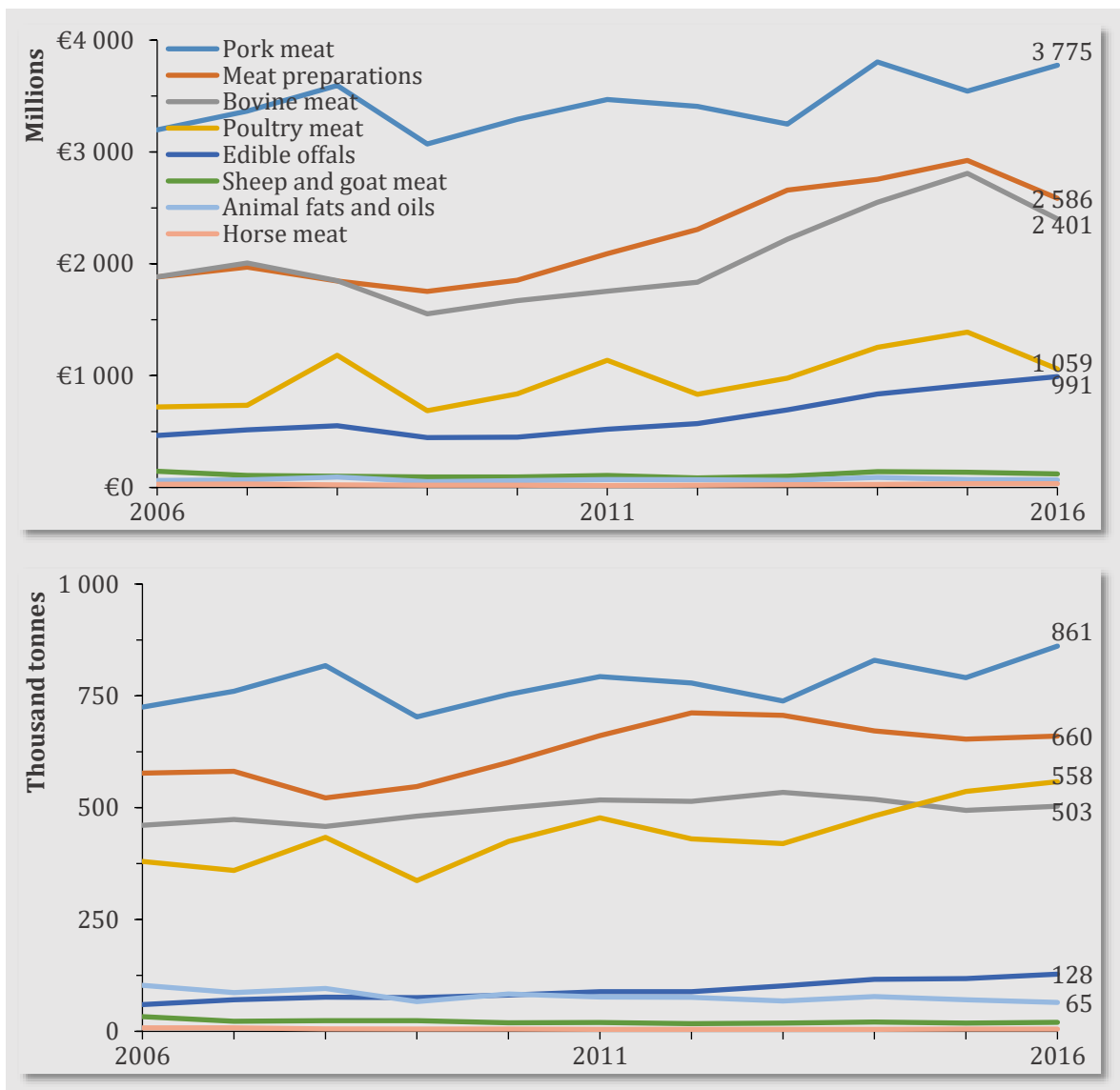
In 2016, meat and meat products was the 1<sup>st</sup> largest trade deficit in food products, at 10.6 billion EUR. Pork meat, bovine meat, poultry and meat preparations account for 90% of the volume imported. The rest is shared among sheep, duck and horse meat. Most of these are frozen. Major meat exporters occupy the Japanese market and each type of meat product is dominated by one specialized country and a few major exporters. Only 7 exporters share 93% of all meat imports (**Figure 27**): the US (27% with pork, bovine and processed meat), Australia (15% with bovine meat), EU countries (14% with pork meat), Thailand (14% with processed and poultry meat), Canada (9% with pork meat), China (7% with processed and poultry meat) and Brazil (7% with poultry meat). Most of the meat imported from the EU is pork meat for the food processing and food service industries (from Denmark and the Netherlands mainly). Imports of bovine meat from the EU are limited as some countries are still unable to export following the two-decade ban.

**Figure 25: Change in imports of meat by regions**



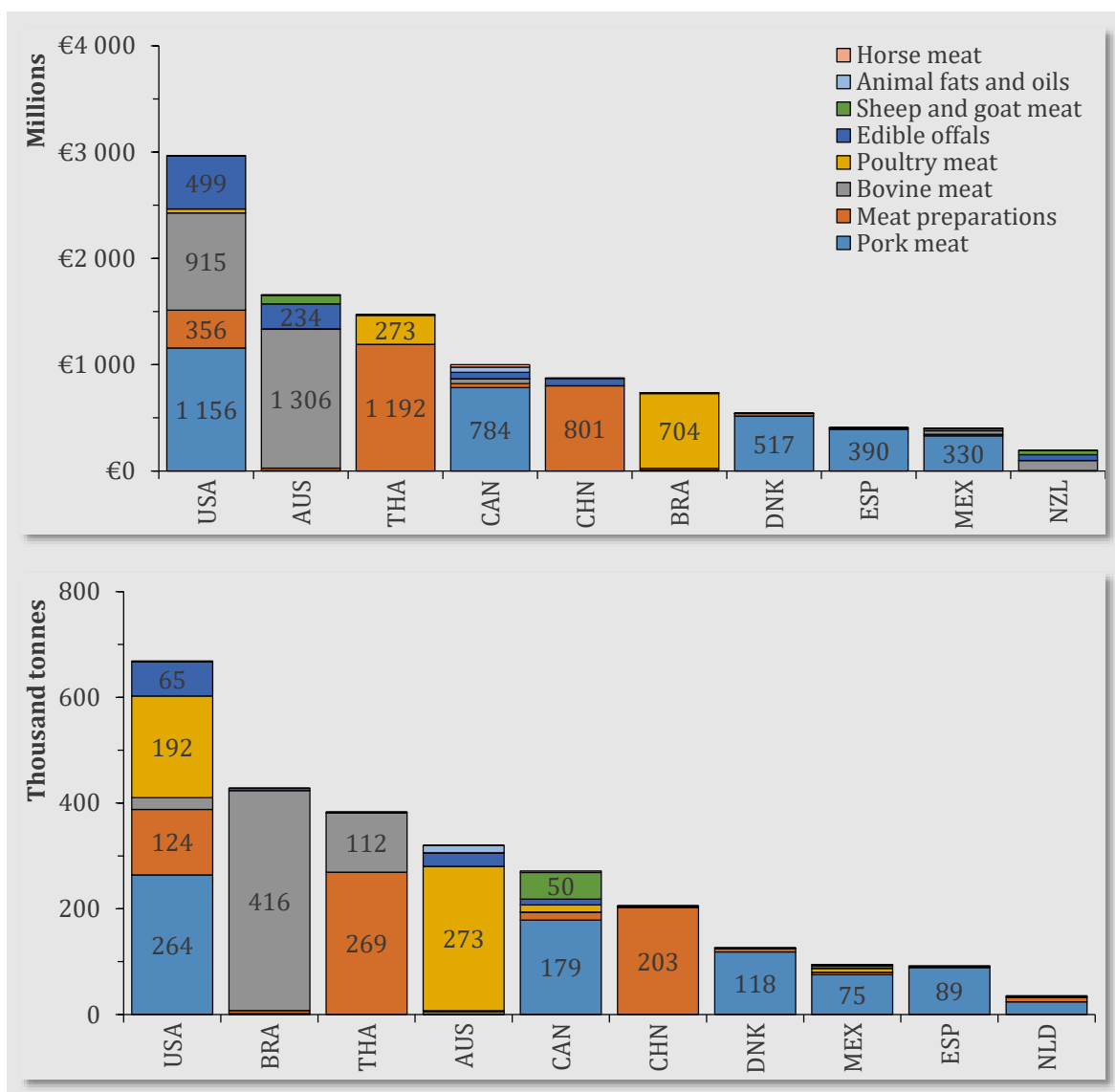
Source: MOF

**Figure 26: Change in imports of meat by products**



Source: MOF

**Figure 27: Import of meat by principal supplying countries**



Source: MOF

### Featured contributors

**Martin Stuchlík, Representative Director, Ravy Japan K.K.**

*Did Ravy face any difficulties at its debut in Japan and how did you overcome these difficulties?*

*In the initial phase we had to overcome the difficulties associated with the incorporation of the new company and the establishment of trustful relationships with our business partners. To help to overcome the bureaucracy we received a great help and support from the JETRO and the Czech Embassy in Tokyo. Establishing a trustful relationship is a long-term process starting with an introduction, continues with correct communication and is nurtured by delivering on time and as agreed. Building strong relationships is a crucial skill and requires a lot of persistence and determination.*

*Is your meatloaf entirely manufactured in Japan or do you import some ingredients from Czech Republic or elsewhere?*



*Our meatloaf for the Japanese market is made in Toyama, Japan by our local manufacturing partner based on our recipes and know-how. Raw materials used are mostly of Japanese origin, some are imported from various countries.*

*Could you present the market for processed meat product in Japan?*

*In our view, the processed meat market in Japan is rather stable with a few established products and brands and a relatively low level of innovation. Well established products include roast beef, Hamburg steaks and meatballs, prosciutto, bacon, hams and sausages. The products gained popularity in their respective appropriate serving occasions, e.g. bacon and sausages are popular part of Japanese breakfast, meatballs are included in bento boxes for lunch. As the taste of our meatloaf is perceived favourably by Japanese consumers, we believe that over time and with the support of appropriate marketing we can also develop our own niche on the market and become a staple product consumed by Japanese families.*

*What makes Ravy successful today in Japan compared to other brands?*

*I believe that having a new and innovative product helps us greatly to attract the attention of our business partners. Even on a stable market you shall look for innovations to attract the attention of your customers and gain a competitive advantage. On the other hand, being innovative is not an easy task as that means that we have to build the market from scratch. In our case we need to create an image of meatloaf among Japanese consumers – present the product appropriately, gain an interest in the product, provide ideas about serving... and ultimately create a need to purchase our product. Only the upcoming years will tell if the path we choose is the right one and we could be considered as a success case.*

*How do you adapt to the Japanese consumers?*

*In the beginning we started with adjusting the product properties. In case of our product this means to adapt the size to Japanese consumers' needs. Common size of our European product is 500/800/1000g. We had realized that Japanese needs are different and we started with the production of 350g meatloaf. Still the first feedback we received from our customers was a desire for a significantly smaller size; therefore, we introduced Bohemia Meatloaf 175g. Still I believe we will consider further options to adapt the size of our products to Japanese consumer needs in the future. Furthermore, we adapted our marketing communication to suit the Japanese environment and to reflect the way we believe we can reach our consumers in a better way. With respect to product characteristics, we aim to keep the design, shape, texture and taste of the products comparable to our European production as our desire is to create an internationally recognisable and universally appreciated product.*

*What opportunities do you foresee on the Japanese market for your product in the medium-term?*

*In the medium-term we need to focus on building product recognition. This translates to focus on marketing activities and broadening our distribution channels. Furthermore, we can introduce additional flavours and packaging options if suitable.*

*What pieces of advice would you give EU SMEs, in particular in Eastern Europe, which are interested in the Japanese market?*

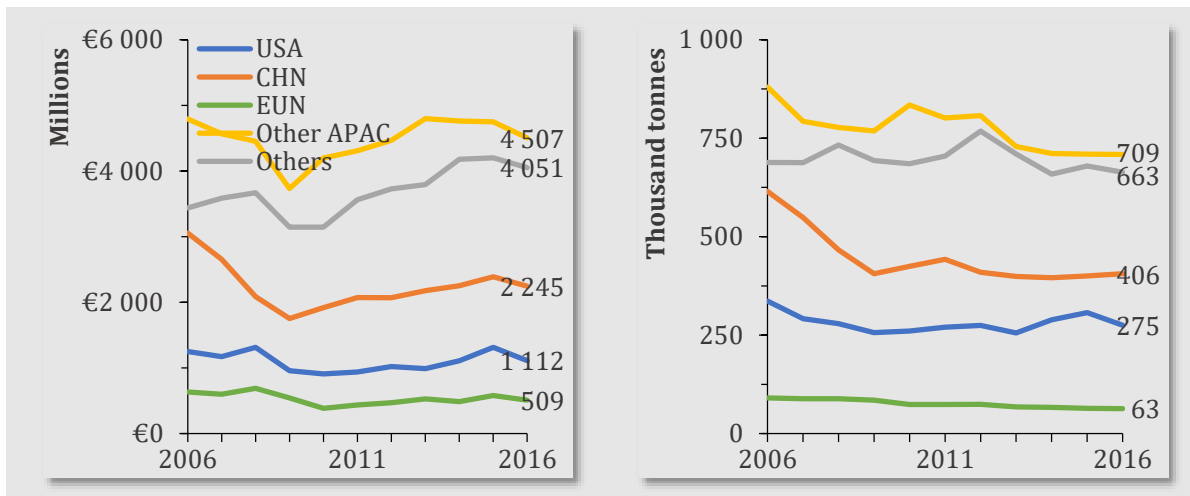
*From our experience of the Japanese market, its trends and the consumer behaviour is very difficult to understand well and manage. Japanese consumers are conservative and with a strong preference for domestic products. A good start is to step out of the crowd and present the consumers with something new and truly unique. Our approach includes: a) stick to the basics and adapt where necessary, b) reach out to your consumers, and c) persist and persist.*

### 3. Seafood

The influence of demographics and the Western food culture have negatively impacted the consumption of seafood, which has been declining for decades. Seafood is often perceived negatively as it tends to smell, which Japanese typically have a low tolerance for. Also, the youngest generations are lacking the skills and time to prepare and cook fish. Major changes in how seafood is sold and packaged could boost the consumption because consumers are aware of its health benefits. The catastrophe of Fukushima has however had a strong impact on consumers, who are now less willing to buy seafood for safety concerns. Last but not least, prices are likely to remain high due to the dynamism of the global demand and to the decline in world reserves.

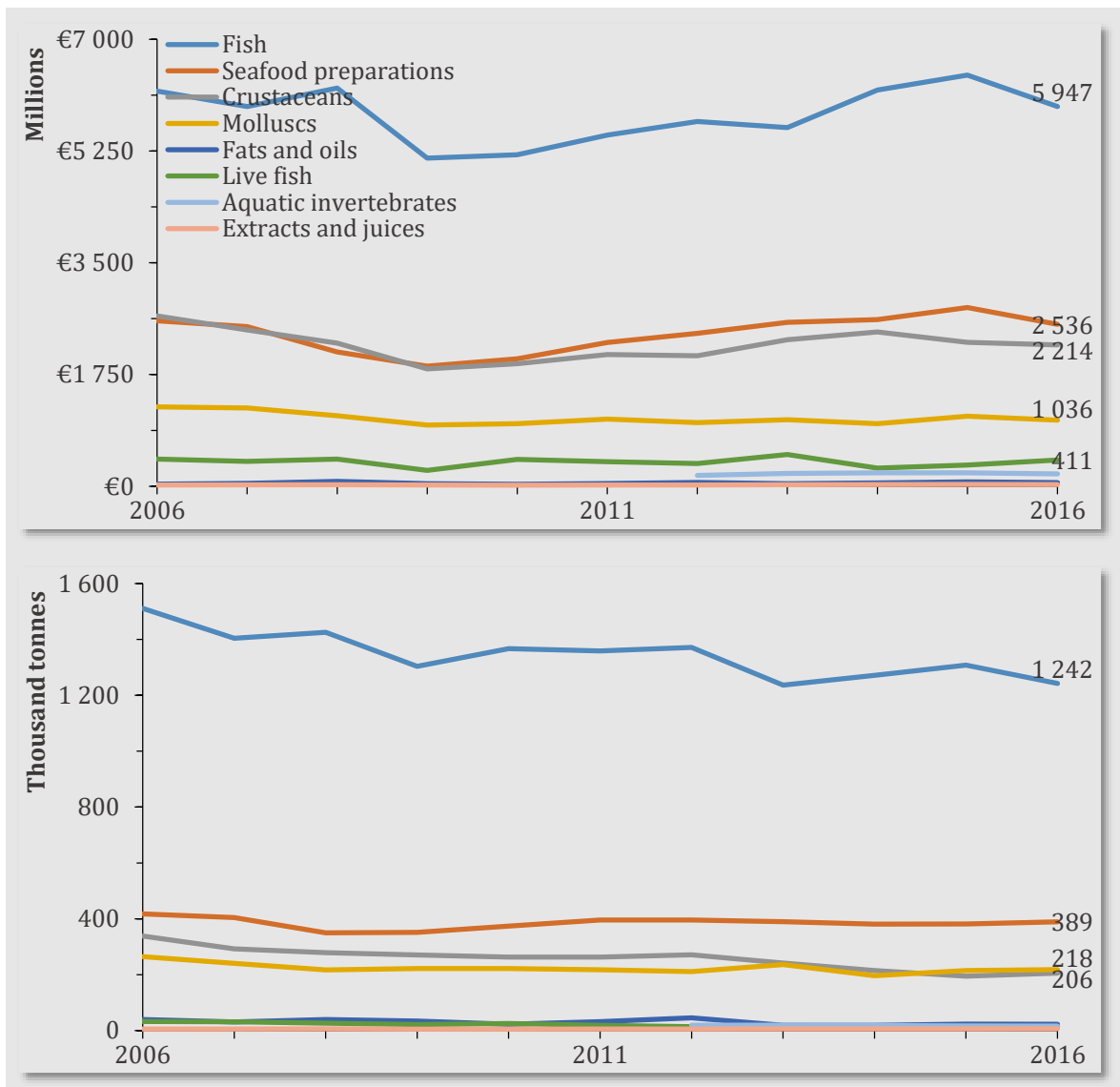
Although Japan enjoys one the largest EEZ, the country is very dependent from imports because there are not enough fisheries and fishermen. In 2016, seafood was the 2<sup>nd</sup> largest trade deficit in food products of Japan, at 10,512 billion EUR. Alone, this segment accounts for 20% of the deficit in food products. Fish, alive or not, represent more than half of imports in value and almost two-thirds in volume. Crustaceans (mostly shrimps), molluscs and other aquatic invertebrates represent 28% of imports in value. Processed seafood represents only 20 % in value. Countries with a vast EEZ and/or APAC countries that are close to Japan are able to flood the market with large volumes (**Figure 28**). China's market share in imported seafood is about 18.1% in value. In contrast, the share of the US is 12.9% and that of the EU is only 4%, mainly imports of frozen Pacific salmons and tunas. Denmark, Ireland, the United Kingdom, the Netherland and Spain are the main EU exporters.

