

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Wine Market Report

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Wine

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Report Highlights:

In 2010, the United States held a 7.8 percent value share of Japan's \$772 million imported bottled wine market. This was an increase from the 6.8 percent share in 2009 and the 7.0 percent share in 2008. The majority of imported wines from the United States are sold at a price-point in the 700 – 1000 yen (\$8.54 - \$12.20) range.

Executive Summary:

- Total imports of 2 liter or less bottled wine in CY 2010 increased 4.5 percent to 1.34 million hectoliters from 1.28 million hectoliters imported in CY 2009.
- Volumes of imported wine from the United States increased 7.5 percent in CY 2010 to 87 thousand hectoliters for a 6.5 percent (6.3% in 2009) share of the imported bottled wine market.
- In an effort to extract more value per liter, U.S. traders are working to ship more bottles for the 1000 – 1500 yen (\$12.20 – 18.29 at 82 yen/dollar) price category.
- France's share of the imported bottled wine market continued to fall in CY 2010 with a 3.2 percent volume decrease to 471.6 thousand hectoliters.
- Italian restaurants continue to do well and consumed 5.3 percent more Italian wine in CY2010. Still the second largest exporter to Japan, its share at 18.6 percent with 248.7 thousand hectoliters.
- Imports of Chilean wine increased by 22.8 percent in CY 2010 due to the implementation of the Chile - Japan Free Trade Agreement which will reduce duties on Chilean wine to zero over the next eleven years
- Import volumes from Spain increased by 11.3 percent in CY 2010 due to increased consumption of on-premise Spanish restaurants and a push into supermarkets.
- Total shipments from Australia returned to its CY 2008 volume level. 74.7 thousand hectoliters entered Japan in CY 2010, which was a decrease of 10.9 percent compared to CY 2009.
- Popularity of sparkling wine continues to grow for both women and men. Import volumes of the top five countries grew except for Italy. Total volume was up 15.8 percent.
- Domestic wine producers continue to bottle more imported bulk wine in CY 2010. U.S. wines have done well in this area exporting 69.4 thousand hectoliters.
- Retailers are seeking to procure wine through more direct channels on an increasing basis in an effort to increase margins.
- No changes of regulations and taxes.
- Labels may need to have modern taste rather than traditional look. Black font on simple design labels seem to popular.

General Information:

The overall bottled wine market

Distribution of Japanese bottled wine based on available data (January through November 2010) was 745 thousand hectoliters pointing to an annual volume of 830 thousand hectoliters. This plus 1.34 million hectoliters of imported bottled wines totaled 2.17 million hectoliters of wine distributed in Japan.

The global financial crisis in 2009 led wine importers to lower inventory. However, in the first quarter of 2010 bottled wine, bulk wine and sparkling wine began to recover.

Total imports of 2 liter or less bottled wine in CY 2010 increased 4.5 percent to 1.34 million hectoliters from 1.28 million hectoliters imported in CY 2009. The total value of imported 2 liter or less bottles in CY 2010 increased by 0.6 percent to \$771.7 million from \$766.8 million. However, it did not recuperate back to the CY 2008 level of \$883.1 million. Growth of imported volume is attributed to increased off-premise consumption and consumption in inexpensive restaurants, mainly *izakaya*. Total bottled import volumes from France decreased 3.2 percent while total volumes from Italy, Chile, Spain and the United States increased 5.3 percent, 22.8 percent, 11.3 percent and 7.6 percent respectively. Market share of bottles priced 1000 – 1500 yen (\$11.23 – 16.85) continues to increase.

The Japanese wine market continues to be very competitive. Although 48 countries supply wine to Japan, ten countries account for approximately 99 percent of the imported volume. U.S. wine imports continue to increase for both bottled and bulk. Imported wine of Italy and Spain were relatively steady in CY 2010. Other than Australia, imports of new world wine increased. Chile, South Africa, Argentina and New Zealand showed healthy increases.

An overview of Japan's alcoholic beverage market

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

Wine consumption in Japan has experienced significant growth since the 1960s, but wine as a share of total alcoholic beverage consumption is low, accounting for approximately 3.2 percent of the total.

