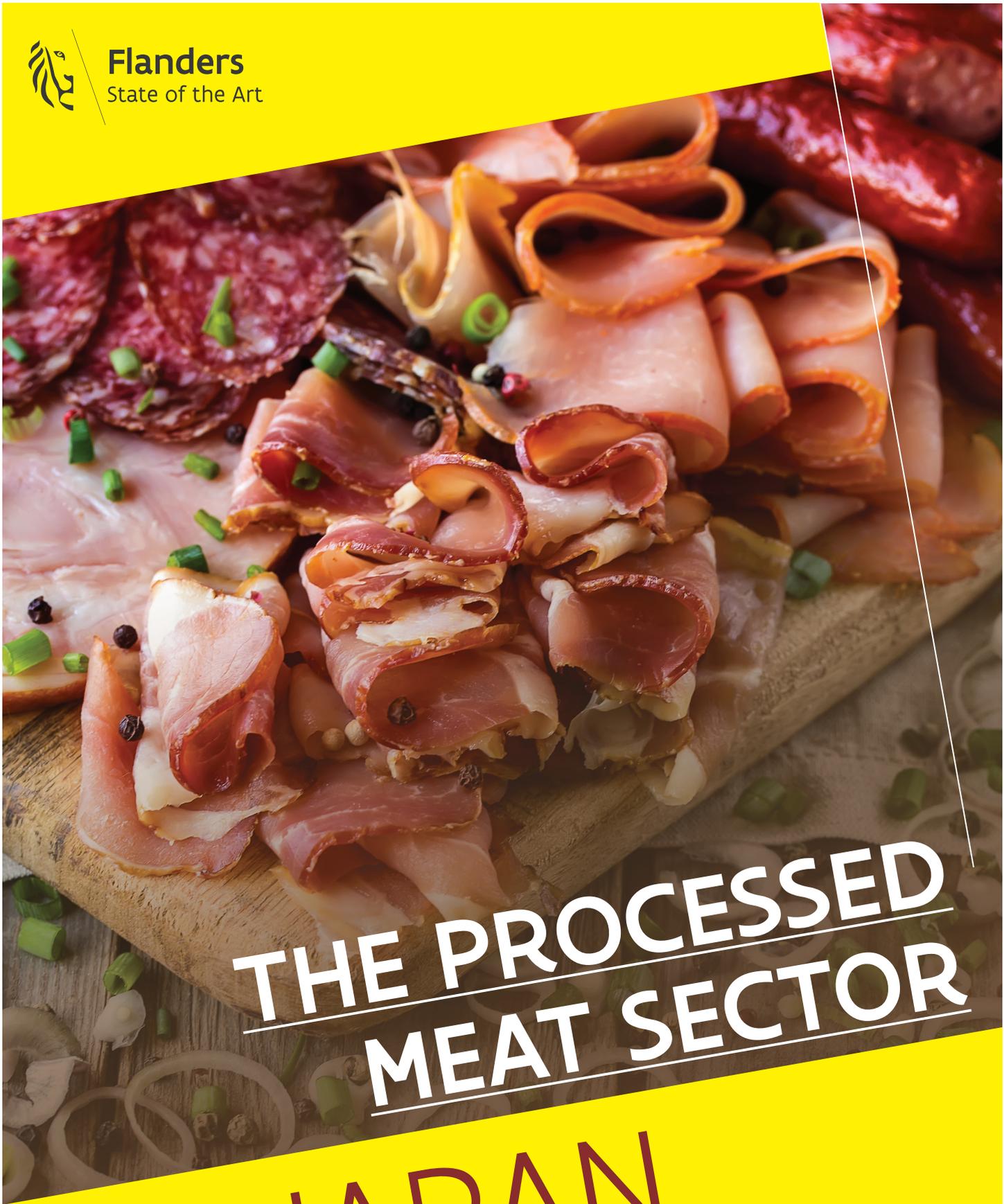




Flanders
State of the Art



THE PROCESSED MEAT SECTOR

IN JAPAN

FLANDERS INVESTMENT & TRADE MARKET SURVEY



THE PROCESSED MEAT SECTOR IN

JAPAN

15/07/2020



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2. GENERAL OVERVIEW OF JAPAN

General data of Japan

Despite the difficulties the Japanese economy has faced for several years now, Japan is still a major economic superpower, with its capital Tokyo being one of the three International Financial Centres in the world according to the International Monetary Fund, together with New York and London. This, together with its role as a bridge between East and West, and a perfect entry market for expansion to the rest of Asia, makes it an interesting market for all companies, no matter what their size. Japan was able to attain this status thanks to its open business environment, advantageous geographical location close to South-East Asia, and outstanding innovative capacity.

Figure 1: General data on Japan

Area	377,975 km ²
Population	126,150,000
Nationality	Japanese
Capital	Tokyo
Population in the Greater Tokyo Metropolitan Area (biggest market)	38,140,000
Language	Japanese
Currency	Japanese yen (JPY)
Government	Unitary parliamentary constitutional monarchy
Emperor	Naruhito
Prime minister	Shinzo Abe

Economic data on Japan

Although slightly decelerating recently due to soft consumer demand, weak sentiment, the coronavirus outbreak, and global trade troubles, Japan is currently the third largest economy in the world behind the United States of America and China¹. Furthermore, with a per capita GDP of 6 times that of China, it remains the high-tech powerhouse economy of Asia². Recent economic measures taken by the Japanese government have also contributed to some growth, however the limits of these regulations have become apparent, as despite a budget stimulus plan, monetary easing, and structural reform, growth has remained weak and public debt continues to remain very high (237.7% of Japan's GDP in 2019)³.

¹ Dr Ira Kalish, Deloitte, Japan – Economic slowdown (<https://www2.deloitte.com/us/en/insights/economy/asia-pacific/japan-economic-outlook.html>), retrieved 6/19/2020

² The World Bank: GDP per capita (current US\$) – Japan, China, India (https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=JP-CN-IN&name_desc=true), retrieved 6/19/2020

³ Nordea Trade: The economic context of Japan (<https://www.nordeatrade.com/no/explore-new-market/japan/economical-context>), retrieved 6/19/2020

Figure 2: Overall economic data on Japan

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
GDP (billions USD)	4,859.79e	4,971.77e	5,154.48	5,413.05	5,592.33
GDP (Constant Prices, Annual % Change)	1.9e	0.8	0.9	0.5	0.5
GDP per Capita (USD)	38,343	39,304e	40,847	43,043	44,637
General Government Balance (in % of GDP)	-4.1	-3.7e	-2.8	-2.1	n/a
General Government Gross Debt (in % of GDP)	235	237.1e	237.7	237.6	238.4
Inflation Rate (%)	0.5	1	1	1.3	0.7
Unemployment Rate (% of the Labour Force)	2.8	2.4	2.4	2.4	2.4
Current Account (billions USD)	201.96	175.26e	172.11	180.46	187.07
Current Account (in % of GDP)	4	3.6e	3.8	4.1	n/a

Japan's economy is typically said to be dependent on export, however this export accounts historically for only about 16% of its GDP, with a minimum of 8.97% in 1995 and a maximum of 18.45% in 2018⁴. Most of the growth is driven by domestic demand, a demand that has dropped in late 2019 due to the increase of the consumer tax rates from 8% to 10%⁵. The export share has been growing in the last couple of years, after a dip after the 2008 Lehmann shock⁶. The most important industries for export are fisheries, where it is one of the largest players in the world due to a very long coastline (29,751 km) and large maritime area. Other industries where Japan is dominant are the automobile, robotics, biotechnology, nanotechnology and renewable energy sectors. The country is home to several of the world's largest manufacturers of electronic products, the third largest manufacturer of cars, and the second largest manufacturer of ships. With that being said, the largest sector is the services sector, mostly aimed at the domestic market, which accounts for 69.3% of the GDP⁷.