**Figure 28: Change in imports of seafood by regions**



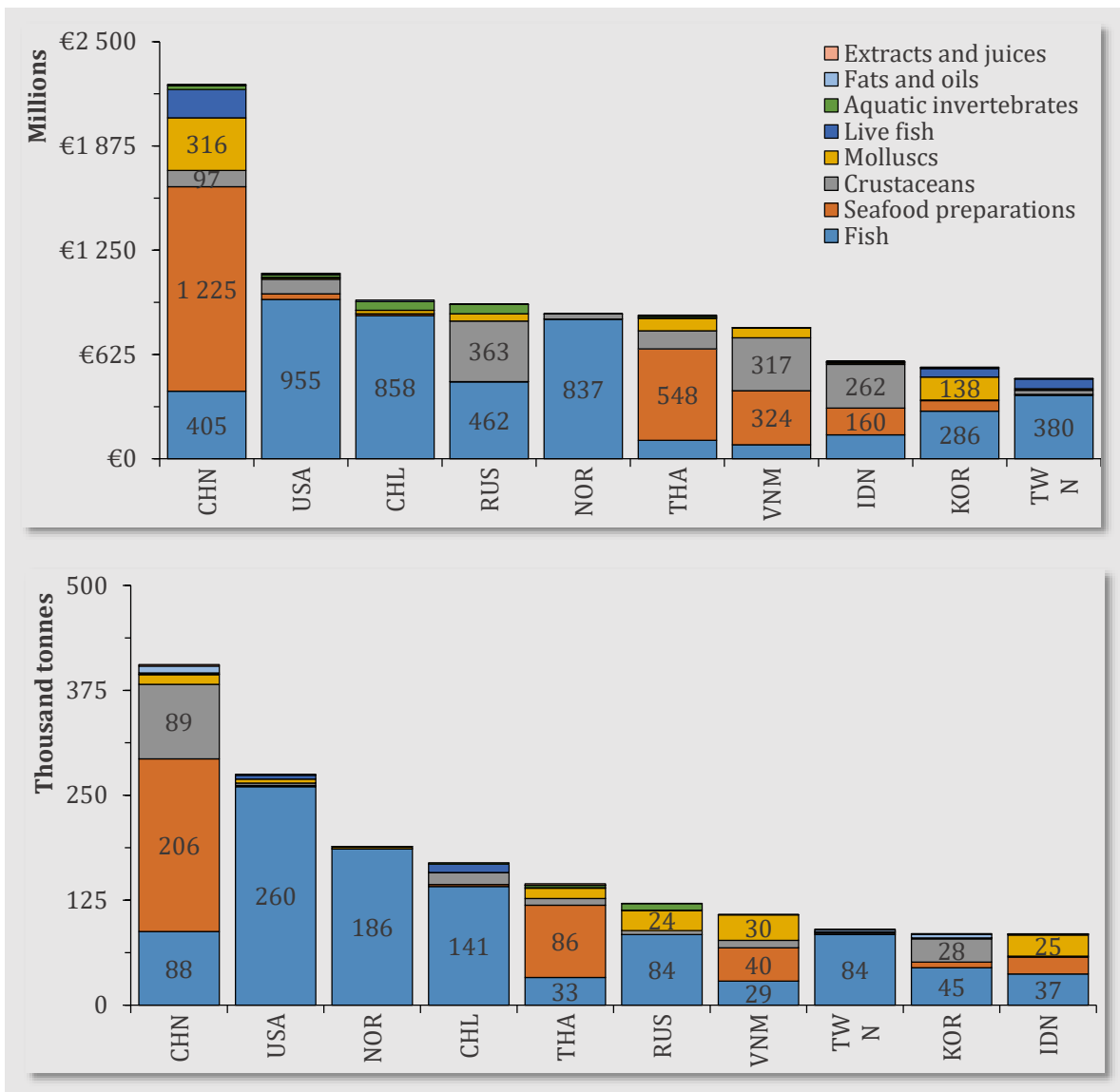
Source: MOF

**Figure 29: Change in imports of seafood by products**



Source: MOF

**Figure 30: Imports of seafood by principal supplying countries**



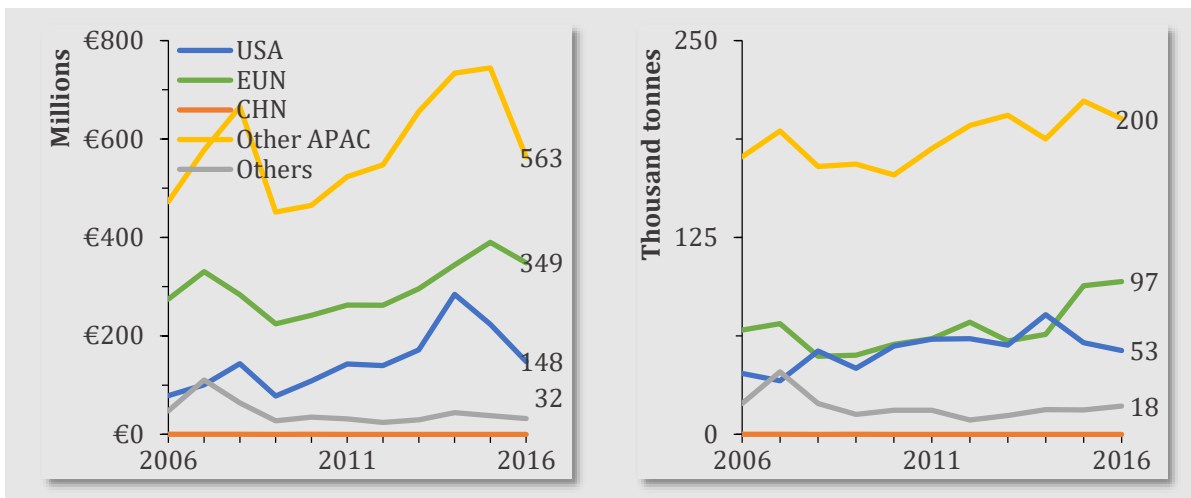
Source: MOF

#### 4. Dairy products

Dairy products are not part of the traditional Japanese diet, so there is no “cheese education” as in many EU countries. Butter is mainly used in pastries but it is more common to find margarine. Cheese is mostly spread on pizzas or eaten as a side dish with alcoholic beverages. Dairy products are not regular ingredients in daily home cooking either.

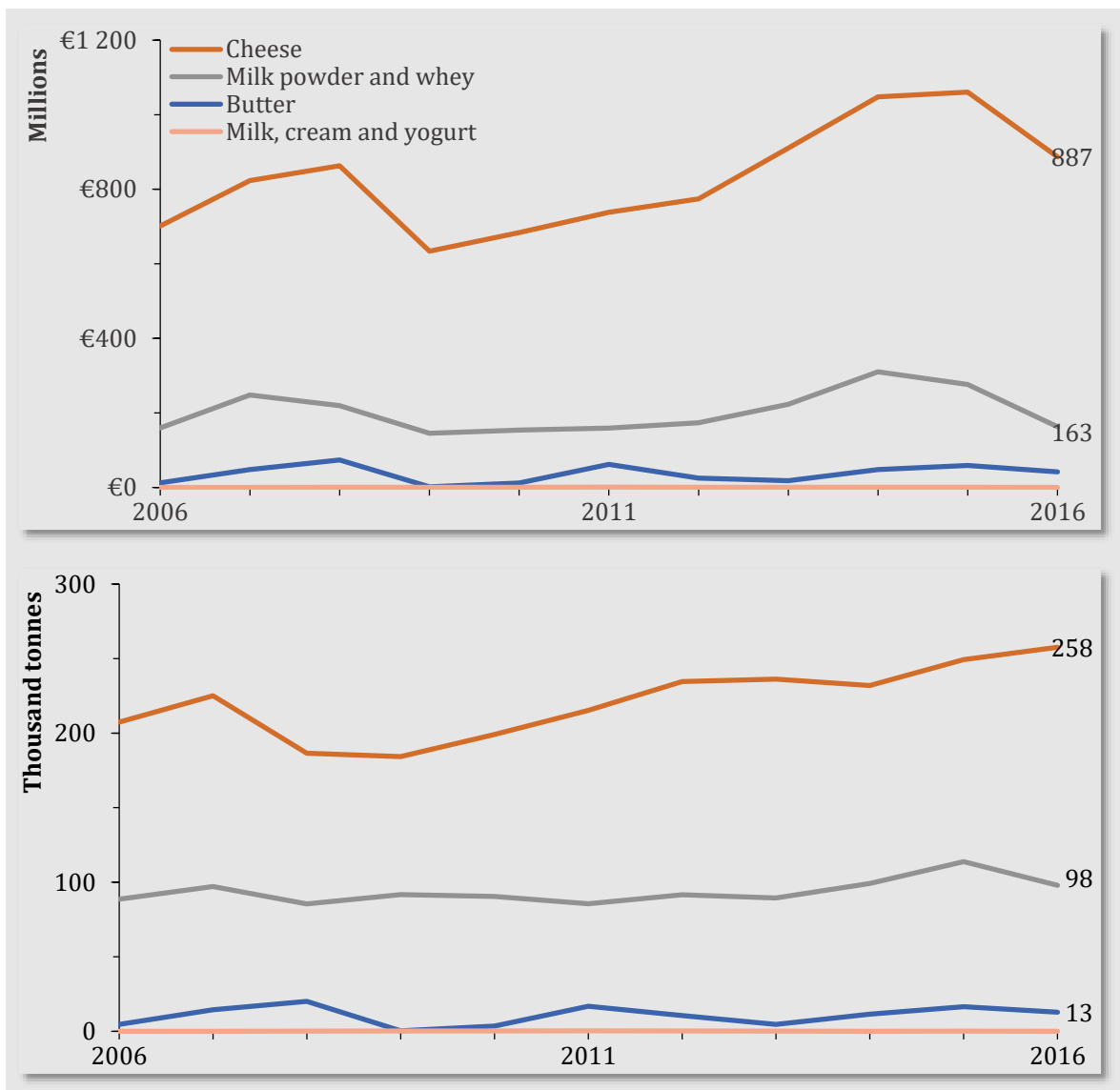
Australia, New Zealand and the US account for most dairy product imports in value (**Figure 31 & 33**). The main exporting EU countries are the Netherlands, Italy, France, Denmark, Germany and the United Kingdom. There is room for growth in EU exports as the consumption of dairy products is relatively low. Butter does not show a positive trend as Japan applies too many restrictions to the import of foreign butter. As for many other products, EU exporters’ advantage is based on their added-value: product differentiation, GI recognition and taste make a difference.

**Figure 31: Change in imports of dairy products by regions**



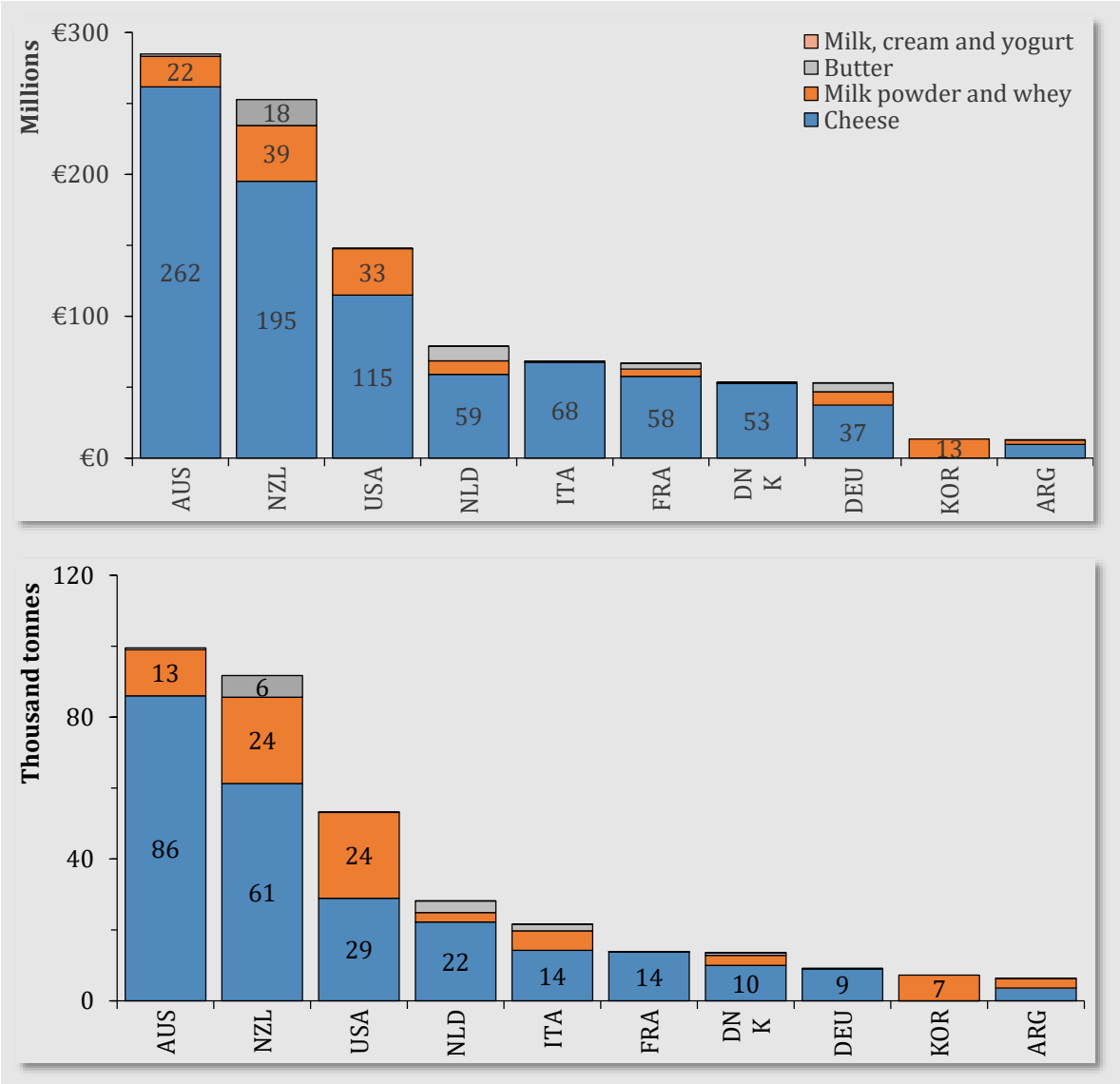
Source: MOF

**Figure 32: Change in imports of dairy products by products**



Source: MOF

**Figure 33: Imports of dairy products by principal supplying countries**

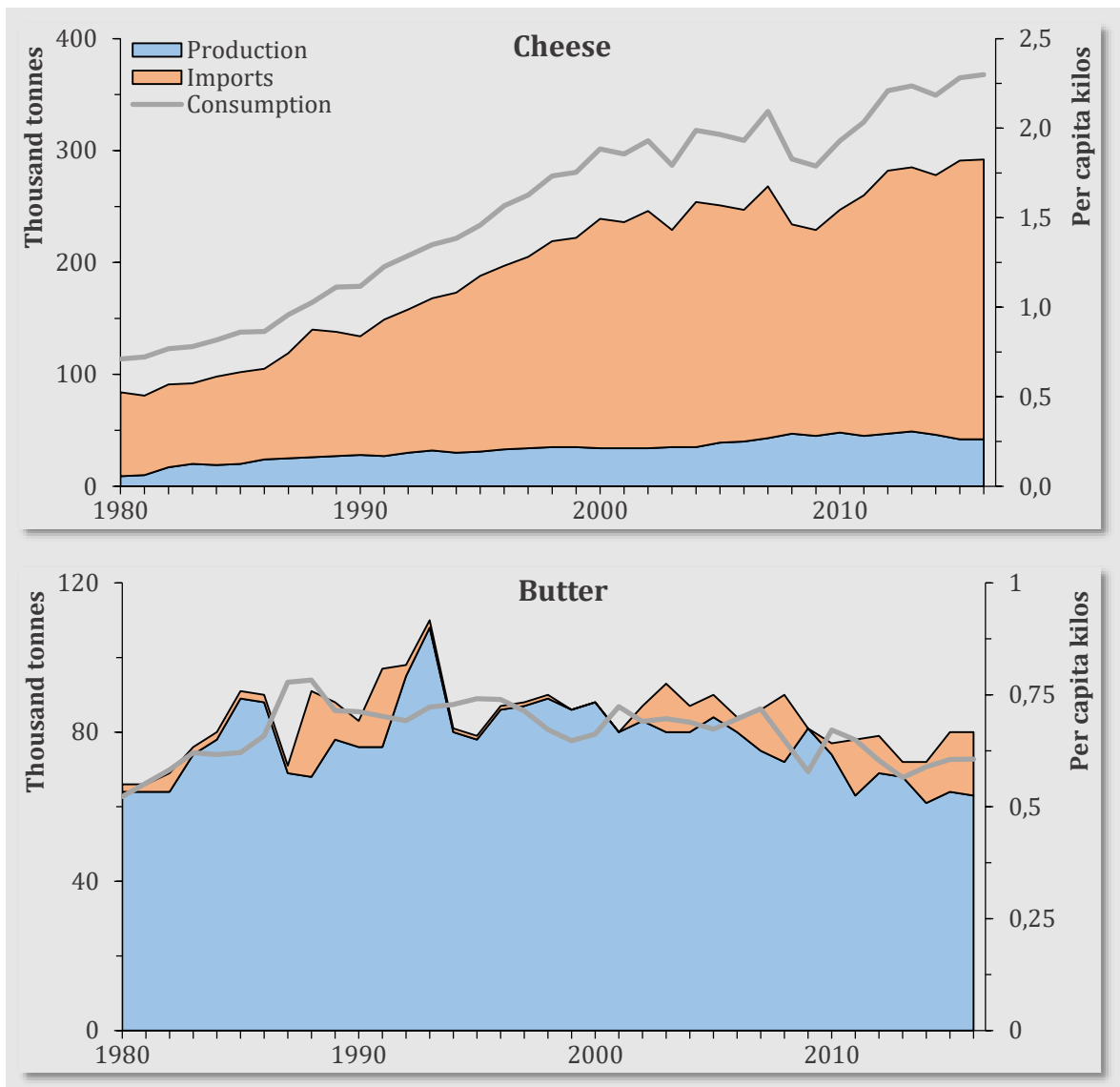


Source: MOF

**a. Cheese and butter**

Little of the domestic milk production is transformed into cheese (42 M tonnes) or butter (63 M tonnes) because, as for wine, there is no tradition in their making. Furthermore, the Japanese production is far from presenting the same heterogeneity in taste as in Europe. Most of the cheese is imported (**Figure 34**). EU exporters are well-positioned and can capitalise on their rich know-how, with many diversified products associated to national gastronomy and recognised by GIs. The growing popularity of wine and bread is supporting the consumption of EU cheese at home. On some segments however, the competition is fierce with the US, Australia and New Zealand. The production of butter is decreasing as is the consumption. Imports are small but have been relatively increasing in the recent years in order to fill the production gaps. Despite shortages almost every year, Japan continues to apply prohibitive taxes and a very restrictive import scheme.