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

Japan Alcohol Consumption by Variety

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

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

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

Alcoholic Beverage Categories

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

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

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

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

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

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

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

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

Wine Market Overview

Historical Consumption

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

Demographics

Today, Japan has a broad base of wine connoisseurs that has an image of having a tendency to favor Bordeaux, Cabernet Sauvignon and Chardonnay varietals. French wine is the favorite and considered the safe choice. No doubt its presence is related to the quantity imported. Do women choose to drink wine more often than men? Women have more exposure and seem to dominate wine tastings, classes and seminars. On the other hand, men who began learning the virtues of wine in the 80's and 90's, and who probably were the ones who generated the huge popularity of wine in the 90's are now a large part of the older population with disposable expenditure to purchase wines. In interviews with traders, there are two opinions of whether women or men lead wine consumption. One confident trader believes that women are the leaders of wine consumption and hold sixty percent of the market.

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

Tokyo is important to the expansion of the wine trade.

Prices

The average price per liter of imported bottled wine declined approximately six percent for French wines and one percent for German wines. For most of the new world wines average price per liter rose. CY 2010 saw considerable increases for wines from the U.S., Chile, South Africa, Argentina and New Zealand. Consumers are shifting from premium wines toward the mid-range category, from on-premise to off-premise consumption, and towards greater consumption of inexpensive wines in *izakaya* restaurants. Currently, on-premise and off-premise wine consumption accounts for approximately 40 percent and 60 percent of the total respectively.

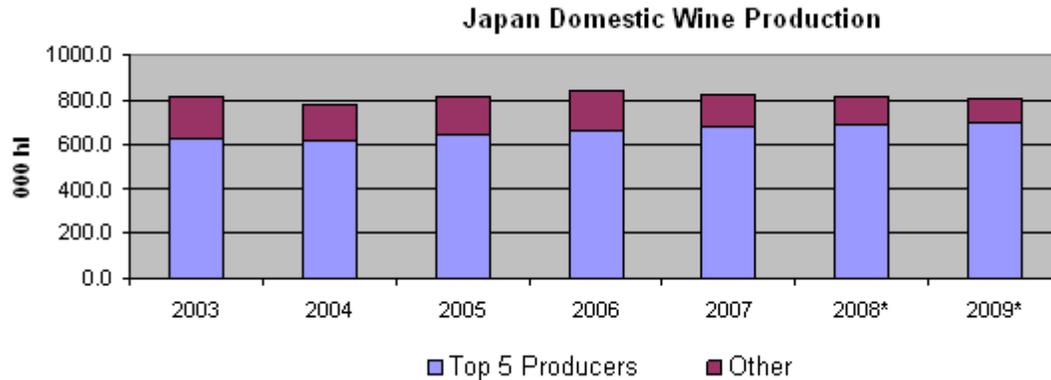
Japanese wine traders expect a continuing gradual shift from very inexpensive wines (below 1,000 yen, \$12.20) to mid-range wines (1,000 – 1,500 yen, \$12.20 – \$18.29) as more consumers become knowledgeable and interested.

Competition in the under 1000 yen (US\$12.20) segment is still heated. The average import price-per-liter of bottled wine from Chile, Spain and South Africa were all under US \$4 and under US \$5 for Australian and Italian wines. The average imported unit price of wine from the United States in CY 2009 was US\$6.41.

Domestic Wine

Domestic wines maintain a significant presence in the market through wide availability and targeting the low price segment (below 700 yen, US\$8.54). Japanese bottled wine reached an estimated 830 thousand hectoliters for 2010.

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



Source: National Tax Agency
*estimates

It is interesting to note that while domestically produced volumes appear to be significant, an estimated 75 percent are produced with imported ingredients. Bulk wine is imported from major suppliers, primarily France, Chile and the United States, to blend with Japanese product and bottled for sale at retail. This is an increase from five years earlier when imported wine accounted for 70 percent of Japanese production. Chile recently also increased their bulk volume by 34 percent to reach 93.1 thousand hectoliters in CY 2010.

Imported Bottled Wine

Total CY 2010 bottled wine imports totaled 1.34 million hectoliters valued at \$772 million.

United States

In 2010, the United States held a 7.8 percent value share of the \$772 million imported bottled wine market. This was an increase from the 6.8 percent share in 2009 and the 7.0 percent share in 2008.