Japan is known as a country with little natural resources. There are some deposits of gold, magnesium, coal and silver, however overall it is highly dependent on import to meet the needs of energy and raw materials. As we will see later, this also counts for foodstuffs, and meats.

⁴ Nikkei Asian Review: Domestic demand replaces exports as Japan's growth driver (<https://asia.nikkei.com/Economy/Domestic-demand-replaces-exports-as-Japan-s-growth-driver>), retrieved 19/6/2020

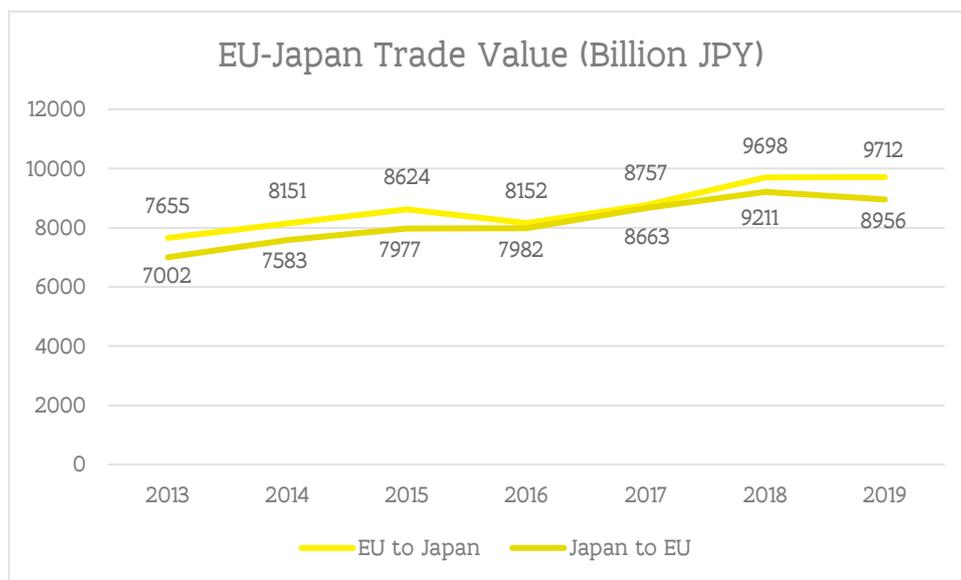
⁵ Dr Ira Kalish, Deloitte, Japan – Economic slowdown (<https://www2.deloitte.com/us/en/insights/economy/asia-pacific/japan-economic-outlook.html>), retrieved 6/19/2020

⁶ World Bank, Exports of goods and services (% of GDP) (<https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>), retrieved 6/22/2020

⁷ Nordea Trade: The economic context of Japan (<https://www.nordeatrade.com/no/explore-new-market/japan/economical-context>), retrieved 6/19/2020

Japan and the EU have had a lucrative trade relationship over the past decades, highlighted by the economic partnership agreement (EPA) which was officially signed on 17 July 2018, and entered into force on 1 February 2019. The EPA created an open trade zone covering over 600 million people by simplifying trade and investment procedures, and reducing export and investment related costs, resulting in increased transparency and less burdensome technical rules, compliance requirements, customs procedures and rules of origin, together with enhanced protection of intellectual property rights and geographical indications, better access to procurement tender procedures, as well as a special chapter to enable SMEs to maximise the benefits from the EPA.⁸ Tariff-wise, tariffs on more than 90% of the imports to Japan from the EU will be eliminated under the EPA (mostly through gradual decrease until the tariff reaches 0%). Non-tariff barriers for a lot of sectors will be reduced. Finally, the agreement will facilitate the export of services to the Japanese market. More information on the EPA particulars outside of processed meat, which will be discussed later in this paper, can be found in [FIT's guidebook on the EPA](#) (Dutch).

Figure 3: EU-Japan Trade Value (in billion JPY)⁹



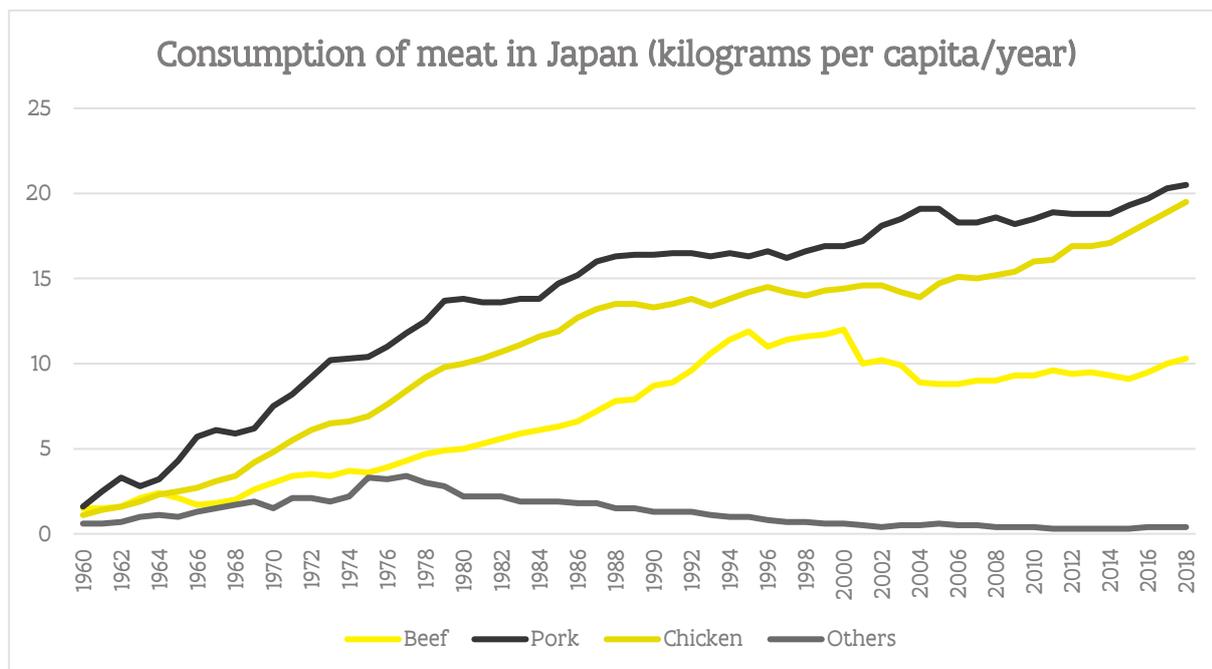
⁸ As described in the Proposal for a COUNCIL DECISION on the conclusion of the Economic Partnership Agreement between the European Union and Japan - COM(2018) 192 final