**Figure 34: Cheese and butter supply (left scale) and consumption (right scale)**



Source: USDA, based on Japanese data

### Featured contributors

**Bénédicte Laine, Asia-Pacific Key Account Manager, Rians**

#### Why targeting the Japanese market?

After the United States, Japan is the 2<sup>nd</sup> largest French cheese market outside Europe, reaching 10,500 tonnes in 2016. Japanese consume only 2 kilos of cheese per year, compared with about 26 kilos in France. This leaves a comfortable margin of development. For cheese, most of the imported volume consists of low-range soft-cheese with a simple taste, fresh cheese and cheddar from Australia, New Zealand and the United States. However, it is also possible to find more complex, tasty, typical and well-selling products even if you have to pay the price for it. Japanese appreciate French products and do not hesitate to taste new products. So there are a lot of opportunities. Finally, Japan is a stable, highly organized and less complicated market than China or other Asian countries despite a certain complexity at first glance.

### *What products do you export to Japan?*

*We sell a log of fresh cheese, hand-rolled, the "Roulé", made from cow's milk and which comes in 3 flavours (garlic and herbs, cranberry and pineapple). This very tasteful and textured cheese is very suitable for export. The packaging, on which we loudly claim the French origin, is also adapted to export markets. As for goat cheese or sheep cheese, Japanese are not ready to consume them yet, although these products are common in France.*

*We mainly sell to department stores, which correspond to the premium positioning of our products. However, Japanese department stores are falling apart as they are caught up in the paradigm of the 1990's. Their clientele is relatively old and broadly the same as 30 years ago. There is little renewal in terms of products and merchandising. In South Korea, department stores are very attractive. All ages are represented and the products are fashionable.*

### *What are your main difficulties?*

*Japanese need elaborate explanations on origin, manufacture and consumption patterns in order to become familiar with the product because they have a much less developed cheese culture than in Europe. That is why we adapt our products to local consumption by developing recipes with a Japanese cook. The first "recipe", which explained how to spread cheese on bread, is a good example of this necessity.*

*Japanese are intransigent with quality, whether it concerns the products or its package. Sanitary documentation and certification must be perfect as well. Once we had a certificate rejected because of a deletion of the veterinarian who signed the document. It is a cultural problem on both sides: Japanese are very rigorous and pay a great attention to details while French are more pragmatic with a global view of things. As a representative in Japan, my role is to foster a good understanding between these two cultures.*

*As for business, things go well once the relationship with the importer is installed. We chose ours, specialized in cheese after first contacts at European fairs. Regular monitoring with the importer and distributors is necessary, which is not always the case in other countries. Having an office in Japan helps clearly, or even is essential. Finally, we must also take into account the fact that Japan is a very traditional country. It is not always easy in business when you are a young woman.*

*The distribution circuit is complex because it includes many intermediaries. This increases the price of our products after already high custom duties. In reality, the Japanese model has been striving since the 1990's to convince consumers that a foreign product, particularly a French dairy product, is expensive. That has worked and has not changed since*

### *What is your vision of the Japanese consumer?*

*Even if Japanese consumers have high purchasing power, they will seek the best value for money. They like novelty and limited editions. In addition, they focus on practical and ready-made products, in a small, single format. Since cheese is not part of their eating habits, they will not consume it at the time of the meal, as we traditionally do, but as snacks, often accompanied with alcohol.*

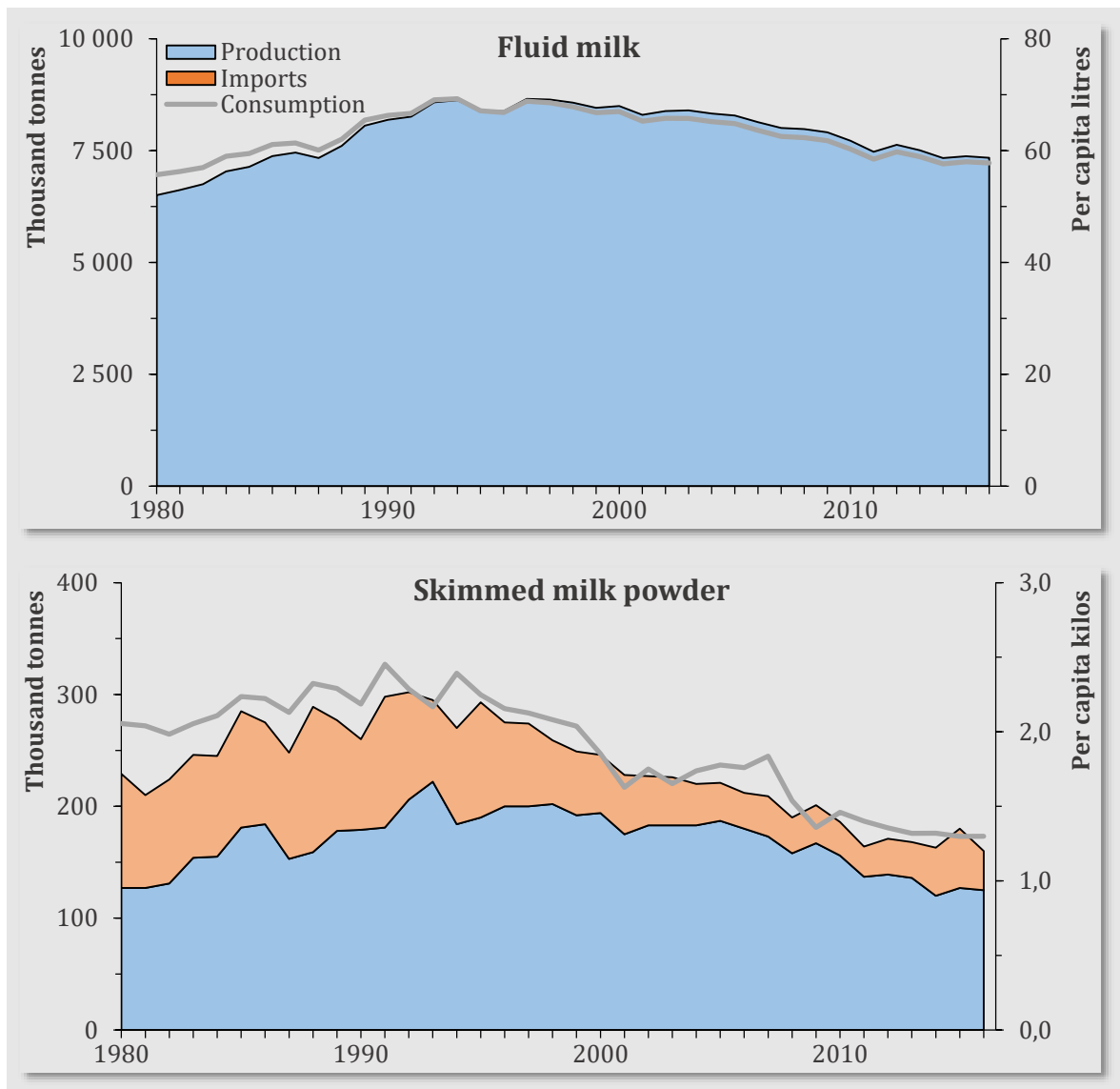
## **b. Milk and yogurt**

Japan is entirely self-sufficient for fresh milk so there is no import. However, Japan imports non-fat dry milk (or skimmed milk powder). Regional dairy products exporters such as New Zealand are specialised in this production. The domestic milk production is large on a Japanese scale but has been decreasing since 1996 (**Figure 35**). Milk is consumed natural or flavoured. The



consumption of yogurts is rather small but has increased recently because these products claim many health benefits.

**Figure 35: Fluid milk and skimmed milk powder supply (left scale) and consumption (right scale)**



Source: USDA, based on Japanese data

### Featured contributors

**Thierry Arnould, Quality and Food Safety Director, Danone Japan Co., Ltd**

#### What are your main difficulties?

To make yogurts, you need milk and depending on the recipe, usually sugar and/or fruit. The sugar comes from Hokkaido sugar beets and fruits are imported in the form of frozen preparations. We only use Japanese milk but the Japanese production is insufficient for the industry and decreases continuously by 2 to 3% every year while the consumption of dairy products increases. This is primarily a problem related to the decline of the Japanese agricultural sector. Therefore, it is sometimes difficult to secure the quantities of milk we need for our yogurts. Then there is a very strong seasonality. One of the biggest impacts on the demand for yogurt is the Japanese policy of

*promoting the consumption of dairy products in school canteens so the demand drops sharply in July and August. As for the supply, it declines in summer when production is of lower quality due to high temperatures. The cooperative JA Zennoh organizes the collection and distribution of milk, and manages the quotas allocated to each. We do well but we import milk powder to avoid the hazard of our milk supply because the powder can be kept two years. If possible, we import it mixed with sugar to reduce tariffs.*

#### *What is the current situation of the yogurt market?*

*The growth of the yogurt market has accelerated in recent years. The market is more and more functionalizing. Several years ago we were talking only about facilitating intestinal transit, whereas for the last three or four years, there are all kinds of products with a certain claimed benefit, true or not, and for which consumers are willing to spend more. Previously, the legislation on food claims contained a legal vacuum. There was only the FOSHU (Food of Special Health Utility) label, a strict recognition that must be scientifically proven after long and costly procedures and limited to a certain type of health benefits. In 2015, the authorities created the FHC (Food with Health Claims), an intermediate recognition without predefined categories of benefits, less expensive and more accessible for us. This goes in the right direction because the supply needs to be rationalized by providing a better framework for food claims.*

*In Japan, yogurt is primarily consumed for its health benefits and not for pleasure. They should be distinguished from flans, creams, jellies and desserts for which consumption opportunities are fundamentally different. Yogurts are eaten in the morning during breakfast or as snacks while desserts are rather consumed at the end of dinner. Danone launched the Chocolate “Danette” about 10 years ago. It worked very well at the beginning and then the trend has subsided because consumers are avid for new products, which shortens the life cycle of products. Moreover, this segment requires perfection in production and sophistication (for example, with a small biscuit at the bottom, cream, half a strawberry, whipped cream, etc.), which can only be achieved by investing considerably in Japan due to the very short life span of fresh products. Consumers want freshness, quality and prefer small packages because their refrigerators are rather small.*

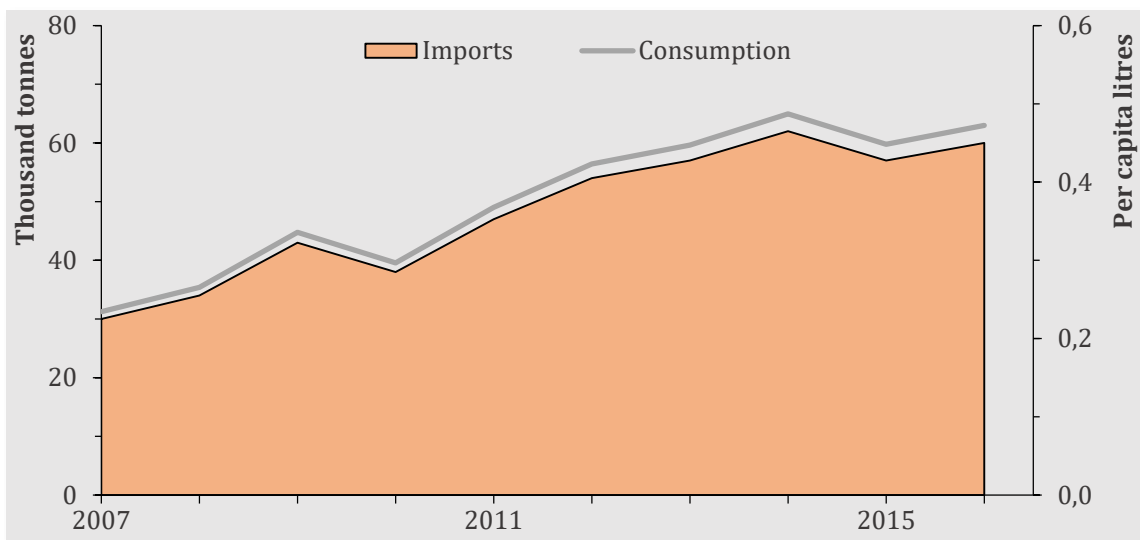
#### *What are the rules of the Japanese distribution channels to comply with?*

*It is extremely necessary to understand how market access works in Japan, from the boat or plane to the store, which requires a good preparation. You cannot get to Japan with a full container and simply ask “who wants my product?”. The Japanese distribution circuit is a complex model, highly fragmented despite a consolidation process in progress and with many intermediaries. Secondly, it is important to understand the level of quality expected. This level is often even higher for retailers as it is for consumers because any product of insufficient quality is likely to strongly tarnish its image among its customers. This is not a barrier aimed at foreign products in particular since Japanese suppliers play by the same rules but a challenge that can become a barrier if you do not give your company the means to provide the optimal quality. This includes the product itself, its immediate package and even cardboards during transportation. Finally, the Japanese distribution complies with the “three-thirds” implicit rule requiring the delivery of the product in store at one-third of its life cycle. For a life cycle of 30 days, we must deliver within 10 days, so that the distributor and the consumer each have 10 days. However, validation and quality control procedures necessarily take time, as does transport. We can take up to two days to deliver Okinawa for example.*

## 5. Olive oil

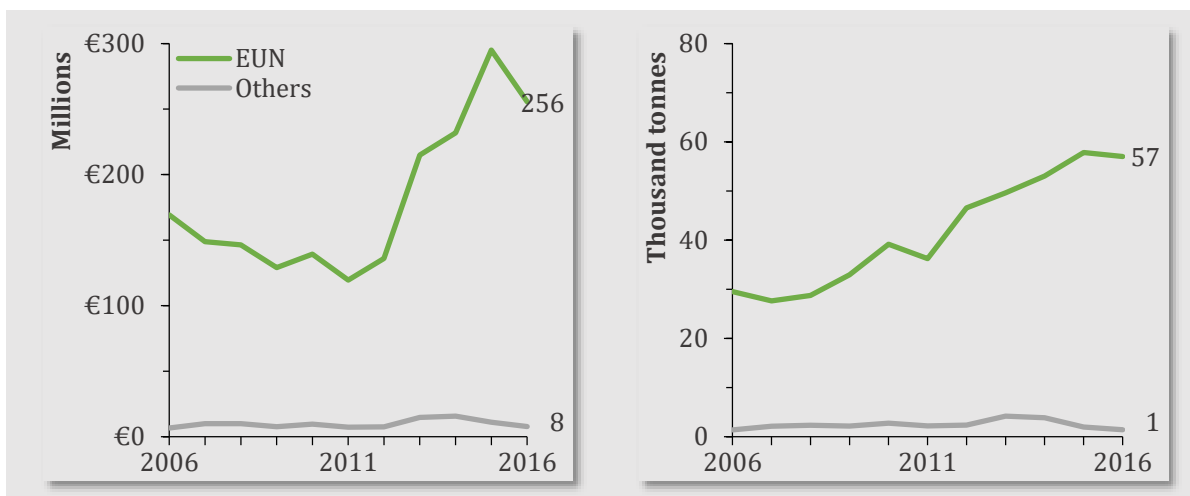
The olive oil production is mostly localised in Kyushu. The consumption of olive oil is becoming regular; a couple of times a week in pastas or salads but Japanese still prefer cheaper and diversified sauces for dressings (**Figure 36**). They are not used to cook with olive oil so common seeds oils are preferred for frying. There is a need to explain consumers to cook with olive oil in order to increase the regular consumption. The market has boomed a few years ago and is expanded at a more regular pace now, with adjusted prices. Although the consumption is expected to decrease slightly in volume, it is also expected to grow in value with consumers looking for premium oils that have health benefits. Small bottles should be favoured as prices are high and Japanese kitchen are small. Olive oil represents 35% of all imported oils of vegetable origin for less than 7.0% of the volume. In 2016, EU countries' share of the market was 97% thanks to Spain and Italy (**Figure 37**). The popularity of Mediterranean cuisine in Japan has helped building this dominant position. Nowadays, Japanese consumers associate olive oil with these two countries and are more eager to look for imported oils made in Spain or Italy.