The majority of imported wines from the United States are sold at a price-point in the 700 – 1000 yen (\$8.54 - \$12.20) range in the retail market. The United States faces significant competition in this segment from Chile, which will benefit from a Japan – Chile free trade agreement.

In an effort to gain more value per liter, U.S. traders are shifting more to U.S. wines in the 1000 – 1500 (\$12.20 – \$18.29) retail price range. While U.S. wines typically face competition from French and Italian wines in this price range, it is perceived to be a favorable opportunity.

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

Beringer, River Crest and Carlo Rossi.

Washington State also supplies to Japan and is establishing a presence on many wine lists in hotels and restaurants in Tokyo. Some of the major importers who sell Washington wines are promoting regions such as *Columbia Valley* and *Walla Walla* in categorizing products. In Japan, available Washington brands include *Columbia Crest, Abeja, and Camille*. The price-competiveness of Washington wines may be an issue as most are sold for over 1000 yen (\$12.20). A parallel can be drawn between Washington and New Zealand; both are located near a major supplying region (California, Australia) and the establishment of one very successful brand may establish the industry as a whole, such as New Zealand's Marlborough Sauvignon.

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

France

While France carries the strongest image for wine in Japan, market share continues to decline due primarily to competition from new world wines. While import volumes of French wines declined 3.2 percent in CY 2010, the total value of French wine declined 5.8 percent. Much of this may be attributed to cautious consumer spending which reduced demand for premium French wine in both the retail and on-premise businesses. The share of imported wine from France fell below 40 percent in terms of volume in 2009 and to 55.2 percent in terms of value, a considerable drop from the 60 percent share held in 2007. These percentages continue to drop. Another speculation of the decline could be attributed to the reduced fanfare over Beaujolais Nouveau wines.

Italy

Imports from Italy remained relatively stable in CY 2010. Total volume was up 5.3 percent and value was up 1 percent. Sales are relatively dependent on the foodservice sector. Italian pizza restaurants are getting more attention, which supports Italian wine consumption.

Chile

Japan imports of Chilean wines continued to increase significantly in CY 2010 with volume and value increases of 23 and 21 percent respectively. Much of the marketing of Chilean wines in Japan benefits from trader interests in the Japan – Chile FTA agreement which will gradually lower import duties on wine from the standard 15 percent to zero over the next 12 years. While Chile's image as a supplier of wine is relatively new to Japan, it is strengthened by a positive image of Chile as a food supplier through Japanese imports of Chilean seafood, meat and produce. With these advantages, Chile strongly

competes in the lower price segments (500 – 1000 yen, \$6.10 - \$12.20) and has established a presence in Japan's inexpensive *izakaya* restaurants. Wine journalists in Japan have noted that Chilean wine is perceived to have less oak and less acidity which is favorable to Japanese consumers. Chilean wine is less competitive in higher price segments.

Spain

The volume of imported wine from Spain in CY 2010 increased 11 percent while total value increased 2 percent. Spanish wine currently benefits from a boom in the number of Spanish restaurants in Japan. However, unit values of Spanish wine are declining due to sales of lower priced Spanish wine in supermarkets and *izakaya* restaurants. Spain's volume share of Japan's total import wine market slightly increased to 10 percent from 9.6 percent. Value share remained at 5 percent.

Germany

Imports of German wine continued their decline in CY 2010 with a 2 percent drop in volume and a 1 percent decline in value. Much of the perceived reason for the decline is a taste that is too sweet for Japanese consumers. However, with the trend to sweeter or non-bitter drinks for the younger generation, especially for women, this could become an advantage.

Australia

Japan imports of Australian wine dipped back down to the 2008 level of 74.7 thousand hectoliters. Value also returned to 2008 level which was higher than the 2009. Value in CY 2010 was \$35.7 million. Competition with Chilean wine probably impacted Australian wine imports.

South Africa

While volumes are still small, 27 thousand hectoliters, Japanese imports of South African wine continued to increase in CY 2010. After a nearly 40 percent increase in CY 2009, imported volume jumped again 23 percent. The increase was attributed to interest in South African products due to the soccer World Cup in 2010.