⁹ Eurostat, Japan-EU – international trade in goods statistics (https://ec.europa.eu/eurostat/statistics-explained/index.php/Japan-EU_%E2%80%93_international_trade_in_goods_statistics#EU_and_Japan_in_world_trade_in_goods), retrieved 22/06/2020

3. GENERAL SITUATION OF THE MEAT SECTOR IN JAPAN

The Japanese diet has changed a lot in the last 60 years¹⁰. Due to the strong historical influence of Buddhism, eating meat was taboo in Japan for a long time¹¹. In 1960, the average yearly consumption of meat was only about 4.8 kilograms¹²/capita/year, including only of 1.5 kilograms of beef, 1.6 kilograms of pork, and 1.1 kilograms of chicken. 2018 data shows that the Japanese are currently eating about 50.7 kilograms/capita/year, 10.56 times the amount. Especially pork (20.5 kilograms/capita/year, 1281.3%) and chicken (19.5 kilograms/capita/year, 1772.7%) are popular, but beef (10.3 kilograms/capita/year, 686.7%) also shows a good increase. This trend is in stark contrast to the lower consumption of Japan's staple food rice (115 kilograms in 1960, 57 kilograms in 2018) and fish (28 kilograms to 27 kilograms, although fish peaked at 40 kilograms in 2000). This trend to move away from fish and rice towards meat and animal fats has been named the 'Westernization of the Japanese diet'¹³.

Figure 4: Meat consumption in Japan from 1960 to 2018¹⁴



¹⁰ Agriculture & Livestock Industries Corporation, About the consumption of meat. (https://www.alic.go.jp/koho/kikaku03_000814.html), retrieved 6/22/2020

¹¹ 畜産物加工データベース,食肉加工の歴史 (<http://karagochi.lin.gr.jp/process/kiso01.html>), Retrieved 22/06/2020

¹² All data exclude whale meat

¹³ Ministry of Agriculture, Forestry and Fisheries, なぜ日本の食生活は洋風化してきたのですか。 (https://www.maff.go.jp/j/heywa/kodomo_sodan/0407/01.html), retrieved 22/06/2020

¹⁴ E-stat, 項目別累年表, 国内消費仕向量 (<https://www.e-stat.go.jp/stat-search/files?page=1&layout=datalist&toukei=00500300&tstat=000001017950&cycle=8&year=20181&month=0&tclass1=000001032890&tclass2=00000138503>), retrieved 22/06/2020

Over the span of these 60 years, two events have heavily impacted the consumption breakdown of the meat consumption¹⁵. On the one hand you have the liberalization of the beef market in Japan, in 1991. This opened the market up to foreign imported beef, resulting in more imported beef entering Japan, lowering the prices. In the above figure you can see that this resulted in a strong increase of the beef consumption, while flattening the growth curve on the consumption of pork and chicken. The second event was the occurrence of bovine spongiform encephalopathy (BSE), commonly referred to as 'mad cow disease', in Japan in 2001, and the United States of America in 2003. These occurrences have negatively impacted the consumption of beef, while resulting in an increase in the amount of pork and chicken being consumed. In May 2013 Japan was officially declared to having a 'negligible BSE risk', however beef consumption never recovered to pre-BSE levels¹⁶.

The aging and shrinking Japanese population were feared to impact the growth of the meat consumption, but as most Japanese elderly are already accustomed to a diet rich in meat, the growth of the meat consumption in Japan is predicted to continue in years to come. The market is expected to shift towards prepared foods and health food, a consequence of the increase in double income households and a shift in the conscience of Japanese towards functional foods, respectively¹⁷. For food in general, Japan's self-sufficiency on a caloric intake basis is at its lowest ever; 37 percent in 2018, after domestic wheat and soybean production was hindered by bad weather. The self-sufficiency rate when measured by value was 66%. This puts Japan as one of the countries with the lowest self-sufficiency rates among major world economies. If we look at how this self-sufficiency rate is evolving a slow but undeniable decrease becomes visible¹⁸.

¹⁵ Agriculture & Livestock Industries Corporation. About the consumption of meat. (https://www.alic.go.jp/koho/kikaku03_000814.html), retrieved 6/22/2020

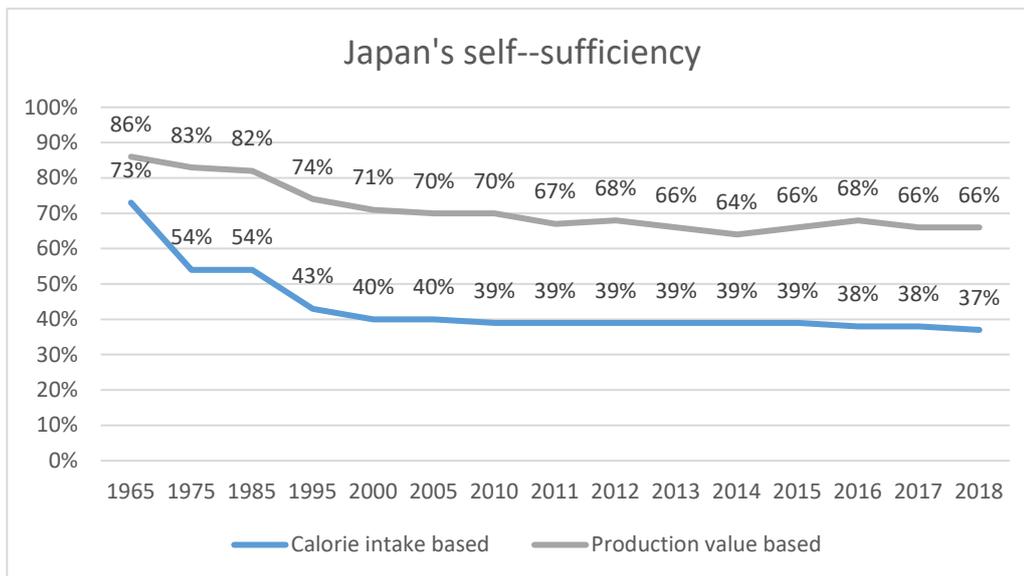
¹⁶ Scientific Commission for Animal Diseases, The OIE Scientific Commission for Animal Diseases and the official recognition of OIE Members' animal disease status (<https://www.oie.int/fileadmin/vademecum/eng/files/assets/basic-html/page25.html>), retrieved 22/06/2020

¹⁷ 業界動向サーチ, 食肉業界 (Meat) (<https://gyokai-search.com/3-meat.html>), retrieved 22/06/2020

¹⁸ Japan Times, Japan's food self-sufficiency rate hits lowest level in 25 years due to drop in wheat production (<https://www.japantimes.co.jp/news/2019/08/06/national/japans-food-self-sufficiency-rate-hits-lowest-level-25-years-due-drop-wheat-production/#.XvBOMkUzauV>), retrieved 22/06/2020