**Figure 36: Olive oil imports (left scale) and consumption (right scale)**



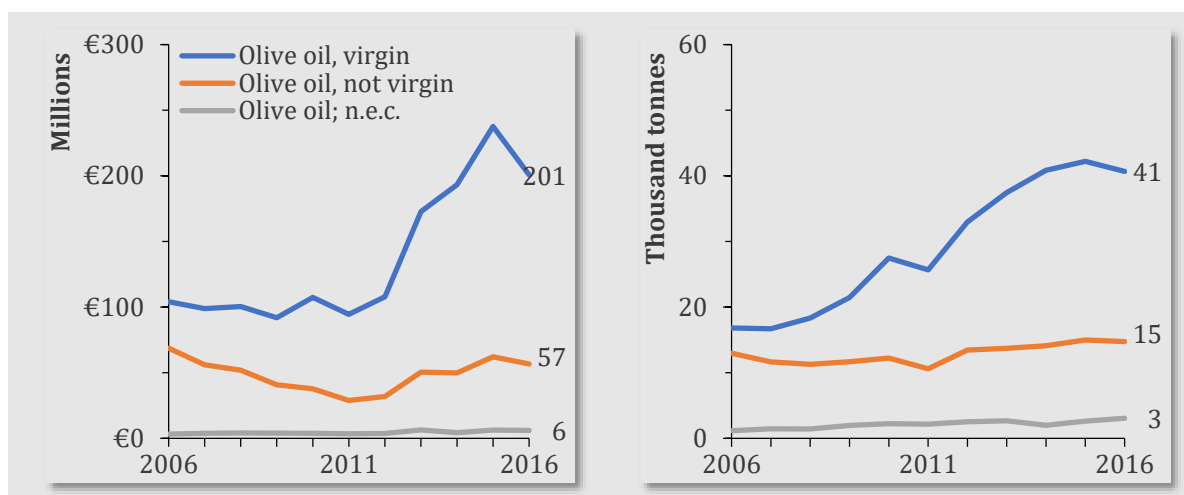
Source: USDA, based on Japanese data

**Figure 37: Change in imports of olive oil by regions**



Source: MOF

**Figure 38: Change in imports of olive oil by products**



Source: MOF

### Featured contributors

**Francesco Rinarelli, Deputy General Manager, Italian Chamber of Commerce**

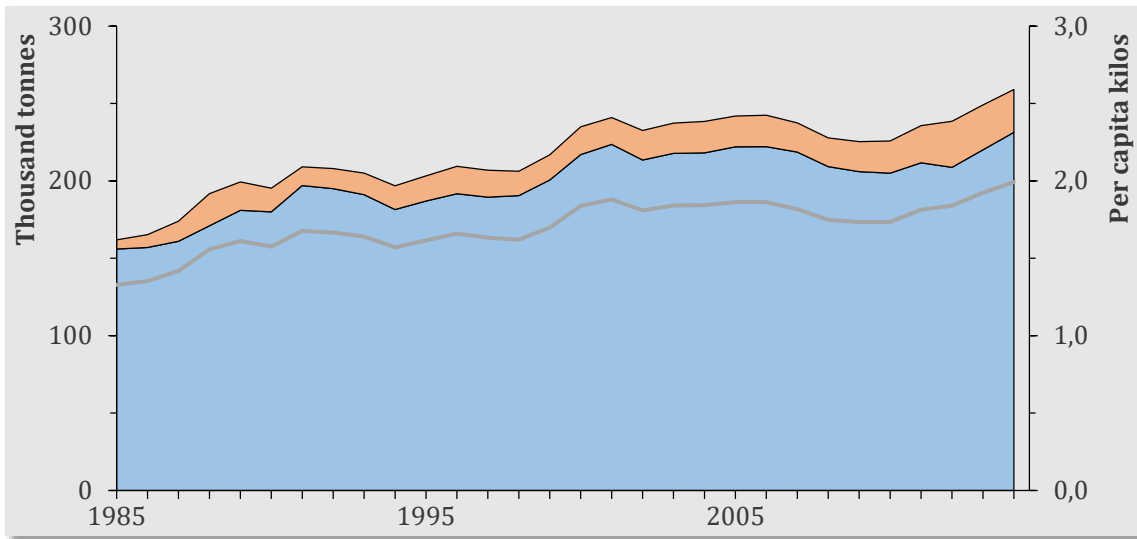
*What exactly happened with the recent olive oil boom in Japan?*

*Marketing campaigns in the media use keywords such as “healthy food” or “Mediterranean diet” to create short-term trends. In other words, if it has been decided that this year will be that of lemon, everything is lemon flavoured and then the trend dies off. That is what happened to olive oil, prices have climbed fast a few years ago before contracting suddenly. Maybe olive oil is leaving the spotlight to coconut oil or other healthy food, I don’t know. So middle age women who buy at high price because they think it is healthy have a new favourite product in mind. If you look at the long term, olive oil has known at least three booms and burst linked to some kind of fashion. This is also due to the fact that relatively few importers command the price. Olive oil has maybe a dozen importers of mid-range to high-range quality all over Japan for 90-95% of the market. It is easy for them to drive trends.*

## 6. Confectioneries

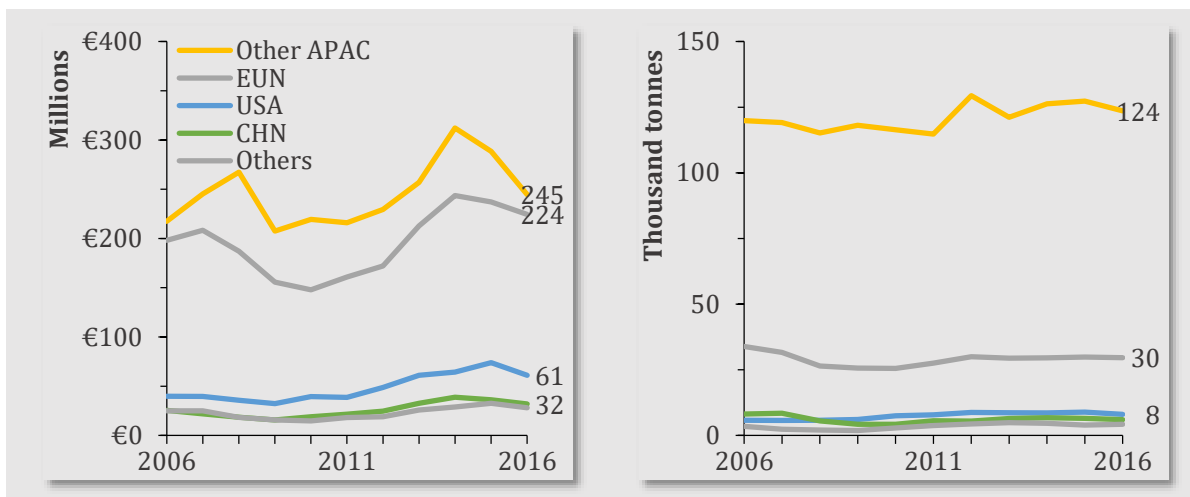
Although Japanese consumers tend to prefer bakery products over sweet confectioneries, chocolate products are growing in popularity. Chocolates accounted for slightly less than half of the confectionery market in 2014. Per capita annual consumption has increased from 1.6 kilos in 1996 to 2.0 kilos in 2014 (**Figure 40**), which is the highest per capita consumption in Asia, compared to 5 to 10 kilos in the EU. For a long time, eating chocolate was perceived as unhealthy but creative flavours and healthy natural foods have changed consumers’ mind-set. The market is developing toward high-range products made with premium cacao. Consumers prefer soft chocolates than hard and sugary ones and favour individual packages that are perfectly adapted for gifts, which are traditionally bought by women for Valentine’s Day and during Christmas. Due to the dynamic domestic chocolate industry, imports represented only 10.9% of the consumption in 2014. Overall, imported chocolates accounted for 81% of all imported confectioneries. The EU is the 1<sup>st</sup> exporter of chocolate confectioneries to Japan with 167 million EUR. While EU countries, mainly Belgium, France, Italy and Germany, usually export high-end chocolates, Asian suppliers favour large volumes of cheaper ones.

**Figure 39: Chocolates supply (left scale) and consumption (right scale)**



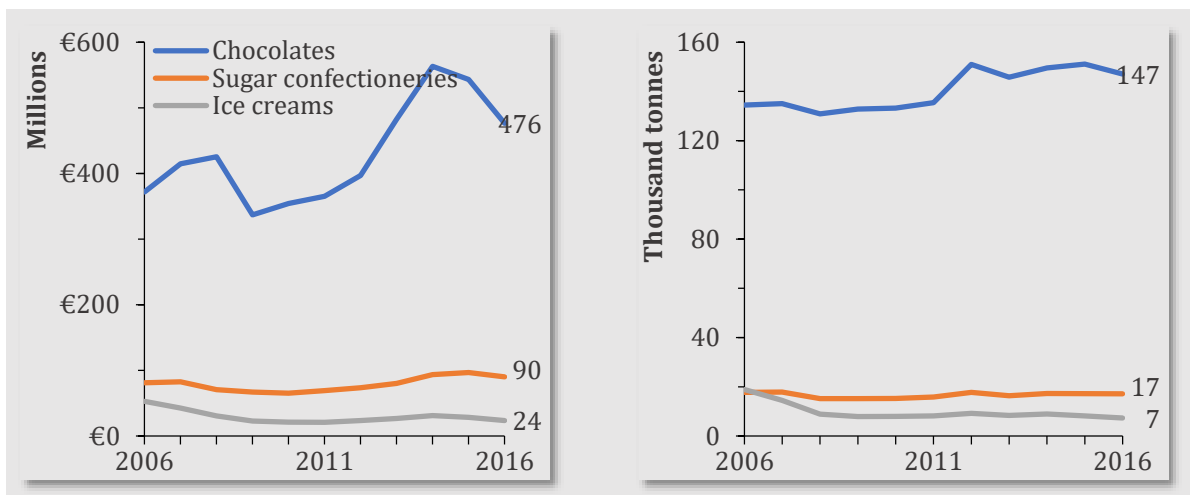
Source: CCAJ

**Figure 40: Change in imports of confectioneries by regions**



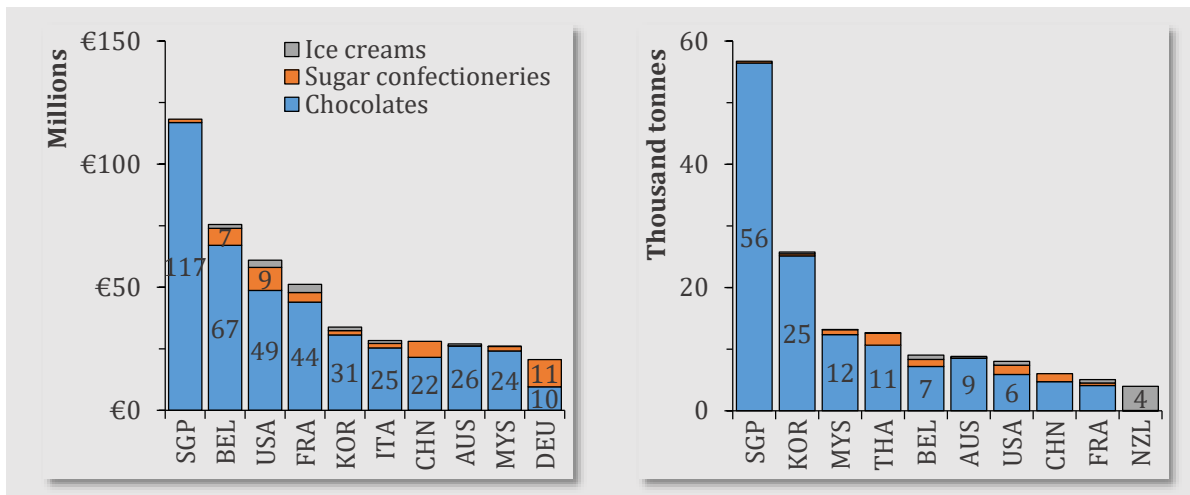
Source: MOF

**Figure 41: Imports of confectioneries by products**



Source: MOF

**Figure 42: Imports of confectioneries by principal supplying countries**



Source: MOF

### Featured Contributor

**Richard Ledu, President, Pierre Hermé Paris Japon K.K.**

#### How did you adapt to the Japanese market?

*When I arrived in Japan, I did not know much about the local market. I was wondering what the trends and customers' expectations were. Do they want pastry with less sugar and smaller than in France? Do they prefer to buy several small pastries instead of a big cake? In the end, we did not change anything, neither recipes nor sizes, compared to what was done in French pastry shops because the first wish of Japanese customers is to find the authentic taste of Paris in our pastries. Later, I wondered about the attractiveness of the brand, how to make it affordable and readable? Selling luxury pastries in Japan is about selling dreams, exotic products that are "non-essential".*

#### What difficulties did you face?

*The real difficulty is to adapt to other's culture, to accept the difference, especially in terms of management and marketing. The key word is "adaptation". You cannot talk to the Japanese the exact same way you talk to the French. Customs are different, as are religions and education for example. People will not evolve for you so you must adapt yourself. Beyond adaptation, the difficulties are essentially technical and my philosophy is to not consider technical difficulties as problems. We must give ourselves the means to succeed, not going half-way through, and above all to persevere. In the end we realize that there is always a way to move forward.*

#### How has the consumer changed since you started in Japan?

*I think that Japanese want new things and turn their back on conservative companies that have been selling the same products for years. With all the choices that currently exist in terms of shops, concepts and products, customers want to be treated differently or even individually. They come to buy pastries but also for the cultural, commercial and human experience. I think that it is the same thing everywhere, not only in Japan.*

#### How do you see the next ten years for Pierre Hermé in Japan?

*I see a really great potential in the Japanese market so we are in a development phase. We have opened shops and hired, we are looking for a new production site, we have set up a website on*

*which customers can order, and we make licensed products with many companies to stay visible because we have noticed that it does not harm the brand. Events such as the Rugby World Cup in 2019 and the Olympics in 2020 will put Japan in the international spotlight. There will be new large shopping centres, casinos and residential complexes. All these locations will need branded stores able to sell a story to customers.*

*What advice would you give to European companies willing to reach the Japanese market?*

*There are hundreds of possible ways and patterns to succeed in Japan. Of course, there are always a lot of questions at the beginning and there are risks to take. If you arrive with a purely commercial purpose, it does not work. Wherever you are, you wake up in the morning to work for your customers and they are willing to accept many things and follow you if you are able to sell them a beautiful story. They like brands but they also want you to think out of the box and be creative, innovative, take risks. In other words, you need to be an entrepreneur. Also, the European side of the company must trust the recommendations of the representative or the team in Japan. From there, there are two types of companies, those that decide to settle in Japan and really adapt and those who decide to adapt but for which it will be fundamentally difficult.*

# VI. The wind of trade integration

## A) Trade policy as a shield

The Japanese trade policy has been shielding the agricultural sector and the food processing industry from international competition for decades. The World Economic Forum ranks Japan 115<sup>th</sup> out of 151 countries for the prevalence of trade barriers, whereas the US and the EU are comparatively more accessible to foreign products (**Table 6**). In practice, foreign exporters face significant tariffs and non-tariff barriers and usually have to comply with a complex and sometimes redundant regulatory environment. Cultural barriers are also important but are part of the country's identity to which foreign businesses must adapt.

In fact, the current system does not benefit to consumers. According to the OECD, producers' prices in Japan are estimated to be 78% above border prices on average (**Table 7**). Besides a large impact on purchasing power, there is also less diversity in Japanese supermarkets. EU food products, and not only high-end items, are particularly overpriced and scarcer in Japan than in almost any other part of the world. The situation is a little different for most commodities and primary food products, simply because the Japanese food processing industry needs foreign inputs that the domestic production cannot supply alone. The most protected food products are rice, dairy products, cereals, beef and swine meat and sugar. They are so sensitive that they have almost always been excluded from trade negotiations.

Concretely, Japan imposes high tariffs on many food products. Severe inflation in the cost of ingredients and transport, coupled with high import duties, make some imported food products prohibitively expensive (**Table 8 & 9**). Japan imposes tariffs on both sparkling wine (182 yen/litre) and still wine (125 yen/litre), which are around five and three times higher than the levels imposed in the EU. Other examples include butter (with an import duty rate of 35% plus 1,159 yen/kilo), cheese (from 26 to 40%), chocolate for professional use (29.8%), confectionery (25%), syrup (24% plus sugar tax related to quota), fruit juice and fruit puree for babies (21.3%), and herbal tea (15%). Tariffs also coexist with a complex system of restrictive quotas, for brewing-malt, some dairy products and sugar for instance. Non-tariff barriers reduce the capacity of EU countries to access the Japanese market (**Table 10**) and their effect can be even more hampering than tariffs. The EBC reviews progress regarding the elimination of Japanese NTBs in its [Annual White Paper](#) available online.