Distribution Channels

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

Consumers of mid-range and premium wine (above 1000 yen, \$12.20) are becoming more knowledgeable and placing more importance on distribution practices as purchasing criteria. There is an increase in demand for wine shipped at cool temperatures, which can raise shipping costs up to 50 percent. The United States holds a unique advantage in this regard as U.S. shipments do not cross the equator, unlike Chilean, Australian and South African shipments which are more likely to require chilled shipping.

Retail

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

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

Import Wine Shops

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

Supermarkets

Supermarkets are allotting an increasing amount of shelf space for wine and are projected to increase wine sales. The majority of bottles sold in supermarkets are in the 700 – 1000 yen (\$8.54 - \$12.20) or 1000 – 2000 (\$12.20 – \$24.39) ranges with limited shipments of more expensive bottles. In terms of future sales, traders are optimistic about supermarkets as this is the channel to offer a wide alcoholic product selection, has a broad distribution network, and a full wine selection.

Convenience Stores

Most convenience stores carry a selection of very inexpensive domestic wines (fewer than 700 yen, \$8.54) and mid range imported wines (1000 – 1500 yen, \$12.20 - \$18.29). Convenience stores carry wines from most major supplying countries.

High Volume Sellers

Costco wholesale supermarket has been mentioned by traders as possibly having an influence on market prices and related consumer perceptions. With nine locations in Japan, Costco trades volumes of wine necessary to profit from selling some imported bottles at a steep discount, sometimes under 500 yen (\$6.10) per 750ml bottle. Some traders note that this may change price perceptions held by some consumers regarding wine as well as other food products.

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

Packaging

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

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

Quantities of *bag-in-box* wine have increased with *by-the-glass* type consumption in both on-premise and off-premise markets. With boxed wine, lower end restaurants can offer consumers single glasses. Consumers off premise demonstrate greater willingness to store a tapped box than a partially empty 750ml bottle in a home refrigerator. Retail prices for a 5L box range from 3000 – 3500 yen (\$36.59 – \$42.68). Leading brands include *Almaden* (California), *Franzia* (California), *Trivento* (Argentina) and *Pays d'Oc* (France).

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

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

Other Wine Types

Sparkling (Table 7)

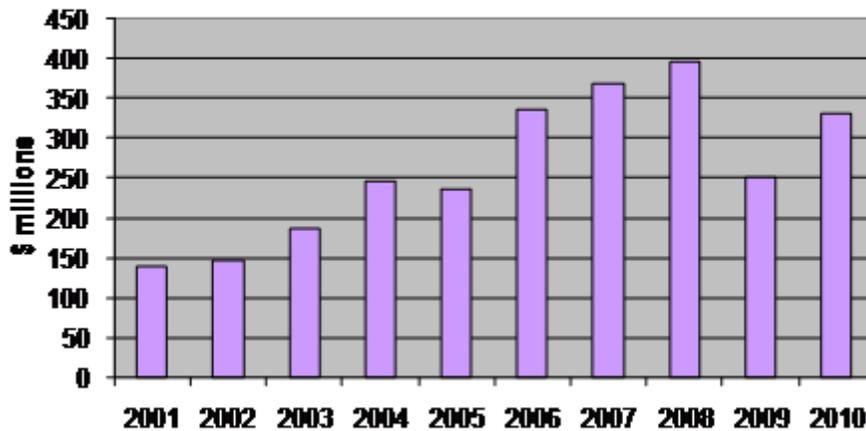
Japan's value of imported sparkling wine increased 33 percent in CY 2010 after a 37 percent drop in 2009. It was perceived that the decline of CY 2009 imports was due to the high inventory levels from a

67 percent increase in imports over the last three years.

Consumption of sparkling wine increased due to relatively inexpensive unit prices (as compared to Japanese sake and imported spirits), low alcohol levels and drinkability.

While sparkling wine was mainly consumed on special occasions and holidays, the market has expanded to regular consumption, especially among women. More recently, the younger male consumer believes beer is too bitter and enjoys a sweeter beverage such as sparkling wine. A sip of sparkling wine seems to be a popular substitute for that first gulp of beer for some.