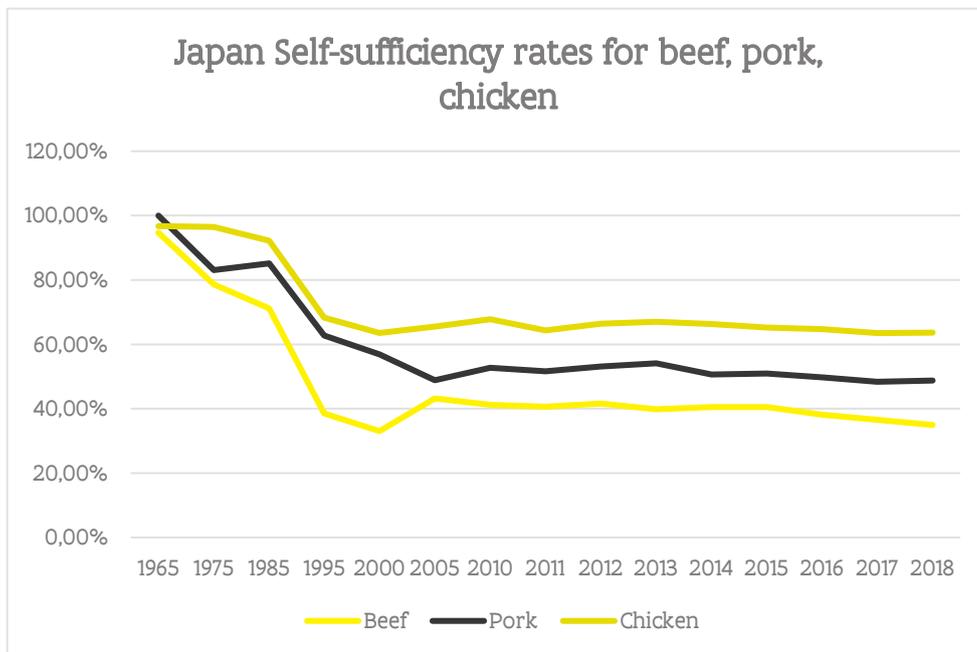
Figure 5: Evolution of Japan's self-sufficiency on a calorie intake-basis and on a production value-basis¹⁹



Self-sufficiency rates were the highest for rice (97%), eggs (96%), sweet potatoes (95%), and mushrooms (88%). Low self-sufficiency rates were recorded for soybeans (6%), barley (9%), wheat (12%), and oils and fats (13%). Rates for beef, pork, and chicken reached 35%, 49%, and 65% respectively. With these low self-sufficiency rates, it should not be a surprise that Japan exports almost no meat products, with only 1.05% of beef, 0.23% of pork, and 0.63% of chicken products being exported. Despite the low export number, recent popularity of Japanese ‘wagyu’ beef has seen exports become five-fold in just five years from 2013 to 2018.

¹⁹ E-stat, 結果の概要, (参考) PFC供給熱量比率、食料自給率及び飼料需給表 (<https://www.e-stat.go.jp/stat-search/files?page=1&layout=datalist&toukei=00500300&tstat=000001017950&cycle=8&year=20181&month=0&tclass1=000001032890&tclass2=00000138503>), retrieved 22/06/2020

Figure 6: Evolution of Japan's self-sufficiency on a calorie intake-basis for beef, pork, chicken²⁰

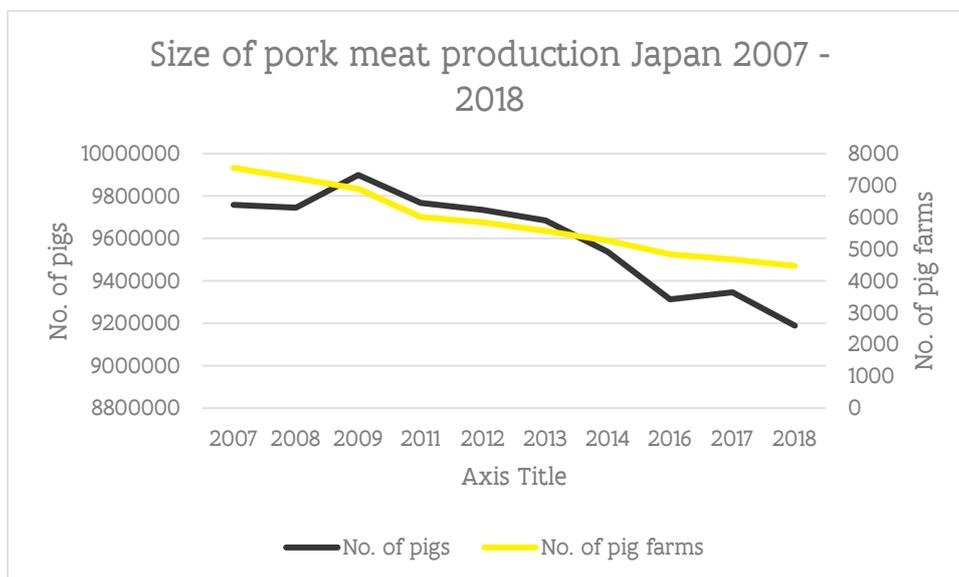


	2010	2011	2012	2013	2014	2015	2016	2017	2018
Beef	41.19%	40.66%	41.59%	39.81%	40.48%	40.56%	38.11%	36.57%	34.95%
Pork	52.77%	51.60%	53.16%	54.08%	50.69%	50.90%	49.75%	48.38%	48.80%
Chicken	67.77%	64.36%	66.44%	67.05%	66.31%	65.22%	64.73%	63.51%	63.64%

Interesting to note about the above numbers is that even though the Japanese self-sufficiency for chicken has decreased, the volume of poultry produced in Japan has increased, with 138,776,000 chickens produced in Japan in 2018, after a low point 102,227,000 in 2005 (No data available for 2010 to 2012). For chicken the demand is increasing faster than the production, decreasing Japan's self-sufficiency. For beef and pork however, production is in a downwards spiral, with the number of farms and animals decreasing yearly²¹.

²⁰ E-stat, 畜産統計調査 2018 (https://www.e-stat.go.jp/stat-search/files?page=1&layout=datalist&toukei=00500222&tstat=000001015614&cycle=7&year=20180&month=0&tclass1=000001020206&tclass2=000001120395&cycle_facet=tclass1%3Acycle), retrieved on 22/06/2020

²¹ E-stat, 畜産統計調査 2018 (https://www.e-stat.go.jp/stat-search/files?page=1&layout=datalist&toukei=00500222&tstat=000001015614&cycle=7&year=20180&month=0&tclass1=000001020206&tclass2=000001120395&cycle_facet=tclass1%3Acycle), retrieved on 22/06/2020



The above trend of a year-on-year decrease in self-sufficiency for food shows how big the challenge is for the government to crank the percentage up to the target it has set for itself by 2025, which is 45%²³. This rate of 45% already a reduced target with an extended timeline, as both targets used to be 50% by 2020, respectively. The biggest challenges that Japan faces on this front are the changing Japanese diet, from rice-based meals to more meat and fats, as well as the aging farmer population, which has an average age of 66.6 years old. Proposals to reach the goal are increased automation in the agricultural industry, as well as empowerment of women and young people in the industry²⁴.