**Table 6: International comparison of protectionist policies**

Ranking, out of 141 countries based on GCI 2015	Trade-weighted average tariffs	Prevalence of trade barriers
JPN	36	115
USA	33	52
EUN (average)	5	40
FRA	5	76
DEU	5	64
ITA	5	48
ESP	5	86

*Source: WEF Global Competitiveness Report 2015-2016*



**Table 7: Domestic support for agriculture in Japan in 2016**

	JPN	EUN	USA
GDP PPP in billion €	4,734	18,085	16,784
Estimated number of full-time farmers in million	0,4	8,7	3,2
Total support to the farm sector as % of GDP (including support to individual farmers, the sector and consumer subsidies)	1,09	0,68	0,49
Same as above in billion €	51,6	123,0	82,2
Per capita estimated support in €	129,002	14,135	25,701
Support to individual farmers through public measures as % of GDP	0,9	0,61	0,18
Same as above in billion €	42,6	110,3	30,2
Per capita estimated support in €	106,515	12,680	9,441
Producer Nominal Protection Coefficient (ratio between the price received by producers and the border price measured at the farm gate)	1,78	1,06	1,02

Sources: OECD Producer and Consumer Support Estimates, IMF, Author's calculation

**Table 8: Average tariffs effectively applied in Japan in 2015**

Section code	Description	JPN	EUN	USA
I	Live animals; animal products	19.67%	8.11%	4.78%
II	Vegetable products	14.93%	2.69%	2.03%
III	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	3.42%	3.26%	2.03%
IV	Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	11.01%	5.31%	5.70%

Source: ITC

**Table 9: Prohibitive ad-valorem tariff rates**

Ad-valorem tariffs	JPN
Over 1000%	Tubers of konnyaku
500-1000%	Rice, peanuts
300-500%	Butter, pork
200-300%	Wheat, barley, skim milk powder, starch, beans and raw milk

Source: CIGS, Kazuhito Yamashita

**Table 10: Sample of the most recurring non-tariff barriers in Japan**

Wine definition	The Japanese definition of wine is much broader than the definition of the IOV.
Lot codes	Although it is recommended in administrative guidelines, the display of producers' lot codes is not compulsory under the Food Sanitation Law. By contrast, the EU makes it obligatory. Despite the fact that most importers of EU liqueur products ensure that lot codes are in good order, some traders import products with lot codes that have been erased, tampered with or covered up
Food additives	Japan is not following international standards.
MRL	Some EU products cannot be exported to Japan due to the non-harmonization of MRL. Moreover, Japan uses a positive list of products and levels, and any product not on the list must have a residue level of 0.01 ppm or less – an unsubstantiated low level – even if the base input material has a higher level.
BSE risk status	After a slow approval process, the number of EU countries approved for export of beef to Japan has increased but there are still countries waiting to gain this approval. They are designated as having “negligible BSE risk” – the same risk status as Japan.
Multi-needle injections for meat	In most countries, meat is cured by injecting multiple needles because this method is more efficient than using a single needle. However, Japan does not allow multi-needle injections for meat that is unheated or for meat that will be consumed without further preparation.

Source: EBC, Annual White Paper

### Featured contributors

#### **Francesco Rinarelli, Deputy General Manager, Italian Chamber of Commerce**

##### *What are the most recurring issues and obstacles faced by Italian exporters?*

*It is difficult to export some kind of EU fine food because Japanese people have been educated differently by other food exporting countries. The US has a highway in Japan and thus has imposed a certain culture for meat and cheese. It is difficult to propose cured meat when you have a tradition of barbecue for which they import large volumes of meat from the US. It is also difficult to propose blue-veined cheese when American or Australian processed cheese is everywhere. Why should the consumer buy this cheese with weird blue lines inside when the other is sweet, soft, much cheaper and has a better package? This is really hard to overcome. We have to keep our efforts to educate Japanese consumers about our food products otherwise EU exports will not break a certain glass ceiling. This is even harder because other countries could stop every attempt in that direction. As a Chamber of Commerce, our duty is to try to coordinate efforts of individual companies to enter the market. Sometimes you have to convince them that they should renounce to small and quick wins in order to contribute to more food education, which helps to be present in this market in the long run. So we organise educational events with strong media coverage. Companies may not always get very high returns the first year but it also helps raising the brand awareness, which normally leads to more sales the next years. It is also not very easy because there had been previous attempts.*

#### **Dr. Evert Jan Krajenbrink, Agricultural Counsellor, Embassy of the Kingdom of the Netherlands**

##### *What are the most recurring issues and obstacles faced by Dutch exporters?*

*The first difficulty is the distance, of course. Then, doing business in Japan takes time because*

*imports and labelling requirements are very different. It also requires being able to provide the highest food quality and safety. In that regard, the Netherlands produce fruits and vegetables in vast greenhouses where the environment is controlled. And last but not least, the business culture is different. The decision making is slow, and many detailed questions are asked before a contract is signed. Despite the difficulties, Dutch companies in Japan are very satisfied by the market and their clients. Japanese also do not always know our products, which is why we are active in promoting Dutch food products in B2B mainly, less in B2C. For example, we have recently promoted veal meat, which Japanese do not eat (yet), to the food service sector. We organised an event showing Japanese Chefs how to prepare and eat veal meat. Also, I was in Nagoya for the “EU Trusted Pork Contest”, which was organized with the Japanese Chefs Associations. We also promote cheese because Japan is still at an early stage of being a cheese consuming country. Another example is Dutch herring (matjes).*

**Frédéric Morin, President, Faye Japan Co., Ltd**

*As a SME, what are your main difficulties to import EU food products in Japan?*

*Japan has banned our main product range since November 2015 due to avian flu. This is a difficult situation but we were able to rely on our stock and expand our supplier network in Hungary, Bulgaria, Spain and then in Canada when all European producing countries were affected by the embargo. We also sought to expand our range of imports. In order to validate a new product, the initial formalities are often complicated and sometimes costly (analyses), but they are amortized if quantities are sufficient.*

*In order to sell directly to luxury hotels, you need to be approved by their purchasing department, which is not easy. Knowing the Chef is not enough. If they want our products, we often have to go through an intermediary. This situation may last for some time and then they want a direct relationship with us, but not systematically.*

*Compared to countries like Hong Kong or Singapore, where orders are directly taken in France, the situation is difficult in Japan. Many products are banned, subject to quotas or complicated and costly import procedures, with analyses for each batch, extensive requests for information on ingredients, certificates of non-radioactivity for truffles, etc. This situation often makes the activity unfeasible. In addition, the documentation must be perfect to the comma. However, we have problems with almost every arrival: errors in the certificates, quantities that do not correspond, errors in labelling, faulty packaging... Suppliers are aware of Japanese requirement and they know that they should pay a particular attention to products prepared for Japan but some often lack rigor and sometimes misunderstand the claims we present to them, often refusing to acknowledge their errors and sometimes offering only rough explanations: “it must be said to the Japanese that...”. In reality, you have to meet their requirements, period. These incidents damage our image and result in additional costs. When a particularly difficult problem arises, we can generally count on the support of embassies, but Japanese authorities have the final answer.*

## **B) The multiplication of FTA negotiations**

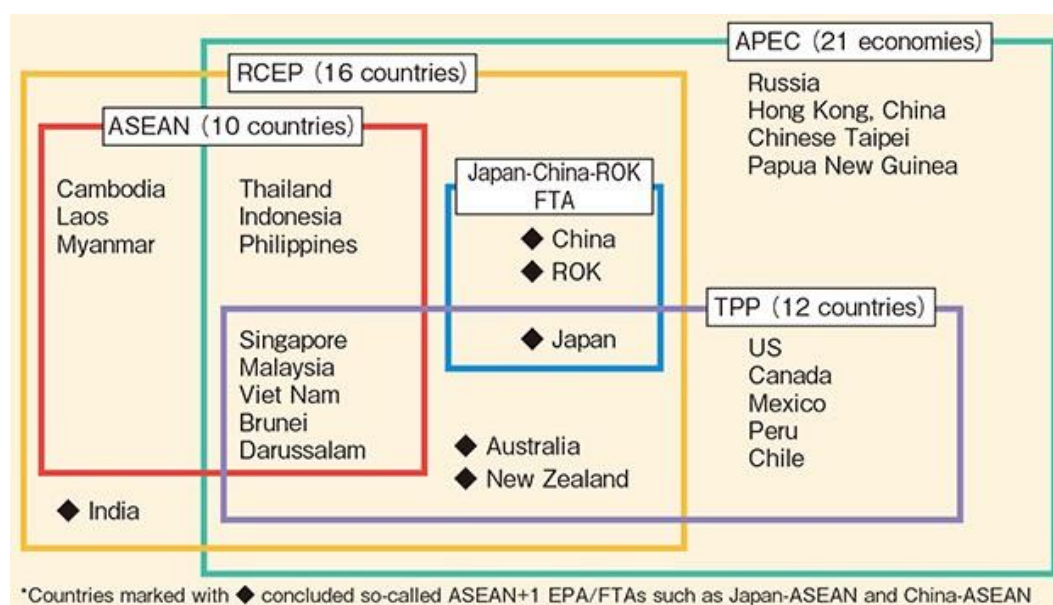
Despite being the 2<sup>nd</sup> largest regional economy, Japan did not participate in the first waves of FTA negotiations that emerged in Asia in the early 1990's. Japan ideally favoured the multilateral approach at the WTO in order to avoid creating distortions in international trade. Meanwhile other countries such as Singapore and New Zealand paved the way with the first FTAs in the region. The conjunction of three factors later pushed Japan to look for FTA partners in the early 2000's:

1. The failure of the Doha Round characterised by slow discussions on relatively narrow sets of issues, which was the main reason behind the growing number of bilateral FTA negotiations in the region from the 1990's.
2. The growing integration of Japan's value chains in South-East Asia, notably in China.
3. The risk of being "left behind" if all neighbouring countries benefit from a preferential access to each other's market.

As of today, Japan has negotiated 17 FTAs with 20 countries. At first, this seems to be a lot but the FTA ratio in Japan's trade (the ratio of trade value with countries which have FTAs already signed or entered into force with Japan to the total trade value) is a little higher than 20%. In fact, these FTAs were negotiated with modest and/or "little ambitious" countries "in terms of trade liberalisation (Brunei, Chile, India, Mongolia and Peru) and with others that are deeply integrated in its value chains (the ASEAN block, Indonesia, Malaysia, Philippines, Thailand and Vietnam). The FTA with Switzerland in 2009 and the FTA with Australia in 2014 are considered as "training agreements", before entering negotiations with the US and with the EU, respectively. A bilateral agreement with China is currently not at the agenda. Japan is negotiating with China inside the CJK FTA and the RCEP (**Chart 4**).

Given its regional economic power and its careful selection of partners for FTA negotiations, Japan has almost always been able to offer little concessions while getting many in return. Japan's agricultural sector is one of the most protected among advanced countries. At minima, rice, wheat, meat, dairy products and sugar remain protected and at maxima are simply excluded from negotiations. In exchange of a rather limited access to its domestic market, Japan's offensive interests are principally market access for its vehicles, car parts, electronic and manufacture goods, as well as advantageous investing conditions for its exporters having delocalised their production. The revitalization of WTO negotiations is an important goal for the Japanese trade policy, as is the fight against protectionist measures worldwide – despite being lightly criticized for using similar measures – notably in the US, Indonesia, China, Russia and Brazil. Japan also advocates a better integration of FTAs into the multilateral system.

**Chart 4: Japan FTA coverage as of March 2016**

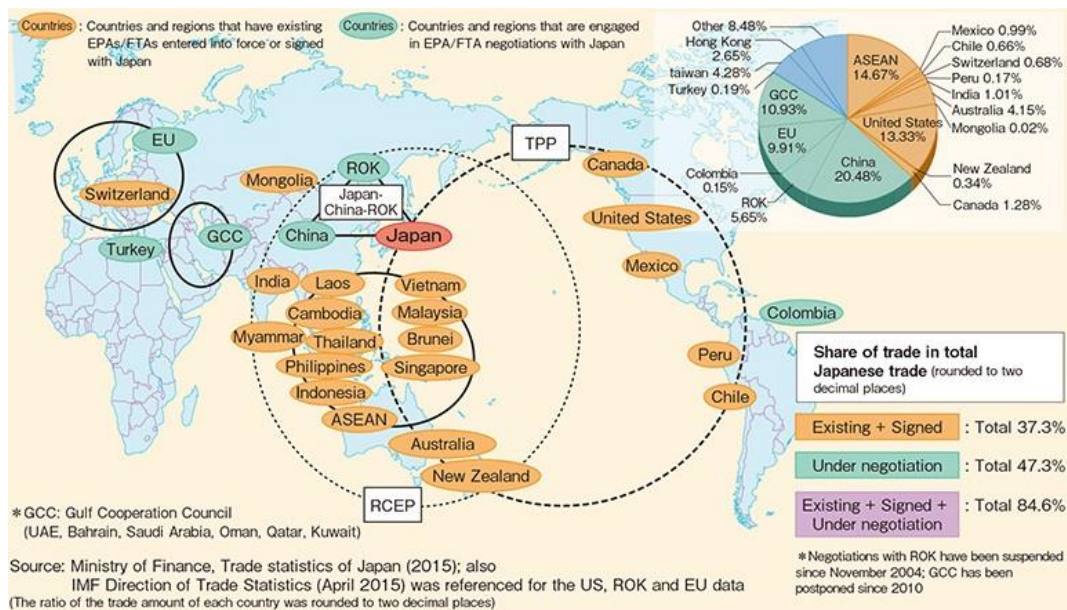


Source: MoFA, Diplomatic Bluebook 2016

## C) Toward a more open trade policy

The Japanese government gives the priority to the conclusion of large FTAs in order to increase the FTA ratio in Japan's trade to 70% by 2018 (**Chart 5**). The first successes of this policy were the Agreement in Principle reached on the TPP in October 2015 in Atlanta and its signature in Auckland in February 2016. The second success is the Agreement in Principle reached in Japan-EU EPA negotiations in July 2017.

**Chart 5: FTA ratio in Japan's trade, as of March 2016**



Source: MoFA, Diplomatic Bluebook 2016

### 1. The TPP: the tragic fate of an ambitious FTA

At the very beginning, the TPP was built on the TPSEP, also known as the P4. This FTA entered into force in 2006 after being signed in 2005 by Brunei, Chile, New Zealand and Singapore. With the will of creating a larger and strategic economic area in Asia, the US joined the P4 in 2010, quickly followed by other members until Japan in July 2013. The TPP could have been one of the most successful existing FTAs but the US decided to withdraw from the Agreement. Japan and other members are quite reluctant to give up on an agreement that took so much time and effort to draft. Japan is now seeking the enforcement of a TPP-11 pack with the other members, with the possibility for the US to re-join anytime.

#### Featured Contributors

**Kazuhiro Yamashita, Research Director, the Canon Institute for Global Studies**

#### Where is the TPP heading for?

*Last year, I was the only person suggesting to go for the TPP-11 without the US. Everyone, including PM Abe thought that the TPP without the US is meaningless but he eventually changed his mind at the beginning of 2017 because the US demanded a bilateral FTA to replace it, which Japan does not want at all. Japanese officials were afraid that the US would pry open the Japanese agricultural market more than TPP negotiations. It is true that there are security ties to be taken*

*into account but Japan would prefer to favor the trade agenda.*

*With the TPP-11, the risk of losing big is on the US. For example, the US would suffer from the current 38.5% tariff on beef, whereas Australia would benefit from a much lower rate, 9%. At some point the US would beg to enter the TPP-11 and at that time, existing members could ask them anything, just as existing members of the WTO ask anything to acceding members. For example Japan could ask for a faster tariff reduction in the automotive sector. But it remains to be seen. There is now a consensus among the 11 countries that no substantial parts of the original agreement will be changed. The TPP-11 could be agreed before the end of the year.*

## **2. The EU-Japan EPA: the most ambitious agreement concluded by Japan**

The EU and Japan agreed to open trade negotiations in 2011 and their first round took place in 2013. The fate of the TPP has been a game changer for the EU-Japan EPA. While Japan continuously favoured the conclusion of the TPP since joining its negotiations in 2013, Japan has accelerated its efforts to conclude the EPA during the first semester of 2017. Japan and the EU reached a political agreement in principle on July 6<sup>th</sup>, addressing together a message of openness to the rest of the world and in particular to the US (EU Commission's [press release](#)).

### **a. EU-Japan EPA benefits for the EU**

Overall, the EU-Japan EPA is as ambitious as the TPP on tariffs although it depends on each tariff line and on the product concerned (**Chart 6 & Table 11**). EU countries will gain easier access to the Japanese food market and will benefit from more opportunities to sell their products. Around 85% of tariff lines concerning food products exported to Japan will be allowed to enter duty-free over time, corresponding to 87% of current exports value for agricultural products. Furthermore, the EPA solves many pending NTB and SPS issues, which Japan never had to deal with in previous FTAs. In the TPP, Japan and the US were asking for a better market access in emerging Asian Countries. In other words regarding non-tariff issues, Japan was offensive in the TPP but was defensive in the EPA.

Moreover, Japan will recognise more than 200 EU GIs that indicates the authenticity, the quality and the tradition behind the product (Roquefort, Aceto Balsamico di Modena, Prosecco, Jambon d'Ardenne, Tiroler Speck, Polska Wódka, Queso, Manchego, Lübecker Marzipan, Irish Whiskey, etc.) so that only products with this status would be allowed to be sold in Japan under the corresponding name. This will help EU producers and exporters develop their marketing in Japan; where the trade mark system dominates under the US influence, and reassure Japanese consumers that they are buying authentic EU product. The agreement contains the following provisions:

- High level of protection: TRIPS art 23.
- Direct protection of GIs under the FTA and removal of all associated charges or taxes for any user registration.
- Protection of GIs in relation to trademarks: rejection of subsequent trade marks in the other Party's system, also in the case of GIs which have only been published, while coexistence with pre-existent trade mark is addressed.
- Administrative enforcement of protection in addition to enforcement on request and civil remedies.
- Phasing out of prior uses identified on the Japanese market within 5 years after entry into force of the Agreement for alcoholic beverages, and within 7 years for foodstuff GIs.
- Possibility to add new GIs to list of GIs protected under the agreement.