Japan Sparkling wine Imports 2001 - 2009

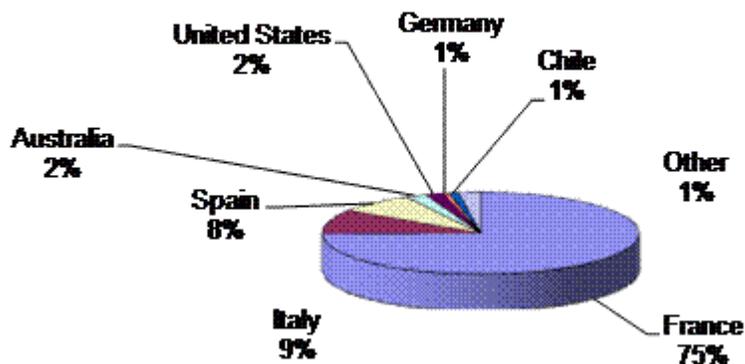


Source: Japan Customs

Although still relatively small, U.S. sparkling wine imports increased again to reach 13.6 thousand hectoliters. The majority of Japan's imported sparkling wine is supplied by France which holds a 36.8 percent volume market share nearly a 75.2 percent value market share. Other major suppliers include Italy, Spain and Australia.

Traders indicate continued optimism in long term growth.

Japan sparkling wine import value



Total: \$332.1 million

Source: Japan Customs

Fortified Wines (Table 8)

Japan imports a small amount of Sherry and Port primarily from Portugal and Spain; imports from the two countries account for approximately 85 percent of the market in both volume and value.

Organic Wine

Japanese consumers are among the most health conscious in the world and have shown an interest in organic wine. The first organic wine shop opened in Tokyo in 1998 and other outlets selling organic wine have opened since. Approximately three-quarters percent of imported organic wine is supplied by France with most of the remainder from other European producers. Organic wine is priced at a premium like many organic foods with 750ml bottles starting at 1500 yen (\$18.29).

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

More information is available from the USDA website:

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5077433>

Appendix I: Legal Regulations Related to the Wine Trade

1. Food Sanitation Law requirements

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

2. Labeling requirements

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

Figure 16: Labeling Requirements For Wine		
Label Item	Requirement	Name of Statute*
Product Name	Wine, fruit wine, or sweetened fruit wine	FSA
Food Additives	Name of substance (and usage category) of anti-oxidants or synthetic preservatives, etc. Genetically modified substances must be identified.	FSA
Alcohol Content	Label must list the ethyl alcohol content at 15°C as a percentage of total volume rounded to the nearest percentage point. (Example: "14%" or "Over 14% and less than 15%")	LBA/MSR/LT

Label Item	Requirement	Name of Statute*
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Container Volume	Listed in milliliters (<i>ml</i>) or liters (<i>l</i>)	LBA/MSR/LT, ML
Type	Sparkling wine labels must state, "Contains carbonation," or, "carbon dioxide gas mixture."	LBA/MSR/LT
Country of Origin	The country of origin	AUPRMR
Name and Address of Importer and Distributor	Wines must list the name and address of the importer and distributor	FSL, LBA/MSR/LT
Destination	Label must list the destination after removal from the bonded area or the location of the bottler or packager. However, a symbol may be used with the permission of the Ministry of Finance	LBA/MSR/LT
Other Requirements	(1) Blends of imported and domestic wine	Voluntary industry standard
	Wines made from mixtures of domestic and imported wines must list the wines in order of quantity. For example, "Made from domestic and imported wine."	
	(2) Geographic labeling	Labeling standard based on LBA/MSR/LT and ML
	Geographic brand names such as Bordeaux and Chablis, whose product quality and reputation fundamentally arise from place of origin, can only be used on products that actually originate from the said region.	

Labeling Requirements For Wine: Other Requirements Continued		
Label Item	Requirement	Name of Statute*
	(3) Labeling to prevent consumption by minors	Labeling standard based on t LBA/MSR/LT and ML
	All liquor containers must clearly state that "Consumption of alcohol by minors is prohibited," or "Alcohol may only be consumed by those who are 20 years or older."	
Other Requirements	(4) Promotion of recycling of liquor containers	Law for Promotion of Utilization of