²³ Ministry of Agriculture, Forestry and Fisheries, 食料・農業・農村基本計画における目標等と現状 (https://www.maff.go.jp/j/wpaper/w_maff/h27/h27_h/trend/part1/chap1/cl1.00.html), Retrieved 09/07/2020

²⁴ Japan Times, Japan's food self-sufficiency rate hits lowest level in 25 years due to drop in wheat production (<https://www.japantimes.co.jp/news/2019/08/06/national/japans-food-self-sufficiency-rate-hits-lowest-level-25-years-due-drop-wheat-production/#.XvBOMkUzauV>), retrieved 22/06/2020

4. PROCESSED MEAT SECTOR IN JAPAN

As mentioned earlier, due to the strong influence of Buddhism in Japan, eating meat was a taboo for most of Japanese history. Thus, there was no culture of processing meat, like there was in different parts of the world, for example the pickled and smoked meats of the Greek empire, or the occurrence of ham in the Roman empire. The earliest traces of processed meat in Japan are of ham being manufactured in Nagasaki, which was the only port open to western traders in the isolationist period (1633 – 1853), but the first serious production of processed meat in Japan is from 1873. Until 1960 pressed ham was the main processed meat on the market, but this has since been replaced by ham made of pork loin. Production of smoked ham is allowed since 1977²⁵.

When looking at data of the processed meat sector in Japan, it is important to have sufficient background on the World Health Organization's announcement of 26 October 2015. The WHO's International Agency for Research on Cancer based in Lyon, France, reported that processed meat such as sausages and bacon can cause colorectal cancer, and that red meat including beef and pork has some association with an increased risk for colon cancer. This impacted the Japanese market greatly, not least the year-end gift market, of which processed meat products occupy about 20%, especially given the timing of the announcement. However, the market has picked up significantly since, also due to the fact that Japan's National Cancer Center explained that the average amount of processed meat consumed by the Japanese people would cause little to no risk of colorectal cancer²⁶.

4.1 PRODUCTION OF PROCESSED MEAT IN JAPAN

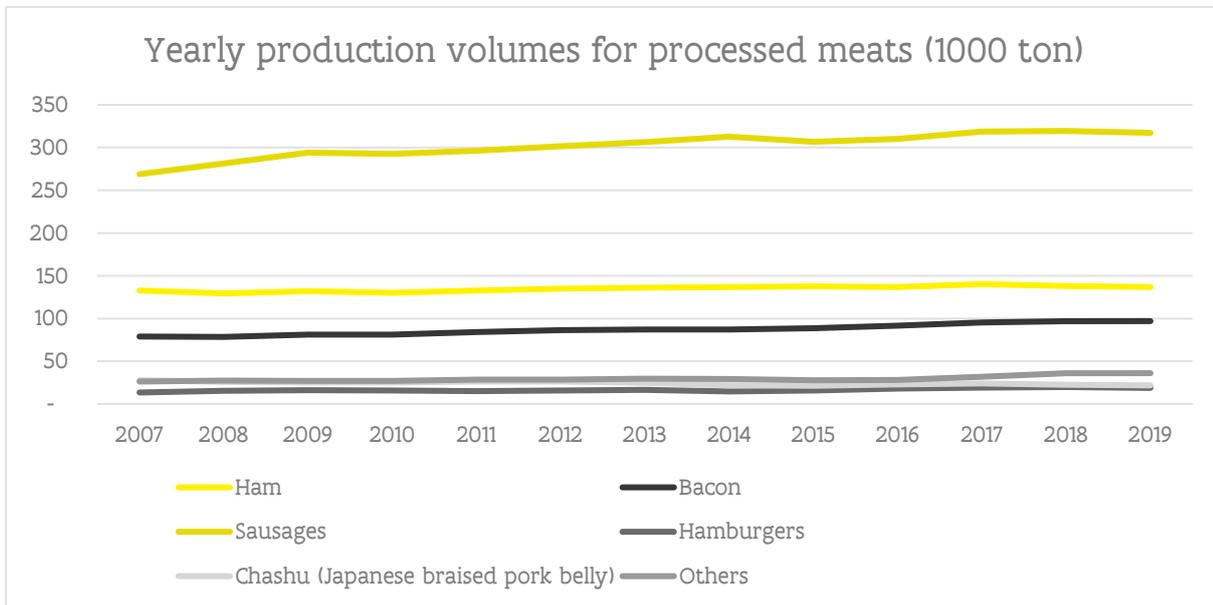
The below graph shows the production volumes in ton for ham, bacon, sausages, hamburgers, chashu (Japanese braised pork belly) and others.

Figure 10: Japanese yearly production volumes for processed meats (1000 ton)²⁷

²⁵ 畜産物加工データベース,食肉加工の歴史 (<http://karagochi.lin.gr.jp/process/kiso01.html>), Retrieved 22/06/2020

²⁶ https://www.fsc.go.jp/fscj_message_20151130.html, Food Safety Commission of Japan

²⁷ 日本ハム・ソーセージ工業協同組合, 食肉加工品データ, <http://hamukumi.lin.gr.jp/stat.html>, retrieved 29/06/2020



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ham	133	129	132	130	133	135	136	137	137	137	140	138	137
Bacon	79	78	81	81	84	86	87	87	89	92	95	97	97
Sausages	269	282	294	293	296	301	307	313	307	310	319	319	317
Hamburgers	13	15	16	16	15	16	17	15	16	18	19	20	19
Chashu (Japan)	28	26	25	25	26	26	25	22	21	23	24	23	22
Others	26	27	27	27	28	29	30	29	28	28	32	36	36

As shown in the above graph, the financial crisis in 2008, as well as the announcement of the WHO that processed meat products increase the risk of certain cancers, have not impacted domestic production in Japan. On the contrary, we see strong growth in the production of hamburgers (+40.88%), bacon (+22.85%), sausages (17.91%), and others (37.36%). Production of the Japanese braised pork belly has on the other hand gone down significantly. (-21.36%).

4.2 IMPORT OF PROCESSED MEAT PRODUCTS IN JAPAN

For the purpose of this paper, in the context of trade we will limit the definition of ‘processed meat products’ to products indicated by HS codes 16.01 and 16.02. The products covered by each HS code are as defined by the description of each code in the Economic Partnership Agreement between the European Union and Japan²⁸.

²⁸ Agreement between the European Union and Japan for an economic partnership – annex 1 part 4: Japanese schedule (https://trade.ec.europa.eu/doclib/docs/2018/august/tradoc_157230.pdf), retrieved 29/06/2020

As such, HS code 16.01 is defined as 'sausages and similar products, of meat, meat offal or blood; food preparations based on these products. There are no subcategories under 16.01.