Chapters on Trade in Goods and on GIs have not been disclosed yet. The EU Commission has however published a summary of the Agreement ([EU-Japan EPA – the Agreement in Principle](#)) as well as several factsheets and other documents presenting key outcomes ([Agriculture, Food safety and sanitary and phytosanitary measures](#)). For more information, the documentation on the EPA can be accessed from the EU Commission’s dedicated [webpage](#).

**b. EU-Japan EPA benefits for Japan**

For Japan, the first objective of the negotiation, as far as agricultural products are concerned, was to keep agricultural market access limited for some of its more defensive products, which symmetrically, gives the picture of what the EU did not obtain:

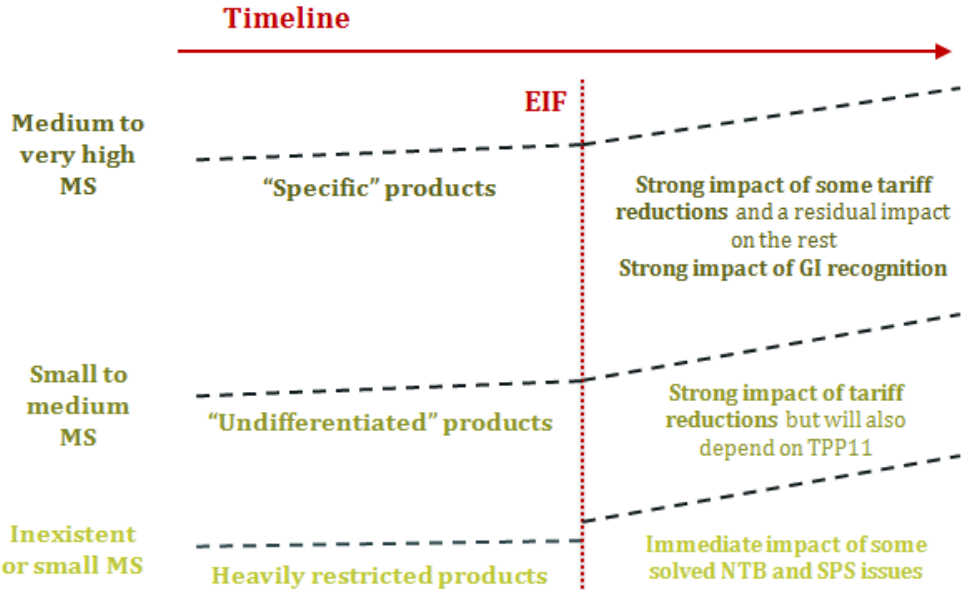
- The state trade system will be maintained for wheat, barley, skimmed milk powder and butter.
- Butter and whey will be subject to a tariff quota.
- Cheese will be subject to a long tariff phasing period or to quite restrictive tariff quotas depending on the kind to protect the small domestic production of soft type cheese.
- The sugar-price adjustment system and the gate-price system for pork meat will be maintained.
- Pork and beef meat will be subject to a long tariff phasing period and safeguards against import surge have been obtained.

Japan also gained access to the EU market for emblematic products such as soy sauce, green tea, beef, yellowtail, yuzu, yam potato, etc. which will see their tariffs immediately removed.

**c. Necessary steps before the entry into force**

The political agreement in principle is only the first step of the process. From July 6<sup>th</sup> on, the two negotiating teams have been working on the finalisation of the agreement. Once the final text is agreed on, the legal revision (“scrubbing”) will start, followed by the translation in all EU official languages. The whole process is aimed to be completed by mid-2018 and the entry into force is projected for early 2019.

**Chart 6: EU-Japan EPA benefits for the EU**



Source: Author

**Table 11: Sample of EU-Japan EPA benefits for the EU regarding exports of agricultural products to Japan**

<b>Meat</b>	
Pig meat (low-value cuts)	50 yen/kilo in 10 years
Pig meat (high-value cuts)	0 in 10 years
Beef	27.5% from EIF to 9% in 15 years
<b>Wine</b>	
Still wine	0 from EIF
Sparkling wine	0 from EIF
<b>Dairy products</b>	
Hard cheese	0 in 15 years
Fresh and processed	TRQ
Whey	Duty-free TRQ
Whey with specific protein content	Reduced by 70%
Skimmed milk powder for feeding	Reduced by 95%
<b>Processed products</b>	
Pasta	0 in 10 years
Chocolates	0 in 10 years
Pure cocoa powder	0 from EIF
Candies	0 in 10 years
Confectionery	0 in 10 years
Biscuits	0 in 5 to 10 years
Lactose and lactose syrup	0 from EIF
Gelatine	0 from EIF to 15 years
Malt and potato starch	Duty-free TRQ
<b>Fish</b>	
Blue-fin tuna	0 in 5 years

Source: European Commission

### Featured contributors

**Sabine Hofferer, Agricultural Counsellor for Japan and Korea, Embassy of France**

*What do you think of the Agreement in Principle reached in July in EU-Japan EPA negotiations?*

*I prefer to remain cautious for the moment because the devil is in the details. As far as GIs and wines and spirits are concerned, I think the agreement is very favourable and clear. For the rest, there are still quotas and long dismantling periods of 10 to 15 years on certain products such as cheese. Our companies need to prepare for it now because it is an undeniable advantage over our non-European competitors. It will be necessary to jump on the future entry into force to communicate on price cuts in order to introduce mid-range products; on the quality of products that meet the most stringent food and environmental safety standards in the world compared to US and Chinese products; on GIs by showing and explaining Japanese consumers that they purchase products that are part of the European heritage and are of great value. Attention should also be paid to importers, to ensure that they do not confiscate our margins by not passing on the reduction of customs duties on their final prices. Perhaps we should warn consumers.*



***Dr. Evert Jan Krajenbrink, Agricultural Counsellor, Embassy of the Kingdom of the Netherlands***

*What do you expect from the EU-Japan EPA?*

*We see a lot of opportunities for different kind of food products. Hopefully it will be less bureaucratic and complicated for especially the SME's to enter the market. We would like to use the EU-Japan EPA to focus more on high quality final products, like cheese, chocolates and coffee for Japanese consumers. The EPA also puts us in a better position than the US and improves our competitiveness vis-a-vis Australia. The competition is fierce among EU countries too but we are all on the same page so this competition is healthy.*

***Frédéric Morin, President, Faye Japan Co., Ltd***

*What future opportunities do you foresee on the Japanese market?*

*There is a demand from chefs for products that are currently banned, such as fruit and vegetables, potatoes, etc., game meat, sausages and other delicatessen or very specialized products (molecular cooking ingredients). On this side, we hope that the EPA will open the borders a little more.*

# VII. Conclusion and recommendations

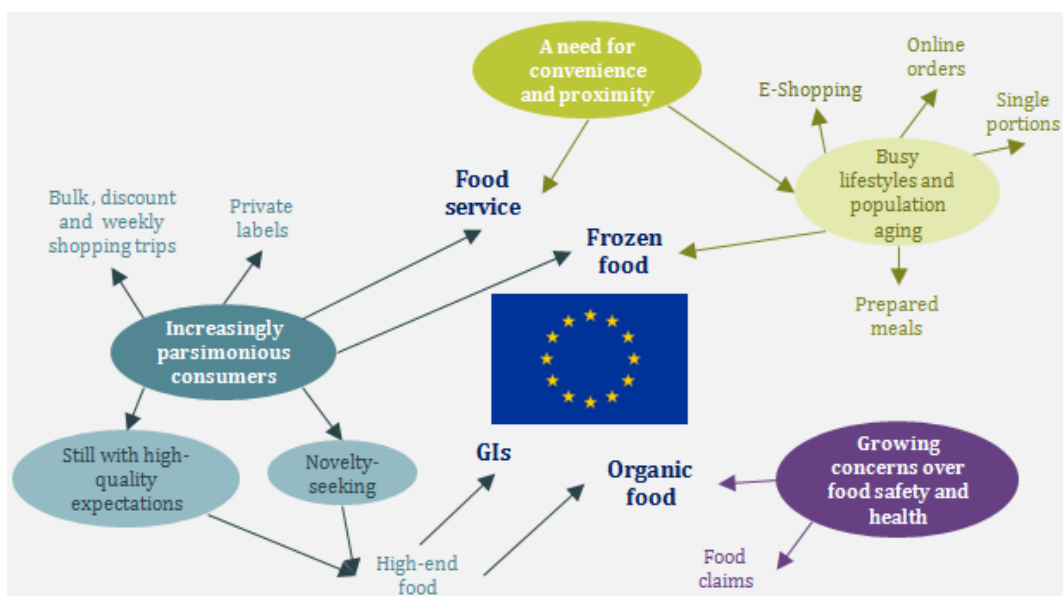
Given the maturity and the complexity of the Japanese food market, there is no “magical” product that sells rapidly, easily and regularly over the long term. However, plenty of specific EU food products can represent an opportunity if they are tailored to the changing demand and consumption patterns of which price-sensitivity, convenience and health are the keywords. In particular, this report identifies 4 trends that will count: food service, frozen food, organic food and food protected by GIs (**Chart 7**).

EU agribusinesses are already very well-positioned to seize these opportunities despite market access issues having constantly reduced their reach over the years. Fortunately, this situation is set to change with the EU-Japan EPA. As soon as the agreement enters into force in a couple of years, EU agribusinesses will benefit from the highest level of trade concessions ever granted by Japan regarding food products. This preferential access will appear even greater for undifferentiated EU food products as long as the US remains out of the TPP.

As a consequence, the best opportunities lie with products adequately tailored to the fore-mentioned trends and which at the same time will benefit from the reduction of customs duties and the immediate lift of some NTBs: organic pasta, high-end chocolate for professional pastry chefs, highly nutritive breakfast cereals, feta cheese and extra virgin olive oil (GIs), Eastern EU wines, premium frozen preparations for consumers and restaurants, etc.

The improved market access of EU products will gradually lead to more choice in Japanese stores. This new paradigm will support EU food culture in Japan and bring more competition to a standardised domestic production for the benefit of 127 million consumers. Now is the right time to consider entering the Japanese market and the following recommendations aim to support this objective.

**Chart 7: Web of opportunities**



Source: Author

## **A) Recommendations to policy makers**

### **1. Pursue high-level dialogues with Japan on market access issues related to food products**

High level dialogues between the EU and Japan have shown positive results, often accelerating negotiations engaged bilaterally by Member States, some of which were pending for years, and supporting those with limited capacity to engage in bilateral discussions. It is important to continue these dialogues at the EU level after the entry into force of the EPA in order to prevent new issues from arising, which would likely happen given the high level of protection of the Japanese market.

Furthermore, Japan always wants to deal with Member States bilaterally regarding market access issues, whereas in the EU, market access is a harmonised competency so that any issue raised by Japan is dealt with multilaterally. So there is an obvious imbalance to the detriment of Member States' interests. This is hard to justify because the EU has a growing market of more than 510 million consumers, more than 4 times that of Japan.

### **2. Communicate more on EU products, especially with the EU-Japan EPA around the corner**

Individually, EU countries have a long experience in selling their national flagship food products in Japan; many of them having successfully created powerful brands based on their trade specialisation, that resonate in consumers' mind-set. Collectively however, EU food products are found at the extreme sides of the spectrum, either highly specific or undifferentiated. This leads to difficulties when promoting EU food products together, for example Danish, Spanish, French and Italian pork meat. So it could be useful to assemble the common characteristics of EU food products, whether talking about cheese, meat, seafood or chocolates, in a clear and encompassing EU brand. This appears to be necessary for at least two reasons:

1. The EU benefits from a rich gastronomic heritage, which is sometimes difficult to understand from outside. In comparison, most competitors have a simpler and/or homogeneous offer to present to the Japanese market. A drastic homogeneity is not good but a little of it simplifies the purchasing decision.
2. The future entry into force of the EU-Japan EPA would require promoting food products at the EU level and communicating on EU food products should not only be about summing as many individual communication strategies as there are of EU countries.

The two common advantages to all EU food products are the very high standards that ensure the highest level of food safety and the long history and traditions behind the making of these products.

### **3. Raise awareness of national brands**

Sometimes, local agribusiness support organisations, collectivities or associations of producers focus on promoting their local brand instead of the national brand. However, it is more efficient to promote local products under the national umbrella because strong and coherent national brands have a much wider reach on the Japanese market. These brands benefit from an image of quality, safety and taste that has been associated with EU products during decades. It is important to keep developing and protecting this status when non-EU competitors are all striving to build a similar image for their products. Little by little however, this image is losing its lustre because traditional customers are aging and young consumers, in comparison, are

relatively less responsive to the image of EU food products. In some cases, this image should be modernised to appeal more to these consumers.

#### **4. Increase investments in EU food culture promotion**

The EU has one of the densest and most diverse food cultures with specific food products and beverages that are well-known all over the world. They are often attached to countries and regions, sometimes very locally. This is illustrated by the high number of GIs, more than 2,700.

Japan has one of the most different food cultures compared to ours. So it is normal that EU food products are not consumed as regularly in Japan as in Europe. Prospects of EU exports would thus remain limited by a certain glass ceiling in the long term. Fortunately, Japan's culinary traditions are also among the most renowned in the world, so that Japanese understand perfectly food culture. There is definitely a demand to show and explain consumers the way to prepare, accommodate and eat EU food products. Increasing investments in events or projects promoting EU food culture in Japan would enable to raise the regular consumption and therefore push the glass ceiling for exports further up.

##### *Featured contributors*

**Francesco Rinarelli, Deputy General Manager, Italian Chamber of Commerce**

*How and why is Italian food so popular in Japan?*

*The good thing is that Italy used to be known for just pasta and pizza and now we are known for much more. Italian restaurants have been increasing steadily in quality and quantity, which triggers more imports and participate in food education. For example, you see more and more espresso machines in Tokyo. The boom is not on coffee itself but on a more "educated" consumption. Sometimes, we create events during which we partner with restaurants to introduce a certain product to consumers. We coordinate in a way that is beneficial for everyone. The producer gets to send its product to Japan, the restaurant gets recognition and more clients, and consumers have a pleasant experience. The 1<sup>st</sup> non-Japanese restaurant on charts of the best restaurants in Tokyo is now Italian (Elio Locanda Italiana). After years of Italian cuisine sold in low quality restaurants, consumers are more aware that this is not the real Italian cuisine. They are particularly eager to compare by checking on the internet if it really is what Italian people eat. Thanks to the diversity of EU cuisine, there are always dishes to discover for Japanese and it is easy for the media to put them in the spotlight. It is likely to continue because Japanese people particularly enjoy this kind of show. Exporters need to be careful because these trends die out very quickly. Your product will be forgotten if you are not in the spotlight during the right period. We should foster the curiosity but at the same time, we should not respond superficially to that because we would burn out our products otherwise.*

**Elio Orsara, owner and Chef, Elio Locanda Italiana**

*Could you explain your mission and what motivates you?*

*I want to bring my traditions to Japan and food is culture. Sometime after opening my restaurant, I needed to be special, original, so I created a company to import food products from Calabria such as wine and olive oil. Years later, I bought Italian technology and machineries and brought Italians to Japan to open a salami factory and a cheese factory. In Italy we have 5,000 years of know-how in cheese making thanks to the Arabs, the Greeks and so on. Japanese started eating cheese 50 years ago. Their production costs 3 times more than similar foreign cheese from Australia and New Zealand for example. The difference is that in these countries, the production results from the*

*gradual assimilation of the European food culture from the many people who moved there, whereas Japan always tried to keep foreigners out. They prefer to study the making process abroad and reproduce it domestically. That is how they learned how to make Hokkaido Camembert but beside that, there is nothing. So I was the first foreigner who was given a licence to make cheese!*

*I also want to provide healthy food to future generations. I have my own vegetable land and I even have a fishing boat in Hokkaido. All my food comes from either Hokkaido or Kyushu because the rest of the land is too polluted to grow organic food in my opinion. Nobody realizes that. However, there are things that I cannot produce in Japan and things that I do not want to import. Ricotta should be made in the morning to be eaten the same day. A mozzarella that you can store one month is not a cheese; it is a ball of chemical products! The mozzarella I produce here is only made of water and salt and you need to throw it away after 5 days because it does not have any conservatives. I want to make sure that the food I serve does not poison people.*

*How has food culture evolved in Japan since your beginnings?*

*One of my biggest battles was to bring real Italian food to Japan. When I arrived 26 years ago, Japanese were eating "Italian food" and drinking "Italian" wine that simply did not exist in Italy. This type of food was brought to Japan after WWII by Italian-American soldiers. At the time, putting an Italian flag above the front door of your restaurant was enough to make it Italian and nobody knew the difference between red and white wine. Also, coffee was only consumed long, in large cups and you could not find espresso anywhere in Japan. In my restaurant, some customers even asked me "Elio, your pastas are too salty, what's wrong?" or "Elio, where are the chopsticks?" Explaining my Italian food culture was very hard at the beginning and the slope was very steep but if you explain with passion what our culture and background is and why we eat this or this kind of food, Japanese will really appreciate and will learn. Today, you need to explain which part of Italy you come from and what kind of Italian food you serve and my average customers can ask me very specific questions about wine. When I brought espresso to Japan, everyone told me that Japanese will never drink this kind of coffee. Look at the situation now! The food culture in Japan has grown to be the best, so that Tokyo has become the best dining out place in the world for price, quality and diversity.*

## **B) Recommendations to agribusinesses**

### **1. Understand the main characteristics of successful EU companies in the Japanese market**

The difficulty to enter the Japanese market should not be solely reduced to its high tariffs and NTBs. Although their impact is far from being negligible and sometimes can even kill any commercial opportunities. Successful EU businesses often share the following characteristics:

1. **They are committed to a long-term business objective.** The Japanese market has high entry costs but is very rewarding for those who succeed in translating punctual exports into regular flows. To the contrary, doing business in Japan for short-term gains is the best way to let your product die off when consumers will naturally jump on newer products. And once out of the Japanese market, it is very difficult to return with the same product or even the same brand. Recruiting a representative with already some experience of Japan, who speaks Japanese and who is able to deal directly with local intermediaries is a good first step.