	Products packed in steel cans, aluminum cans, and PET bottles must have a mark on the container identifying the packaging material type.	Recycled Resources
	(5) Warning of risks to pregnant and breast-feeding women	Voluntary Industry Standard
	Pregnant and nursing mothers are advised that consumption of alcohol may adversely affect their infant's health. For example, "Drinking alcohol while pregnant or breast-feeding may harm the fetus or infant."	
* · Food Sanitation Act: FSA (http://www.jetro.go.jp/en/reports/regulations/pdf/foodext2008e_100929p.pdf)		
· Measurement Law: ML		
· Law Concerning Liquor Business Association and Measures for Securing Revenue from Liquor Tax: LBA/MSR/LT		
· Act against Unjustifiable Premiums and Misleading representation: AUPMR		
Source: JETRO Marketing Guidebook for Major Imported Products 2004/Food		

3. Requirements under the new packaging recycling law

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

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

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

Colorless glass	¥4,100/metric ton
Brown glass	¥5,500/metric ton

Green/other colored glass	¥9,200/metric ton
PET bottles	¥1,700/metric ton
Paper containers	¥13,300/metric ton
Plastic containers	¥65,700/metric ton

4. Tariff and tax

The tariff rate on bottled wine is 15 percent (or ¥125/l, whichever is less with a minimum of ¥67/l). Note that Chilean wine is imported under an agreement that is gradually reducing tariffs on agriculture and food imports from that country.

Tariff Rates on Wine (as of January 2010)

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

Source: Customs Tariff Schedules of Japan 2010, Japan Tariff Association
http://www.customs.go.jp/english/tariff/2010/data/i201001e_22.htm

Liquor Tax Law regulations

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

Tax rate on wine after the tax increase

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

Table 1: Wine imports by type

Volume (000 hectoliters)				
	2008	2009	2010	2010/2009 % Change
Bottled Wine	1,273.4	1370.5	1440.5	5.1
HS220421020 (2L or less)	1,189.4	1,277.9	1,335.2	4.5
HS220429010 (2L to 150L)	83.9	92.6	105.3	13.6
Sparkling Wine	230.4	205.3	237.9	15.9
HS220410000				
Wine Coolers	30.1	29.3	30.1	2.9
HS220600221				
Bulk Wine	205.9	224.5	252.8	12.6
HS220429090 (>150L)				
Grape Must	80.4	71.1	74.0	4.2
HS220430191 (1%+ alcohol, <10% sucrose by weight)	0.0	0.0	0.0	
HS220430200 (1%+ alcohol - other)	80.4	71.1	74.0	4.2
Vermouth	22.9	23.4	22.0	-6.0
HS220510000 (2L or less)	22.1	23.3	21.5	-7.4
HS220590200 (1%+ alcohol)	0.8	0.1	0.5	221.2
Sherry/Fortified Wine	7.9	7.2	7.4	2.4
HS220421010				

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

(Table 1 continued)

Value (US\$ mill)				
	2008	2009	2010	2010/2009 % Change
Bottled Wine	899.0	783.1	791.4	1.0
HS220421020 (2L or less)	883.1	766.8	771.7	0.6
HS220429010 (2L to 150L)	15.8	16.3	19.7	20.8
Sparkling Wine	396.0	250.7	332.1	32.5
HS220410000				
Wine Coolers	18.4	14.8	13.2	-11.2
HS220600221				
Bulk Wine	19.8	21.8	26.8	22.7
HS220429090 (>150L)				
Grape Must	18.3	18.7	21.0	11.8
HS220430191 (1%+ abv, <10% sucrose by weight)	0.0	0.0	0.0	0.0
HS220430200 (1%+ abv - other)	18.3	18.7	21.0	11.8
Vermouth	7.1	8.5	8.6	1.2
HS220510000 (2L or less)	8.3	8.5	7.5	-10.2
HS220590200 (1%+ alcohol)	0.1	<0.1	0.1	350.7
Sherry/Fortified Wine	7.8	6.6	7.0	5.2
HS220421010				

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

Table 2: Less Than 2L Bottled Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Volume	Share (%)	
1	France	499.8	487.0	471.6	35.3	-3.2
2	Italy	228.0	236.2	248.7	18.6	5.3
3	Chile	132.9	173.8	213.4	16.0	22.8
4	Spain	88.1	123.0	136.9	10.3	11.3
5	United States	77.4	81.0	87.0	6.5	7.5
6	Australia	73.5	83.8	74.7	5.6	-10.9
7	Germany	34.4	29.8	29.2	2.2	-1.9
8	South Africa	14.9	22.1	27.2	2.0	23.3
9	Argentina	21.9	22.0	24.4	1.8	10.9
10	New Zealand	5.6	5.4	7.4	0.6	37.4
	Others	12.7	13.6	14.7	1.1	8.1
	Total	1189.4	1277.9	1335.2	100.0	4.5