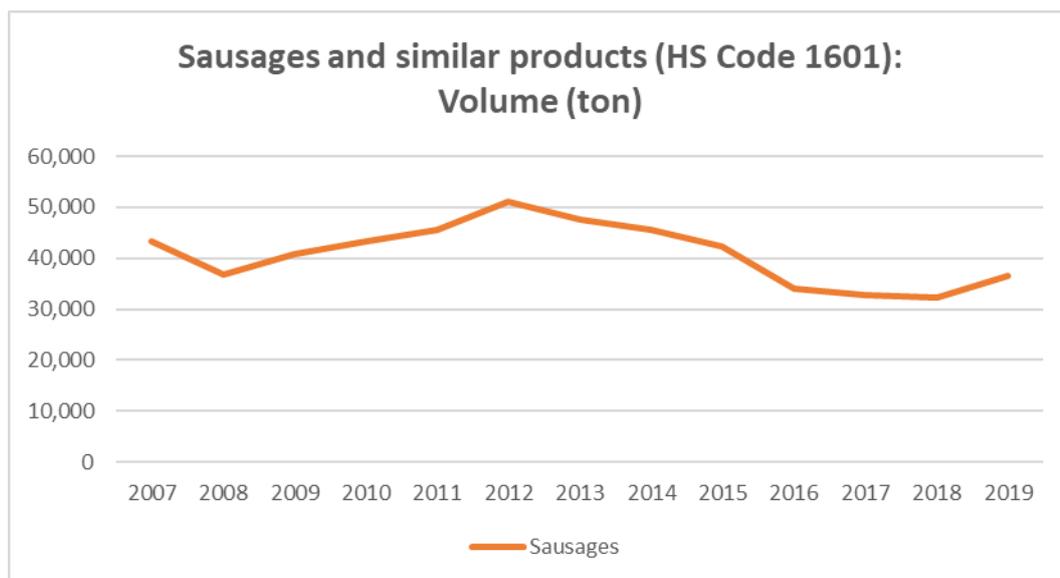
HS code 16.02 is categorised into five subcategories: Homogenised preparations (1602.10), preparations of liver of any animal (1602.20), preparations of poultry (1602.31, 1602.32, 1602.39), preparations of swine (1602.41, 1602.42, 1602.49), preparations of bovine animals (1602.50), and preparations of other animals (1602.90).

All data is from the Japan Customs website Trade Statistics part, developed by the Japanese Ministry of Finance²⁹

4.2.1 Sausages and similar products (HS code 16.01)

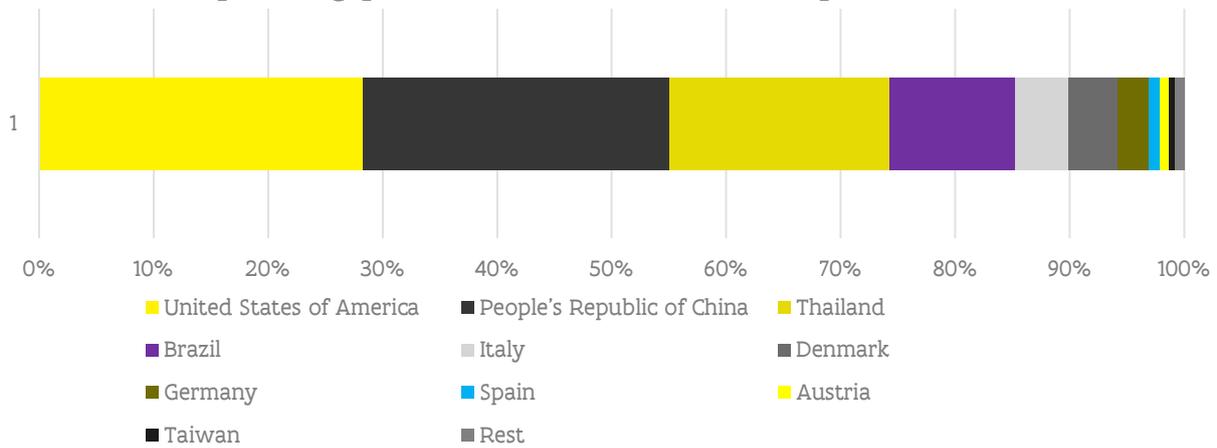
The below graphs show the imported volume of sausages and similar products, categorized under HS code 16.01.

Figure 11, 12, 13: Import data for Sausages and similar products (HS code 16.01)



²⁹ Ministry of Finance, Trade Statistics of Japan (https://www.customs.go.jp/toukei/info/index_e.htm), Retrieved 09/07/2020

Sausages and similar products (HS Code 1601): Importing partners 2019 Share of Import Value



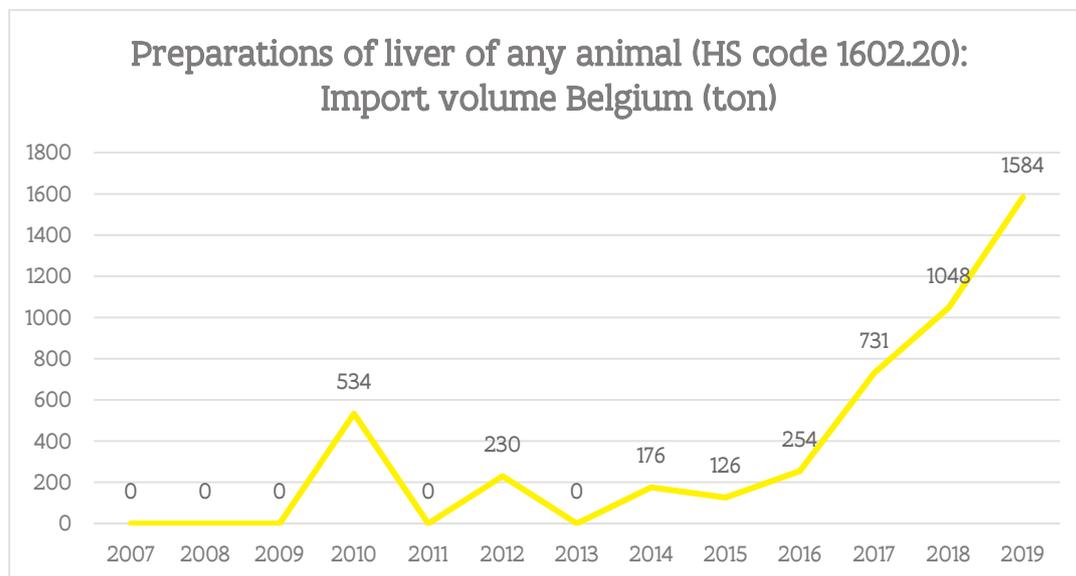
The above charts show the main exporters of sausages to Japan. When comparing the data of 2007 to that of 2019, we can see that a shift of the market shares has taken place, with the People's Republic of China reducing its share from 63.91% to 26.71%, with other markets like the United States of America, Thailand and Brazil increasing their share significantly. The market overall has diversified at the top. In 2007, the two top countries (People's Republic of China and the United States of America) held 79.36% of the market. In 2019, there were four countries with a combined market share of 85.26% (the aforementioned two plus Thailand and Brazil), but none of the countries had a share of more than 30%. However, we can say that the market has diversified only at the top, as the total number of countries importing sausages to Japan fell from 20 in 2007 to 17 in 2019.