Of course, the smaller the company, the more difficult it is. Many SMEs rely on intermediaries which help enter the market for a margin on the retail price. However, the

reduction of time and investment is sometimes paired with the loss in control over marketing and intellectual property rights. Also, each intermediary takes its margin, so several of them can weigh considerably on the final price which can become overwhelmingly high for consumers. Therefore, selecting the right partner must be done carefully in light of its coverage for distribution, type of stores (important for image building), logistical capabilities and current foreign references.

2. **They adapt their product to the Japanese market and do not expect consumers to change for their product.** This requires being flexible and often start by listening to your representative's or importer's recommendations. If you are dead set against changing anything, it means that you are not entirely committed and thus not ready for the Japanese market. It is advised to take the following steps:
  - Study consumption patterns.
  - Raise your quality to Japanese standards. Some companies have reached the same level at lower costs (better efficiency) and others have even taken advantage of their research in this domain for the Japanese market by implementing new production processes, not only for the Japanese markets but for everywhere.
  - Create a package designed specifically for the Japanese market: easy to use, convenient, storable and neat, with the story of your product.
  - Provide explanation regarding your brand and your product and dispatch as much information as possible in Japanese on internet and social media for curious customers.
  
3. **They are problem-solving and creative organisations, able to play by Japanese rules to appeal to the most.** This is usually reflected by the following initiatives.
  - Explain consumers how to prepare, accommodate and eat your product.
  - Build your image conscientiously.
  - Make your product visible by any means.

## **2. Prepare yourself and your product carefully and specifically for the Japanese market**

The lack of preparation has always resulted in additional difficulties. Doing business with Japanese partners requires a certain amount of preparation given the cultural specificities involved. A minimum training is an advantage. Many rules can be destabilizing at first: negotiations take much more time than in Europe, are extremely codified, require a pedagogic approach and a decent amount of politeness in order to succeed; partnerships are built in the long run and even the way of thinking or the logic is different. Besides, the market itself is complex (organisation, distribution channels, rules, trends, etc.). Major EU exporters of food products are industry giants able to export everywhere. In contrast, EU SMEs are more likely to face potential issues because their knowledge of the Japanese market is much lower.

Member States' business supporting structures, agencies, trade offices and other trade-related organisations greatly facilitate internationalisation. These structures provide a wide range of information, from the way of doing business in Japan, to the identification of key importers and all the necessary certificates for a given product. So do not hesitate to get in touch with them! The EU-Japan Centre for Industrial Cooperation manages the [EUBusinessInJapan](#) website, an online portal of information for all EU SMEs seeking to do business with or in Japan. More information is provided in the [Annexes \(Table 14\)](#).

### 3. Diversify and expand your consumer base

In Japan, EU food products are often considered or marketed as high-range products. While this positioning creates important cash flows, it limits volumes and market range drastically. A less partitioned positioning would enable EU exporters to capture facets of the demand that are not accustomed to EU food (typically young consumers and/or less wealthy households) and to reset the competition with countries heavily competing in prices. These competitors, who have entered the Japanese market through the low to mid-range segments, tend to be aggressive in the upper segments once well-established. The large choice of food products in Europe allows exporters to compete on every segment of the market with different products.

### 4. Participate strategically in trade fairs taking place in Japan

EU exporters with a long term strategy in Japan should consider visiting major Trade fairs. The JETRO provides an Online Trade Fair Database called [J-Messe](#), which allows interested parties to search for business opportunities by industry. This base is however not exhaustive. A calendar of trade fairs for 2018 is provided in the [Annexes \(Table 12\)](#).

#### *Featured contributors*

***Francesco Rinarelli, Deputy General Manager, Italian Chamber of Commerce***

#### *How does the ICCJ support companies?*

*One of our main activities is to provide services to members, such as networking events or information services but not only. As far as business support is concerned we provide more services to non-members because most members are already present in Japan with a stable organisation. 90% of the requests we receive come from Italian companies. They want us to find them suitable Japanese partners to access the market, so we search and arrange meetings. We also organise B2B events, especially for clusters of companies, for example food companies from the province of Milan, or national consortiums. We usually create a container event for their visit, with B2B meetings, seminars and visits to Japanese companies. We have also recently started providing digital services to help create and manage a Japanese website or a Facebook page, to optimise search engine referencing, etc. We have noticed that Italian companies need to focus more on B2C, while in the past they used to focus only on B2B, leaving B2C to importers. Companies in Italy feel that there is not much push to consumers in order to create some demand or to create a brand that is suitable to fuel their sales. So we also try to help them in this case.*

#### *What pieces of advice does the ICCJ usually give to SMEs willing to export to Japan?*

*Normally we first say that Japan is not an easy market. It is far geographically, linguistically, culturally, and very different from other markets. I tend to tell them that Japanese consumers love our products but do not need us. Do not take for granted that you can easily enter the market at your terms because they love our products. If your bottle of wine or oil has a drop or dirt on its label or if your package has even a little scratch, retailers or importers will certainly send back all the products and tell you that they will not pay for anything. Actually dirty label complains are the most frequent complains because this is not such a big deal in Italy. In Japan, it is perceived as a sign that your production chain has some defaults or is not mastered. Here quality goes beyond the product itself. In fact, Japanese consumers would prefer a product with a nice package and a good narrative even if it is made with industrial ingredients, rather than a premium product with a minimalist package and no narrative at all.*

*Once I have had the occasion of talking to a Japanese whisky producer who told me: "We do not*

really care about traditions or method, we put everything in the silo with chemicals and then it is fine" because they package it well and nobody really cares as long as the product is safe and the quality is coherent. Any variation of quality or taste should not only be explained but justified and sometimes apologized for. In comparison, if I take the example of an Italian biscuit producer, they put their high quality biscuits in a plastic bag and then close it with a tape before hand-writing or printing the label. You do not get to the Japanese market this way. It is sad because they improve the quality of their biscuits for years but do not spend a few hours designing a descent package. If your product has value, then you should also show it commercially by communicating properly, Japanese will not understand your product because they haven't lived in Italy. Instead they ask themselves: "Is it safe? Can I give it to my child, does it have health benefits?" If you want to convey your cuisine and traditions, you need a good narrative. We try to help producers in that regard.

If you do not follow these steps, most importers will not follow them for you. They are usually 60 years old gentlemen that were in love with Italy in the 1980's and 1990's. They were successful in those years and now often live on that. You have little chance to enter the market without them and they know it. Dealing with an importer is better than dealing with 30 retailers that do not speak English. So they might buy your products but they are not really eager, or I would even say up to date, to consider marketing campaigns. They prefer to focus on physical channels. Of course we are extremely grateful to them for importing our products but they do not care about making them more famous and sometimes they do not even realize their potential. Food education is also important to help the new generation of importers emerge. I would really like to see models relying less on full-fledge importers or models through Amazon with food storage for example. Japanese consumers do not mind waiting a week for a premium product that is not available in Japan but for main stream products, they wonder why the product has not arrived the next day. So there is a need for storage and it can be quite cumbersome at the moment because you need a partner in Japan, which will absorb a portion of your margin. Also if you choose e-commerce, you need to create a website culturally adapted to Japanese consumers and be prepared to answer their calls in Japanese anytime. They can complain for anything, as soon as the picture on the label is not exactly the same as the food in their plate. Small Italian producers cannot really afford to do that but I think it is the future in general.

*What else could be done to improve the penetration of EU food exports to Japan?*

I would like to see EU players in Japan coordinate events and projects more strategically. We already discuss between Chambers of Commerce and have joint events regularly but we are not always able to see the big picture and the opportunities to do something together. It is the same thing when Italian companies come to Japan and compete with each other. If you go alone, you may get nothing, if you go together, everyone gets a little something. You cannot keep playing alone when you are losing big to competitors such as Chile. An improved common approach of the Japanese market would require gathering information at a high level to drive national players in the same direction as well as a funding system that allows short term joint-projects.

**Sabine Hofferer, Agricultural Counsellor for Japan and Korea, Embassy of France**

*What pieces of advice do you give to French companies willing to export to Japan?*

First of all, it should be stressed that the Japanese market will remain interesting, broad, solvent, stable, with consumers who appreciate European gastronomy for the next 20 or 30 years. In comparison, I find it unfortunate that the appetite of companies for the Chinese market turns them away from the Japanese market. Everyone wants to go to China while it is complicated, local players are sometimes unreliable and the required volumes are such that the French industry is not often able to supply. I think we under-exploit the opportunities in Japan especially in the food service. The Japanese eat two out of three meals outside. Although we are not able to supply the same volumes as the Americans, Australians or Chinese, we would progress on some niche markets because our agri-food industry has a know-how in this field, it benefits from demanding European



standards which could be better valued among Japanese consumers. The EU-Japan EPA is an opportunity that will come true. Unfortunately, many of the major French exporters remain focused on the European market, which is much easier compared to a distant and relatively closed Japan. I think we also have to try new ideas because Japan is a great market for testing new concepts. There is, for example, a "Kiri" restaurant which has just opened. This reflection should be based on the accompaniment of demographic trends and on the Japanese interest in healthy eating habits by offering convenient, well-packaged, easy-to-open, chewable food products, which take into account the fact that people do not always have an oven at home, etc. I particularly believe in the development of organic food in Japan even though the Japanese JAS standard is less demanding than the European standard and certifies plants only. SPS barriers prevent the export of organic fruits and vegetables, but the export of grocery or processed products is easier.

***Dr. Evert Jan Krajenbrink, Agricultural Counsellor, Embassy of the Kingdom of the Netherlands***

*What pieces of advice do you usually give SMEs willing to export food products to Japan?*

*It is not easy for SMEs to grasp opportunities because they usually have small exports teams, they do not have a lot of budget and they sometimes cannot afford to be patient enough. Overall, they need to be well-prepared, visit exhibitions and fairs, go to seminars and try to get in touch with agents and buyers because the processing industry does business mainly through them. We provide information and advice but we especially tell them to be patient. Furthermore we provide them lists of importers. Japanese businesses still prefer to do business with their intermediaries instead of direct sales from import.*

***Frédéric Morin, President, Faye Japan Co., Ltd***

*What pieces of advice would you give to EU SMEs willing to export food products to Japan?*

*In all circumstances: quality of service, rigor, responsiveness, tailor-made, availability, technical competence, and patience. We must respond to all requests from our customers. This can be an express request, a rare product in small quantities such as beet extract or red quinoa, a specific packaging. These one-off operations are rarely beneficial, but customers often call you back for more normal products. For a producer, it is always difficult to give exclusivity to an importer in a market that may seem potentially important, but rather than having several importers who are cannibalizing and are likely to be discouraged, we advise instead to trust a partner and to give time to develop. Japan is not the country of immediate results.*

# Annexes

**Chart 8: APAC countries with corresponding ISO 3-digit alphabetic codes**



Afghanistan	AFG	Nauru	NRU
American Samoa	ASM	Nepal	NPL
Australia	AUS	New Caledonia	NCL
Bangladesh	BGD	New Zealand	NZL
Bhutan	BTN	Niue	NIU
British Indian Ocean Ter.	IOT	Norfolk Island	NFK
Brunei	BRN	Korea, Dem. Rep.	PRK
Cambodia	KHM	Northern Mariana Islands	MNP
China	CHN	Pakistan	PAK
Christmas Island	CXR	Palau	PLW
Cocos (Keeling) Islands	CCK	Papua New Guinea	PNG
Cook Islands	COK	Philippines	PHL
East Timor	TMP	Pitcairn	PCN
Micronesia, Fed. Sts.	FSM	Samoa	WSM
Fiji	FJI	Singapore	SGP
French Polynesia	PYF	Solomon Islands	SLB
Hong Kong, China	HKG	Korea, Rep.	KOR
India	IND	Sri Lanka	LKA
Indonesia	IDN	Taiwan	TWN
Japan	JPN	Thailand	THA
Kiribati	KIR	Tokelau	TKL
Lao PDR	LAO	Tonga	TON
Macao	MAC	Tuvalu	TUV
Malaysia	MYS	Vanuatu	VUT
Maldives	MDV	Vietnam	VNM
Marshall Islands	MHL	Wake Island	WAK
Mongolia	MNG	Wallis and Futura Isl.	WLF
Myanmar	MMR		

**Table 12: Samples of major trade fairs related to food & beverages in Japan***In Green, planned for 2018**In Orange, held at the same time in 2017, not indicated for 2018 yet*

<p align="center"><b>Souvenir Show (Spring)</b></p> <p><i>“Local specialty products (confectionery, food, liquor, beverage, craft, general merchandise, equipment, parts, etc.)”</i></p> <p align="center"><a href="#">JETRO</a> <a href="#">Website</a></p>	<p align="center">18 – 19 Jan.</p>	<p align="center">Tokyo metropolitan Industrial Trade Centre, Tokyo</p>
<p align="center"><b>Health &amp; Beauty Products Expo Tokyo (Spring)</b></p> <p><i>“Body care, cosmetics, beauty appliances, hair care, nail, organic, fitness related items, etc.”</i></p> <p align="center"><a href="#">JETRO</a> <a href="#">Website</a></p>	<p align="center">24 – 25 Jan.</p>	<p align="center">Makuhari Messe – International Convention Complex, Chiba</p>
<p align="center"><b>Care Show Japan</b></p> <p><i>“Care food, swallowing food, medical food, nutrition formula diet, home-delivered meal, home-based care for food, hospital food business, seasonings, functional materials, kitchen equipment, cooking equipment, catering equipment, other.”</i></p> <p align="center"><a href="#">Website</a></p>	<p align="center">24 – 25 Jan.</p>	<p align="center">Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p>
<p align="center"><b>Izakaya Japan</b></p> <p><i>“Stocking support (ingredients, drink), Menu suggestion, Store property, Furniture and utensils, Shop design/construction, Cost reduction, Financing, Personnel training, etc.”</i></p> <p align="center"><a href="#">JETRO</a> <a href="#">Website</a></p>	<p align="center">24 – 25 Jan.</p>	<p align="center">Sunshine City Bunka Kaikan, Tokyo</p>
<p align="center"><b>Meat Food Expo – Yakiniku Business Fair</b></p> <p><i>“Meat food, Seafood, Agricultural food, Side menu, Korea ingredients, Alcohol, Drink, Sauce, Seasoning, Dessert, Sweets, Kitchen apparatus, Kitchen utensil, Store facilities, Tableware, Uniform, Hygiene connection, Eating out shop, Rotisserie opening of business support, etc.”</i></p> <p align="center"><a href="#">JETRO</a> <a href="#">Website</a></p>	<p align="center">24 – 25 Jan.</p> <p align="center">6 – 7 Feb.</p>	<p align="center">Sunshine City Bunka Kaikan, Tokyo</p> <p align="center">Asia and Pacific Trade Centre, Osaka</p>
<p align="center"><b>8<sup>th</sup> Beauty &amp; Health Week</b></p> <p><i>“Cosmetics (Skincare, Colour Cosmetics, Body care, etc.), Cosmetics Ingredients, Packaging, Contract Manufacturing, etc. Beauty Drinks/Food, Vitamins, Superfoods, etc. Heath Appliance,</i></p>	<p align="center">24 – 26 Jan.</p>	<p align="center">Makuhari Messe – International Convention Complex, Chiba</p>

*Aromatics, Beauty Goods, etc.”*

[JETRO](#)  
[Website](#)

### **1<sup>st</sup> Inner beauty Expo Tokyo – Beauty & health Foods**

*“Beauty Drink/Foods, Vitamins, Superfoods, etc.”*

[JETRO](#)  
[Website](#)

### **Tokyo Health Industry Show**

*“Health foods, health-oriented foods, natural foods, medical treatment foods, sports foods, health-care foods, foot-care goods, mental health goods, fitness machines, training systems, health equipment, water-related equipment, hair-care goods, natural cosmetics, bath goods, etc.”*

[JETRO](#)  
[Website](#)

### **Food Produce Japan**

*“Functional ingredients, Original equipment manufacturing, Containers, Packaging materials, etc.”*

[JETRO](#)  
[Website](#)

### **Japan Int’l Franchise Show**

*“The biggest franchise exhibitions and earned one of the most respected names in food and beverage franchise in Japan.”*

[Website](#)

### **The 23<sup>rd</sup> Gourmet & Dining Style Show (Spring)**

*“Food-related knowledge and systems, premium foods of high product quality with high added value, quality kitchen / dining items of excellent design, and promotes approaches to a variety of goods categories and business models.”*

[Website](#)

### **Supermarket Trade Show**

*“Foods and miscellaneous goods sold at self-service stores & retail stores and facilities, equipment and systems for sales of such products.”*

[JETRO](#)

24 – 26  
Jan.

Makuhari Messe –  
International  
Convention  
Complex, Chiba

31 Jan. –  
02 Feb.

Tokyo International  
Exhibition Centre  
(Tokyo Big Sight),  
Tokyo

31 Jan. –  
02 Feb.

Tokyo International  
Exhibition Centre  
(Tokyo Big Sight),  
Tokyo

31 Jan. –  
02 Feb.

Tokyo International  
Exhibition Centre  
(Tokyo Big Sight),  
Tokyo

7 – 9 Feb.

Tokyo International  
Exhibition Centre  
(Tokyo Big Sight),  
Tokyo

14 – 16  
Feb.