Value (\$ mill)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Value	Share (%)	
1	France	519.8	423.7	399.2	51.7	-5.8
2	Italy	132.9	115.1	116.1	15.0	1.0
3	Chile	46.1	55.9	67.4	8.7	20.7
4	United States	61.7	51.9	60.4	7.8	16.4
5	Spain	35.6	38.4	39.1	5.1	1.9
6	Australia	36.3	33.5	35.7	4.6	6.5
7	Germany	21.7	17.9	17.7	2.3	-1.2
8	South Africa	5.6	7.9	10.3	1.3	30.9
9	Argentina	8.4	8.0	9.5	1.2	18.4
10	New Zealand	6.1	5.5	7.5	1.0	36.8
	Others	8.9	9.0	8.8	1.1	-2.2
	Total	883.1	766.8	771.7	100.0	0.6

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

Table 3: Sparkling Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Volume	Share (%)	
1	France	102.8	75.5	94.1	36.8	24.5
2	Spain	44.4	45.8	53.8	22.3	17.5
3	Italy	51.9	48.8	44.2	23.8	-9.4
4	United States	10.2	11.4	13.6	5.6	19.0
5	Australia	10.1	9.7	10.8	4.7	11.2
6	Chile	1.2	3.9	7.5	1.9	93.7
	Others	5.9	10.2	13.9	20.1	35.3
	Total	230.4	205.3	237.9	100.0	15.8

Value (\$ mill)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Value	Share (%)	
1	France	316.2	174.8	249.9	75.2	42.9
2	Spain	32.5	27.9	31.9	9.9	14.5
3	Italy	29.4	30.0	26.2	7.9	-12.6
4	Australia	7.0	6.0	7.3	2.2	21.7
5	United States	4.5	4.8	6.0	1.8	25.1
6	Chile	6.2	1.7	3.3	1.0	91.8
	Others	3.1	5.2	7.5	2.3	44.2
	Total	396.0	250.7	332.1	100.0	32.5

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

Table 4: Wine Cooler Imports by Supplying Country

Volume (000 hectoliters)

Rank	Country	2008	2009	2010		2010/2009 % Change
				Volume	Share (%)	
1	France	15.8	14.3	12.7	42.1	-11.7
2	Spain	6.7	5.7	5.9	19.5	3.9
3	Germany	2.9	3.0	3.2	10.6	7.0
4	United States	2.5	2.1	2.9	9.6	38.9
5	South Korea	0.6	0.8	2.5	8.3	228.6
	Others	1.5	2.9	3.0	9.9	3.4
	Total	30.0	30.0	30.2	100.0	0.7

Value (\$ mill)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Value	Share (%)	
1	France	13.9	9.7	8.1	65.6	-17.0
2	Spain	2.4	1.8	1.7	13.5	-3.5
3	Germany	0.9	0.9	0.9	6.4	0.2
4	Italy	0.2	1.3	0.9	9.1	-35.9
5	United States	0.4	0.4	0.6	2.7	58.0
	Others	2.3	0.4	1.0	2.7	250.0
	Total	18.3	14.8	13.2	100.0	-10.8

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

Table 5: Bulk Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2008	2009	2010		2010/2009
				Volume	Share (%)	% Change
1	Chile	62.0	69.5	93.1	36.8	34.0
2	United States	53.8	76.4	69.4	27.5	-9.1
3	Argentina	47.5	43.1	26.2	10.4	-39.3
4	France	7.8	8.4	23.7	9.4	182.7
5	Spain	11.6	12.6	20.5	8.1	62.3
6	South Africa	2.7	2.5	5.3	2.1	107.6
7	Italy	8.7	4.3	4.8	1.9	10.7
8	Hungary	3.2	1.2	2.7	1.1	118.2
9	Macedonia	2.3	1.5	2.4	0.9	55.0
10	Brazil	2.1	1.9	2.2	0.9	14.0
	Others	4.3	3.1	2.5	1.0	-19.3
	Total	206.0	224.5	252.8	100.0	12.6