Figure 16: Sausages and similar products (HS Code 1601): Import from Belgium to Japan

Sausages and similar products (HS Code 1601): Import value from Belgium to Japan (Japanese yen)

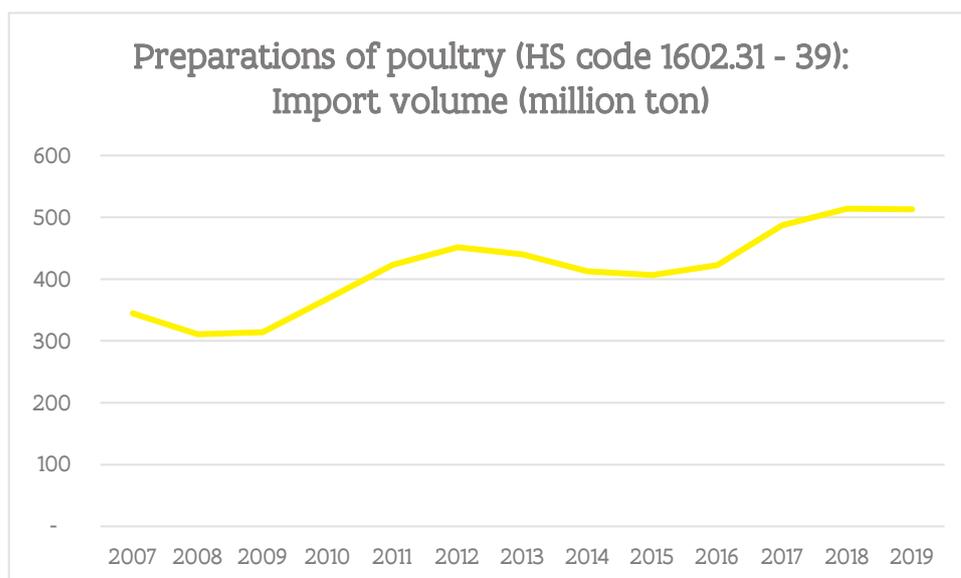


Figure 20: Preparations of liver of any animal (HS code 1602.20): Import volume Belgium



4.2.3 Preparations of poultry (HS Code 1602.31 – 1602.39)
 The import volume for HS code 1602.31 – 1602.39, preparations of poultry has trended as below.

Figure 21: Preparations of poultry (HS code 1602.31 - 39): Import volume (million ton)



5. IMPORT REGULATIONS AND SANITARY REGULATIONS

The main relevant regulations applicable when importing processed meat products into Japan are the Act on Domestic Animal Infectious Diseases Control, the Food Sanitation Act, and the applicable JAS law (Law Concerning Standardization and Proper Labelling of Agriculture and Forestry Products). Adherence to regulations is the responsibility of the importer, and we recommend companies exporting to Japan to work together with their partners within the Japanese market to make sure all regulations are followed while trading.

5.1 IMPORT REGULATIONS

When importing processed meat products into Japan, all necessary documents including invoice, bill of lading, insurance statement etc. needs to be submitted to customs. The import permit will be issued after examination, inspection, and payment of taxes.

When importing from an EU member state, the preferential import tariff of the Economic Partnership Agreement (EPA) can be used, if the product complies with the rules of origin (Please refer to chapter 7 of this paper). To be able to use this preferential tariff, a certificate of preferential origin needs to be issued from the origin country at the time of export (not necessary if the total import amount is 200,000 JPY or less).

5.2 ACT ON DOMESTIC ANIMAL INFECTIOUS DISEASES CONTROL

The main goal of this act is to protect the Japanese livestock sector by preventing the occurrence and spread of infectious diseases, including parasitic diseases, and was first enforced on May 31, 1951. Concerning import (articles 36 to 46-5), this act stipulates which products can and can't be imported, gives guidelines on quarantine procedures, and states which documents need to be prepared. Please note that any type of meat or organ, whether it be raw, processed, frozen, or cooked, is subject to animal quarantine.

As of May 2020 when this paper was made, the latest amendment had been made in May 2012, which can be found on the following page:

https://www.maff.go.jp/e/policies/ap_health/animal/attach/pdf/index-19.pdf

As of May 2020, when this paper was made, import of pig and wild boar products from Belgium to Japan was forbidden due to risk of rinderpest, foot and mouth disease, classical swine fever, African swine fever. The latest information on import restrictions can be found on the below website from the Ministry of Agriculture, Forestry and Fisheries:

https://www.maff.go.jp/aqs/english/news/im_prohibit.html

5.3 FOOD SANITATION ACT

The purpose of this Act is to prevent the sanitation hazards resulting from eating and drinking by enforcing the regulations and other measures necessary, from the viewpoint of public health, to ensure food safety and thereby to protect citizens' good health.

For import, the law is important as it designates correct import procedures, provides regulations for food additives and sanitary regulations, and addresses labelling. Especially the food additives and sanitary regulations need to be checked thoroughly beforehand, and Japanese regulations tend to be stricter than regulations in the European Union.

As of May 2020 when this paper was made, the latest amendment had been made in April 2007, of which an English translation can be found on the following page:

<https://www.jetro.go.jp/en/reports/regulations/>

5.4 JAS LAW

This Act is applied to foods, drinks, oils, and fats as well as other agricultural, forestry, livestock and fishery products and products made from them except liquors, drugs, cosmetics and regenerative medical products. It provides the legal basis for the Japanese Agricultural Standards (JAS) and criteria for adopting standards, quality grading, certification, accreditation of certifying bodies, laboratories and inspectors. Concretely this means that the law discusses labelling, accreditation of the JAS mark, and standards to be able to label something as 'organic'³².

5.4.1 Labelling

The food name and countries of origin of meats, and the food name, ingredients, amount of contents, manufacturers, open date, and preservation methods for prepared meat products, including hams and sausages, are required on the label in accordance to JAS law.

5.4.2 Accreditation of the JAS mark

Obtaining the accreditation for the JAS mark is optional, but the accreditation is valued within the Japanese market, and thus it is recommended the accreditation be obtained. Especially for processed meat products that have been aged, a JAS mark will improve standing in the Japanese market. The mark is obtained through third-party accreditation.

5.4.3 Labelling of products as 'organic'

The JAS Standards for organic plants and organic processed foods of plant origin were established in 2000 based on the Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods which were adopted by the Codex Alimentarius Commission. The organic JAS logo can only be applied by registered business entities that have been certified by the registered certification body to verify that organic foods are produced in compliance with JAS. In addition, it is prohibited to

³² Ministry of Agriculture, Forestry and Fisheries, Act on Japanese Agricultural Standards (<https://www.maff.go.jp/e/policies/standard/jas/law.html>), retrieved 29/06/2020

sell agricultural products and processed foods as "Organic foods" with names such as "有機", "Organic", etc. without the Organic JAS logo.

On 16 July 2020, a new regulation on the labelling of organic products in Japan came into power. This regulation stipulates that, through an equivalence agreement between the EU and Japan, any organic plant products certified as 'organic' in the EU is automatically certified as 'organic' in Japan as well, and vice versa. For organic livestock products, there is no such equivalence agreement, and from 16 July 2020, all livestock products that companies wish to sell as 'organic' need to be certified according to Japan's JAS certification structure. This means that all ingredients of the products, as well as materials used in the processing, also need to meet the JAS conditions. Certification for this JAS organic label can be acquired at one of the certification bodies accredited by the Japanese government.

The EU and Japan have stated that they plan to negotiate an equivalence agreement from 2021 onward. Until the negotiations finish, all livestock sold as 'organic' products will have to be JAS-certified. More information can be found on the website of Flanders Investment and Trade³³, or the Japan Ministry for Agriculture, Forestry, and Fisheries³⁴.