Makuhari Messe –  
International  
Convention  
Complex, Chiba

<p style="text-align: center;"><a href="#">Website</a></p> <p style="text-align: center;"><b>Private Label Trade Show Japan</b>  <i>"Private Label, OEM, Professional Use Products and Services."</i></p> <p style="text-align: center;"><a href="#">Website</a></p> <p style="text-align: center;"><b>HCJ – Hoteres/Caterex/Japan Food Service Equipment Show</b>  <i>"Japan's Largest Exhibition for Hospitality, Food service Catering industries."</i></p> <p style="text-align: center;"><a href="#">Website</a></p> <p style="text-align: center;"><b>The 15<sup>th</sup> Seafood and Technology Expo</b>  <i>"Seafood, Processed seafood, Seasonings &amp; food additives, Food processing machinery and related equipment, Packaging and physical distribution equipment and services, Machinery for cleaning fresh fish, shellfish, etc."</i></p> <p style="text-align: center;"><a href="#">JETRO</a>  <a href="#">Website</a></p>	<p style="text-align: center;">20 – 23 Feb.</p> <p style="text-align: center;">20 – 23 Feb.</p> <p style="text-align: center;">21 – 22 Feb.</p>	<p style="text-align: center;">Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p> <p style="text-align: center;">Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p> <p style="text-align: center;">Asia and Pacific Trade Centre, Osaka</p>
<p style="text-align: center;"><b>Salon du Chocolat</b>  <i>"Chocolate related, hotels, food service industry."</i></p> <p style="text-align: center;"><a href="#">Website</a></p>	<p style="text-align: center;">2 – 5 Feb.</p>	<p style="text-align: center;">Tokyo International Forum, Tokyo</p>
<p style="text-align: center;"><b>Foodex Japan</b>  <i>"Asia's largest exhibition dedicated on food and drink across Japan and the whole world. Agricultural products, Meat products, Dairy products, Egg products, Seafood products, Ready-made Bakery Noodles &amp; Pasta, Confectionery &amp; Desserts, Seasonings Organic &amp; Natural food, Alcoholic beverage, Soft drinks, Tea &amp; Coffee Mineral water..."</i></p> <p style="text-align: center;"><a href="#">Website</a></p> <p style="text-align: center;"><b>Japan Drugstore Show</b>  <i>"OTC (Medication), Medicine, cosmetics, cosmetics miscellaneous goods, Functional foodstuffs. Healthcare, Beauty Care, Supplement, Prescription Systems and Care Products, Food and Drink, Home Care, Life Enjoyment, Store Facilities, Publishing and Others."</i></p> <p style="text-align: center;"><a href="#">JETRO</a>  <a href="#">Website</a></p>	<p style="text-align: center;">6 – 9 Mar.</p> <p style="text-align: center;">16 – 18 Mar.</p>	<p style="text-align: center;">Makuhari Messe – International Convention Complex, Chiba</p> <p style="text-align: center;">Makuhari Messe – International Convention Complex, Chiba</p>
<p style="text-align: center;"><b>Wine &amp; Gourmet Japan</b>  <i>"The only trade fair in Japan which focuses on Wine, Beer, Spirits</i></p>	<p style="text-align: center;">11 – 13 Apr.</p>	<p style="text-align: center;">Tokyo International Exhibition Centre</p>

<p><i>and Gourmet Food.”</i></p> <p><a href="#">Website</a></p>		(Tokyo Big Sight), Tokyo
<p><b>Halal Market Fair</b></p> <p><i>“Food and seasoning, kitchen tools.”</i></p> <p><a href="#">JETRO</a> <a href="#">Website</a></p>	11 – 13 Apr.	Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo
<p><b>Food &amp; Drink OEM Matching Expo</b></p> <p><i>“Food / processed food, fresh food, health food, noodles, seasoning, supplements, confectionery, desserts, etc. Beverage / soft drinks, carbonated drinks, fruit and vegetable drinks, milk drinks, coffee, tea, alcohol, mineral water, etc.”</i></p> <p><a href="#">Website</a></p>	11 – 13 Apr.	Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo
<p><b>Fabex – The World Food And Beverage Great Expo</b></p> <p><i>“Food &amp; ingredients, agricultural/stockbreeding/marine foods, choice foods, container &amp; packaging, shop fittings, kitchen, franchising business, publication, dessert &amp; drink.”</i></p> <p><a href="#">Website</a></p>	11 – 13 Apr.	Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo
<p><b>Dessert Sweets &amp; Bakery Festival</b></p> <p><i>“Japanese sweets, confectionery, beverages, ingredients/equipment/containers and packaging.”</i></p> <p><a href="#">Website</a></p>	11 – 13 Apr.	Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo
<p><b>Chubu Pack</b></p> <p><i>“Packaging machinery, food machinery, bakery/confectionery machinery, product distribution machines, environmental protection equipment, packaging materials, food materials.”</i></p> <p><a href="#">JETRO</a> <a href="#">Website</a></p>	18 – 21 Apr.	Nagoya International Exhibition Hall, Nagoya
<p><b>Health Food Expo</b></p> <p><i>“Raw ingredients, science-based materials, functional foods, healthy food.”</i></p> <p><a href="#">JETRO</a> <a href="#">Website</a></p>	18 – 19 Apr.	Tokyo International Forum, Tokyo
<p><b>IFIA Japan – The 22<sup>nd</sup> International Food Ingredients &amp; Additives Exhibition and Conference</b></p> <p><i>“Antioxidants, Acidulants, Additives, Cereal Products, Confectionary Ingredients, Dairy Products, Dietetic Foods, Egg</i></p>	16 – 18 May	Tokyo International Exhibition Centre (Tokyo Big Sight),

<p><i>Products, Emulsifiers, Enzymes, Fats &amp; Oils, Fibers, Food Colouring, Other."</i></p>		Tokyo
<p><a href="#">Website</a></p>		
<p><b>HFE JAPAN – The 15<sup>th</sup> Health Food Exposition &amp; Conference</b></p>		
<p><i>"Vitamins, Minerals, Proteins, Amino Acids, Lecithin, Lactic Acid, Essential Oils, Fruit/Vegetable Products, Soya Products, Juices and Concentrates, Milk Products, Poultry Products, Organic Ingredients, Dietetic Foods, Enzymes, Supplements, Healthy Foods &amp; Beverages, Nutraceuticals etc."</i></p>	<p>16 – 18 May</p>	<p>Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p>
<p><a href="#">Website</a></p>		
<p><b>Tokyo Cafe Show &amp; Conference</b></p>		
<p><i>"Coffee, Tea, Beverage &amp; Liquor, Bakery, Ice-cream, Raw Material, Machine &amp; Equipment, Chocolate, Appetizer, Dessert, Cafe Interior &amp; Consulting, Franchise &amp; Start up, Kitchen Home Appliance, Restaurant and more..."</i></p>	<p>13 – 15 Jun.</p>	<p>Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p>
<p><a href="#">Website</a></p>		
<p><b>Pizza and Pasta Show</b></p>		
<p><i>"Pasta and pizza dough,Ingredients and toppings,Seasoning,Dedicated Machinery,Cooking tools,Tableware and To-go supplies."</i></p>	<p>13 – 15 Jun.</p>	<p>Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p>
<p><a href="#">Website</a></p>		
<p><b>International Tea Show</b></p>		
<p><i>"Tea leaf, Tea things(cup, dish, pot), Tea Room service &amp; equipment or operation, Tea Machine &amp; Equipment, Dessert for tea or Teacakes, Tea Interior &amp; Consulting, Franchise &amp; Start up, Kitchen Home Appliance, Restaurant and more..."</i></p>	<p>13 – 15 Jun.</p>	<p>Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p>
<p><a href="#">Website</a></p>		
<p><b>Wellness Food Japan</b></p>		
<p><i>"Health food, health food drinks, sports drinks/food, supplements, food ingredients, organic food, food consultant, food CRO."</i></p>	<p>25 – 27 Jul.</p>	<p>Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p>
<p><a href="#">Website</a></p>		
<p><b>Patisserie &amp; Bakery Japan</b></p>		
<p><i>"Bakery related materials, ingredients, seasoning, production technology, machine, marketing tool, etc."</i></p>	<p>31 Jul. – 2 Aug.</p>	<p>Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo</p>
<p><a href="#">Website</a></p>		
<p><b>International Organic Expo</b></p>		
<p><i>"Organic food and beverages, Organic raw materials and semi-</i></p>	<p>24 – 26 Aug.</p>	<p>PACIFICO Yokohama,</p>

<p><i>finished products, Organic frozen food and convenience products, Organic vegetable and fruit products, Organic meat, dairy, and seafood products, Organic baby food, Organic pet food, Natural cosmetics and accessories, Body care, etc.”</i></p> <p style="text-align: center;"><a href="#">Website</a></p>		Yokohama
<p style="text-align: center;"><b>Tokyo International Packaging Exhibition</b></p> <p><i>“Packaging materials, packaging machinery, packaging material processing machinery, food machinery, packaging-related equipment and materials, distribution equipment.”</i></p> <p style="text-align: center;"><a href="#">JETRO</a> <a href="#">Website</a></p>	2 – 5 Oct.	Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo
<p style="text-align: center;"><b>Health Ingredients/Food Ingredients for Taste/Safety and Technology Japan</b></p> <p><i>“Functional ingredients, healthy ingredients, natural ingredients, food additives, quality control, analyzers, sterilizers, Food Eco, Packaging and Label.”</i></p> <p style="text-align: center;"><a href="#">Website</a></p>	4 – 6 Oct.	Tokyo International Exhibition Centre (Tokyo Big Sight), Tokyo
<p style="text-align: center;"><b>Olive Oil Kansai International</b></p> <p><i>“Domestic and imported edible Olive Oils, Table Olive, Olive (olive oil)-made foods, Consumer products made by/for Olive materials. Packaging, Production supply chain, Cultivation, Dressings, Machinery for extraction/harvesting, Agricultural materials &amp; ICT Technology.”</i></p> <p style="text-align: center;"><a href="#">Website</a></p>	11 – 13 Oct.	INTEX Osaka, Osaka
<p><b>Vinexpo Tokyo</b></p> <p><i>“Wine and spirits.”</i></p> <p style="text-align: center;"><a href="#">Website</a></p>	17 – 18 Oct.	Prince Park Tower Tokyo, Tokyo

Sources: Extract from J-Messe, above-mentioned fairs and shows' website



**Table 13: Categories of food products and their sub-divisions by HS 2012 codes**

<b>Product category</b>	<b>Subdivisions</b>	<b>HS headings or sub-headings</b>	<b>Nature of product</b>
<b>Meat</b>	Bovine meat Pork meat Sheep and goat meat Horse meat Edible offals Poultry meat Fats and oils Preparations	0201/02 0203 0204 0205 0206/08, 0504 0207 0209, 1501/02/03, 151610 0210, 1601/02	Primary agricultural products Primary agricultural products Primary agricultural products Primary agricultural products Primary agricultural products Primary agricultural products Primary agricultural products Processed agricultural products
<b>Alcoholic beverages</b>	Beer made from malt Sparkling wine Still wine Bulk wine Grape must Vermouth Cider Spirits Liqueur and cordials Vinegar and substitutes	2203 220410 220421 220429 220430 2205 2206 220820/30/40/50/60/90 220870 2209	Beverages Beverages Beverages Beverages Beverages Beverages Beverages Beverages Beverages Beverages
<b>Seafood</b>	Live fish Fish Crustaceans Molluscs Aquatic Invertebrates Fats and oils Extract and juices Preparations	0301 0302/03/04/05 0306 0307 0308 1504/10/20/30 1603 1604/05	Primary seafood products Primary seafood products Primary seafood products Primary seafood products Primary seafood products Primary seafood products Primary seafood products Processed seafood products

<b>Dairy products</b>	Butter	0405	Commodities
	Cheese of all kinds	040620	Agricultural processed products
	Blue-veined cheese	040640	Agricultural processed products
	Processed cheese	040630	Agricultural processed products
	Cheese, n.e.c.	040690	Agricultural processed products
	Fresh cheese and curds	040610	Agricultural processed products
	Milk powder and whey	0402/04	Commodities
Milk, cream and Yogurt	0401/03	Primary agricultural products	
<b>Olive oil</b>	Olive oil, virgin	150910	Agricultural processed products
	Olive oil, not virgin	150990	Agricultural processed products
	Olive oil, n.e.c.	151000	Agricultural processed products
<b>Confectioneries</b>	Sugar confectioneries	1704	Food preparations
	Chocolates	1806	Food preparations
	Ice creams	2105	Food preparations
<b>Processed cereals and bakers' wares</b>	Malt extract	1901	Food preparations
	Pastas	190211/19/20/30	Food preparations
	Couscous	190240	Food preparations
	Breakfast cereals	1904	Food preparations
	Crispbread	190510	Food preparations
	Gingerbread	190520	Food preparations
	Sweet biscuits	190531	Food preparations
	Waffles and wafers	190532	Food preparations
	Rusks	190540	Food preparations
	Bakers' wares n.e.c.	190590	Food preparations
Yeasts	2102	Food preparations	
<b>Cereals and seeds</b>	Wheat and meslin	1001	Commodities
	Rye	1002	Commodities
	Barley	1003	Commodities
	Oats	1004	Commodities
	Maize	1005	Commodities
	Rice	1006	Commodities
	Grain sorghum	1007	Commodities
	Cereal n.e.c.	1008	Commodities

<b>Oil seeds and oleaginous fruits</b>	Soybeans	1201	Commodities
	Ground-nuts	1202	Commodities
	Oil seeds	1204	Commodities
	Rape or colza seeds	1205	Commodities
	Sunflower seeds	1206	Commodities
	Oil seeds and oleaginous fruits, n.e.c.	1207	Commodities
	Flours and meals	1208	Commodities
	Seeds	1209	Primary agricultural products
	Hop cones	1210	Primary agricultural products
Locust beans	1212	Primary agricultural products	
<b>Cocoa and sugar</b>	Beet and cane sugar	1701	Commodities
	Sugar n.e.c.	1702/03	Commodities
	Cocoa beans	1801/02	Commodities
	Cocoa paste and powder	1803/04/05/06	Commodities
<b>Coffee, tea, mate and spices</b>	Unroasted coffee	090111/12	Commodities
	Coffee	090121/22/90	Agricultural processed products
	Green tea	090210/20	Agricultural processed products
	Black tea	090230/40	Agricultural processed products
	Mate	0903	Commodities
	Spices	0904/05/06/07/08/09/10	Primary agricultural products
	Coffee and tea extracts	2101	Food preparations
<b>Eggs and honey</b>	Birds' eggs, in shell	0407	Primary agricultural products
	Birds' eggs, not in shell	0408	Primary agricultural products
	Honey	0409	Primary agricultural products
	Other animals' eggs	0410	Primary agricultural products
<b>Live animals</b>	Horses	0101	Primary agricultural products
	Bovine animals	0102	Primary agricultural products
	Swine	0103	Primary agricultural products
	Sheep and goats	0104	Primary agricultural products
	Poultry	0105	Primary agricultural products
	Animals n.e.c.	0106	Primary agricultural products
<b>Other preparations</b>	Tapioca and substitutes	1903	Food preparations
	Soups and sauces	2103/04	Food preparations
	Preparations n.e.c.	2106	Food preparations

<b>Products of the milling industry</b>	Malt Starches and inulin Gluten Flours	1107 1108 1109 1101/02/03/04/05/06	Commodities Commodities Commodities Commodities
<b>Vegetables, fruits and nuts</b>	Vegetables Fruits and nuts Vegetables preparations Fruits and nuts preparations	0701/02/03/04/05/06/07/ 08/09/10/11/12/14 0801/02/03/04/05/06/07/ 08/09/10/11/12/14 2001/02/03/04/05 2006/07/08	Primary agricultural products Primary agricultural products Agricultural processed products Agricultural processed products
<b>Soft drinks</b>	Fruit juices Waters Flavoured waters Soft drinks n.e.c.	2009 220110/90 220210 220290	Beverages Beverages Beverages Beverages
<b>Miscellaneous</b>	Gum, resins and plant extracts Fats and oils Feeds and feed ingredients	1301/02 1507/08/11/12/13/14/15/ 16/17 2301/02/03/04/06/07/08	Commodities Commodities Commodities

*Source: Author's dataset*

**Table 14: Sample of services to SMEs provided by the EU-Japan Centre for Industrial Cooperation**

**Market Entry-Business Plan Support (“[Keys to Japan](#)”)**

“Keys to Japan” is a European Commission-funded initiative, managed by the EU-Japan Centre. If you are considering marketing a product in Japan and if you are a SME from an EU Member-State or [COSME Third Country](#), you can get a detailed and personalised market entry business plan, prepared by [JMEC](#) (Japan Market Expansion Competition).

**Logistical Support (“[Step in Japan](#)”)**

“Step in Japan” is a support initiative for SMEs, offered free of charge. It acts as a landing pad for SMEs based in the EU or COSME partnering country, planning on entering into or expanding within Japan. The initiative encompasses a full range of essential support measures for businesses:

- Free office space in Japan: a “hot desk” in Tokyo on the Centre’s premises that includes an internet connection and telephone (unlimited local calls) for up to 1 month (a maximum of 2 beneficiaries per time slot).
- Full access to meeting and seminar facilities within the Centre’s premises.
- A help desk for information inquiries on business in Japan.
- Assistance with using the Enterprise Europe Network service while in Japan.

**Information about Japan (“[EU Business In Japan](#)”)**

In accordance with the objective of the European Commission DG GROWTH (Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs) to develop a global platform to provide EU companies with relevant information about business with third countries, the EU-Japan Centre for Industrial Cooperation manages the EU Business in Japan, a website which serves as an online portal of information for all EU SMEs seeking to do business with or in Japan and offers:

- Current information on a wide range of Japanese business sectors: Everything from nanotechnology to forestry!
- Practical information on overcoming various legal, regulatory and financial obstacles to the Japanese market.
- Useful guidelines on Japanese business meeting etiquette as well as broader cultural practices.
- An online library of expert publications, e-learning resources and webinars, as well as information on upcoming trade fairs and other public events.

European SMEs interested in obtaining full access to this information are invited to visit the site and to register for free!

For more information about available services, please visit the [EU-Japan Centre’s website](#)

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