Value (\$ mill)						
Rank	Country	2008	2009	2010		2010/2009
				Value	Share (%)	% Change
1	Chile	6.4	7.2	9.7	36.2	33.9
2	United States	3.9	5.8	5.3	19.8	-8.7
3	France	1.5	1.5	4.9	18.3	238.2
4	Argentina	3.8	4.2	2.5	9.3	-40.3
5	Spain	1.3	1.4	2.2	8.2	49.5
6	Italy	1.1	0.5	0.5	1.9	1.6
7	South Africa	1.2	0.2	0.5	1.9	108.4
8	Hungary	0.5	0.2	0.4	1.5	129.4
9	Macedonia	0.3	0.2	0.3	1.1	38.0
10	Brazil	0.2	0.2	0.2	0.7	13.6
	Others	0.4	0.4	0.3	1.1	0.0
	Total	19.8	21.8	26.8	100.0	22.7

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

Table 6: Grape Must Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2008	2009	2010 Volume	2010 Share (%)	2010/2009 % Change
1	Argentina	54.7	48.1	49.6	67.0	3.2
2	Chile	22.7	21.0	24.1	32.6	14.5
3	South Africa	3.0	1.9	0.3	0.0	-85.0
4	Italy	0.0	0.0	<0.1	0.0	0.0
	Others	0.0	0.0	0.0	0.0	0.0
	Total	80.3	71.0	74.0	100	3.36

Value (\$ mill)						
Rank	Country	2008	2009	2010 Value	2010 Share %	2010/2009 % Change
1	Argentina	11.1	11.8	12.9	61.4	9.6
2	Chile	6.6	6.6	8.0	38.1	21.6
3	South Africa	0.6	0.4	<0.1	0.6	-80.2
4	Italy	0.0	0.0	<0.1	<0.1	0.0
	Others	0.0	0.0	0.0	0.0	0.0
	Total	18.3	18.8	21.0	100.0	11.8

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

Table 7: Vermouth Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Volume	Share (%)	
1	Spain	10.0	11.0	10.2	43.2	-7.1
2	Italy	5.1	6.0	3.8	26.1	-36.8
3	France	4.2	3.4	3.5	14.5	3.2
4	Germany	1.1	1.6	2.1	7.3	31.0
5	China	1.5	0.9	1.2	3.1	39.7
	Others	0.9	0.4	0.7	6.0	1.8
	Total	22.9	23.3	21.5	100.0	-7.4

Value (\$ mill)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Value	Share (%)	
1	Spain	3.4	3.0	2.6	34.2	-12.9
2	France	2.1	1.7	1.8	23.7	2.1
3	Italy	1.9	3.1	1.7	22.4	-43.3
4	United States	0.1	0.3	0.6	7.9	1614.8
5	Germany	0.2	0.3	0.4	5.3	71.2
	Others	0.6	0.1	0.5	6.6	500.0
	Total	8.3	8.5	7.6	100.0	-10.2

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

Table 8: Sherry/Fortified Wine Imports by Supplying Country

Volume (000 hectoliters)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Volume	Share (%)	
1	Portugal	4.2	3.9	4.1	55.4	5.3
2	Spain	2.4	2.2	2.2	29.7	-2.6
3	Italy	0.7	0.7	0.8	10.8	12.0
4	France	0.2	0.2	0.2	2.7	21.9
5	Australia	0.1	<0.1	<0.1	0.0	-16.7
	Others	0.2	0.2	0.1	1.4	0
	Total	7.9	7.2	7.4	100.0	102.8

Value (\$ mill)						
Rank	Country	2008	2009	2010		2010/2009 % Change
				Value	Share (%)	
1	Portugal	4.4	3.8	4.1	58.6	8.4
2	Spain	2.2	2.0	1.9	27.1	-4.8
3	France	0.7	0.4	0.5	7.1	26.4
4	Italy	0.4	0.4	0.4	5.7	15.1
5	Australia	<0.1	<0.1	<0.1	0.0	53.4
	Others	0.1	0.1	0.1	1.4	0.0
	Total	7.8	6.6	7.0	100.0	5.2

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