³³ Flanders Investment and Trade, Nieuwe reglementering voor bioproducten in Japan (<https://www.flandersinvestmentandtrade.com/export/nieuws/nieuwe-reglementering-voor-bioproducten-japan>), retrieved 07/08/2020

³⁴ Ministry of Agriculture, Forestry, and Fisheries, Organic JAS (https://www.maff.go.jp/e/policies/standard/specific/organic_JAS.html), retrieved 07/08/2020

6. IMPORT TARIFFS

The previous chapters have shown that the Japanese market for processed meat products is highly competitive and price sensitive. This was especially visible in the decrease in import volume around 2015 when the yen weakened. Lower import costs are thus highly important in increasing one's share within the market.

On the 1st of February 2019 the Economic Partnership Agreement (EPA) between the European Union and Japan became active. This agreement decreases a lot of the import costs that complicate the trade between the EU and Japan. Concretely, we will see the import tariffs for a lot of products either go down, or disappear completely, after a gradual decrease over a couple of years. This will give countries from the European Union an advantage over other countries trading with Japan using the higher World Trade Organization (WTO) tariffs, previously also used by Belgium. Please do note that the preferential tariff of the EPA cannot be used for trade of EU or Japanese products indiscriminately, and that Rules Of Origin apply to determine whether products are eligible for the preferential rate. More information on the Rules Of Origin can be found in chapter 7 of this paper.

The import tariffs can be found on the website of Japan customs. These tariffs are regularly revised, so make sure to select the latest date on the following page to view the latest tariffs:

<https://www.customs.go.jp/english/tariff/index.htm>

The schedule for decrease of import tariffs of all products to which the EPA is relevant can be found on the following website. At the time this paper was written we were in the 3rd year, which started on the 1st of April 2020. The next revision is planned for the 1st of April 2021, and further revisions follow every year after that on the 1st of April, until the zero rate is reached.

https://trade.ec.europa.eu/doclib/docs/2018/august/tradoc_157230.pdf

7. RULES OF ORIGIN

The Rules Of Origin determine if a product originated from the exporting party and based on this it is decided whether preferential import tariffs are applicable. The Rules Of origin are described in Chapter 3 of the EPA text, 'RULES OF ORIGIN AND ORIGIN PROCEDURES'³⁵. The text distinguishes products that were 'wholly obtained' (products made exclusively from ingredients originating in the exporting party) and 'products produced using non-originating materials'. (Article 3.2)

7.1 WHOLLY OBTAINED PROCESSED MEAT PRODUCTS

Article 3.3 defines that processed meat products are considered wholly obtained if it is 'a product obtained from an animal born and raised there', or 'an animal obtained by hunting, trapping, fishing, gathering, or capturing there'.

7.2 PROCESSED MEAT PRODUCTS USING NON-ORIGINATING MATERIALS

The EPA states in article 3.2 that the preferential tariff may apply to 'products produced using non-originating materials provided they satisfy all applicable requirements of Annex 3-B.'

The requirements of Annex 3-B are as follows:

'Production in which all the materials of Chapters 2 (Meat and edible meat offal), 3 (Fish and crustaceans, molluscs and other aquatic invertebrates) and 16 (Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates) and heading 10.06 (Rice) used are wholly obtained.'

These requirements of Annex 3-B are not absolute, as article 3.6 of the EPA states the following tolerances:

'for a product classified under Chapters 1 to 49 or Chapters 64 to 97 of the Harmonized System1, the value of all those non-originating materials does not exceed 10 per cent of the ex-works or free on-board price of the product.'

Notwithstanding the requirements of the Annex 3-B, a product shall not be considered as originating in a Party if solely one or more of the operations listed in article 3.4 are conducted on non-originating materials in the production of the product in that Party. Notice how the adjective 'simple' is frequently used in article 3.4. For the purpose of this article, the EPA defines simple in article 3.4 as 'neither special skills nor machines, apparatus or equipment especially produced or installed are needed for carrying out those operations.'

- (a) preserving operations such as drying, freezing, keeping in brine and other similar operations where their sole purpose is to ensure that the product remains in good condition during transport and storage;

³⁵ <http://trade.ec.europa.eu/doclib/docs/2018/august/tradoc.157228.pdf#page=63>

8. RELEVANT ORGANIZATIONS AND EXHIBITIONS IN JAPAN

8.1 ORGANIZATIONS IN JAPAN

There are several associations in Japan that are involved in processed meats. For companies in the processed meat industry the below associations could be interesting. These associations could be contacted for questions surrounding market information, possible partners within the Japanese market, and information surrounding import regulations and market regulations.

- Ministry of Agriculture, Forestry and Fisheries
Address: 1-2-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8950
Tel.: +81-3-3502-8111
Website: <http://www.maff.go.jp/e/index.html>
- Japan External Trade Organization
Address: Ark Mori Building, 6F 12-32, Akasaka 1-chome, Minato-ku, Tokyo 107-6006
Tel.: +81-3-3582-5511
Website: <https://www.jetro.go.jp/en/>
- Japan Foreign Trade Council, Inc. (JFTC)
Address: 6F, World Trade Center Bldg., 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6106
Tel.: +81-3-3435-5972
Website: <http://www.jftc.or.jp/>
- Japan Meat Conference
Address: Daiichi Amai Bldg, 1-12-3 Nishiki-cho, Kanda, Chiyoda-ku Tokyo 101-0054
Tel.: +81-3-3293-9201
Website: N/A
- Nippon Meat Packers Inc. Research & Development Center
Address: 3-3 Midorigahara, Tsukuba-shi, Ibaraki 300-2646
Tel.: +81-2-9847-7811
Website: <http://www.nipponham.co.jp/en/index.html>
- Japan Meat Traders Association
Address: 1-7-3 Higashiazabu, Minato-ku, Tokyo 106-0044
Tel.: +81-3-3588-1665
Website: <http://www.jm-ta.jp/>
- Japan Meat Market Wholesalers Association
Address: Shinshin Bldg. 8F, 3-6-8 Kanda-Ogawamachi, Chiyoda-ku, Tokyo 101-0052

- The World Food And Beverage Great Expo
Featured products: Ready-to-made meals, box lunches, prepared food, food materials, ingredients, fresh food, semi processed and half-cooked food, seasonings, spices, broths, cooking oils and grease, Containers and packaging, Store equipment, kitchen equipment, Promotion and display, information systems, FC business, publishing, etc.
location: Osaka
Last edition: 39724 visitors
Organized yearly
Website: <http://kansai.fabex.jp/en/>
- OSAKA FOOD EXPO
Featured products: Food and related products, Tableware and coordination, Displays, Food entertainment performances, Special food products, etc.
Location: Osaka
Last edition: 620000 visitors
Organized once every four years
Website: <https://www.shokuhaku.gr.jp/en/>
- Supermarket Trade Show
Features products: Foods and miscellaneous goods sold at self-service stores & retail stores and facilities, equipment and systems for sales of such products.
Location: Tokyo
Last edition: 88412 visitors, 2176 exhibitors
Organized yearly
Website: <http://www.smts.jp/en/index.html>

Japanese buyers can also be met at international exhibitions outside of Japan, for example SIAL Paris (<https://www.sialparis.com/>) and Anuga in Cologne (<https://www.anuga.com/>).

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