

Guidebook for Export to Japan 2011

<Cut Flowers>

Japan External Trade Organization (JETRO)

**Development Cooperation Division
Trade and Economic Cooperation Department**

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Cut Flowers

Cut flowers refer to flowers starting to blossom or flower buds that are cut with branches, stems, and leaves to be used for bouquets or decorations. Cut flowers are grouped into two categories of “fresh cut flowers” and “non-fresh cut flowers” such as preserved flowers. Typical fresh cut flowers include roses, carnations, orchids, chrysanthemums, and lilies. Plant leaves, branches, and bulbs etc. are not included.

Scope of Coverage

Item	Definition	HS Code
Fresh cut flowers	Rose	0603.11.000
	Carnation	0603.12.000
	Orchid	0603.13.000
	Chrysanthemum	0603.14.000
	Lilies	0603.19.010
	Others	0603.19.090
Other flowers (Dried, dyed, breached, impregnated, or otherwise prepared)		0603.90.000

Note: Other flowers include preserved, dried, and otherwise prepared flowers.

1. Points To Note in Exports to and Sales in Japan

(1) Import Regulation and Procedures

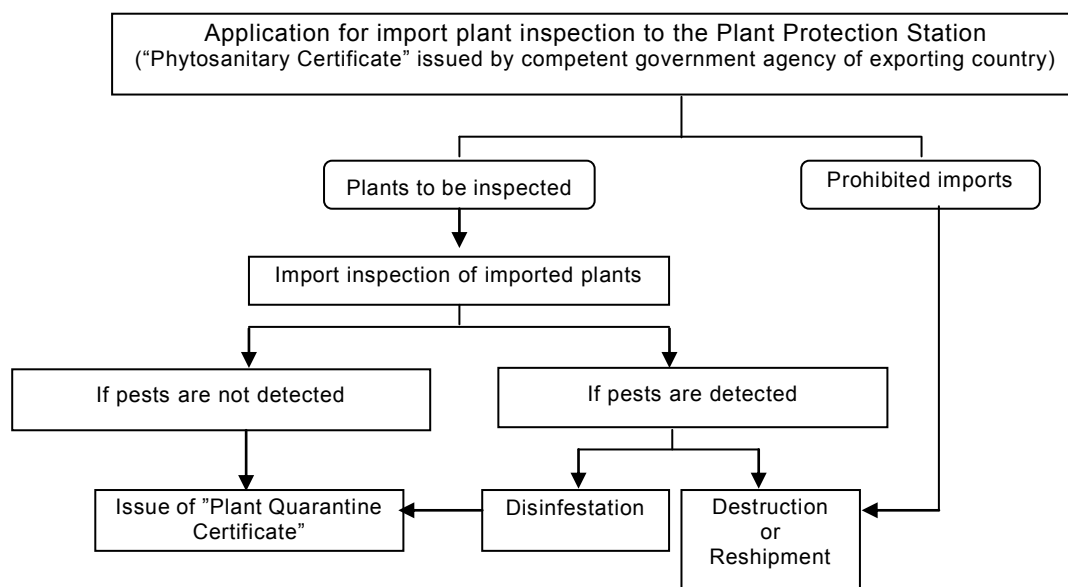
The importation cut flowers is subject to provisions of the Plant Protection Act, the Plant Variety Protection and Seed Act, the Customs Tariff Act, the Customs Act, and in some cases, the Foreign Exchange and Foreign Trade Act under the terms of the Convention on International Trade in Endangered Species of Wild Fauna and Flora, CITES.

•Plant Protection Act

To prevent the entry and spread of diseases and pests from foreign countries, the Plant Protection Act mandates inspection of plants when being imported. This also covers cut flowers. The importer must promptly submit to the Quarantine Station an “Notification Form for Importation of Foods” along with a “Phytosanitary Certificate” issued by the competent government agency of the exporting country. Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If any kind of violations are detected, the importer will be ordered to fumigate, discard, or reshipment. A “Certificate of Notification” will be issued upon passing the inspection at the port of entry.

The Plant Protection Act aims to prevent the entry and spread of harmful microorganisms, insect pests, and parasitic plants into Japan that may cause serious damage to crops and forest resources. Under the Act, following are not allowed to be entered into Japan. 1) Plants shipped from or through the areas specified under the Ordinance for Enforcement of the Plant Protection Act, 2) Plants specified under the enforcement regulations of the Plant Protection Act which grow wild in areas specified, 3) Living pests subject to plant quarantine, 4) Plants with soil attached, 5) Packaging and containers for those listed in 1) through 4). There is a separate list of import-prohibited items for every infested area. If one of these import-prohibited items is brought to Japan, the importer will be ordered to fumigate, discard, or ship back to the shipper. Detailed conditions on import prohibition vary according to country/region, type of plant etc. Therefore, plant protection stations offer a “database on import conditions” on which a user can designate a country, region, or plant to search for import conditions.

Fig. 1 Plant Protection Act Procedures



<Plant Protection Station Contacts>

Yokohama Plant Protection Station	Tel +81-45-211-7152
Nagoya Plant Protection Station	Tel +81-52-651-0112
Kobe Plant Protection Station	Tel +81-78-331-2386
Moji Plant Protection Station	Tel +81-93-321-2601
Naha Plant Protection Station	Tel +81-98-868-2850

•Plant Variety Protection and Seed Act

Japan is a signatory of the Union for the Protection of New Varieties of Plants (UPOV Convention) and accordingly protects the rights of plant breeders of new varieties of plants. The Plant Variety Protection and Seed Act provides for a variety registration program in order to protect the rights of new seed plant breeders, which is comparable to the patent system for industrial products. Anyone who cultivates a new variety of seed with superior characteristics to existing seed varieties can register it with the government and thereby obtain protection for their rights as a plant breeder. Various changes were made in 2003 to tighten oversight in an effort to prevent the re-importation into Japan of varieties of plants officially registered as seeds or seedlings in Japan that have been taken abroad and cultivated without permission.

The scope of penalties was expanded to include not only entities that infringe on rights with respect to seeds and seedlings, but also entities that infringe on rights with respect to the harvest. For example, the production, resale, exportation or importation without permission not only of chrysanthemum seeds but also of cut chrysanthemums is treated as an infringing act subject to legal penalties. Recently, the monitoring system at the border has been strengthened. If the infringement of the right of the plant breeder can be proven by DNA analysis etc., such items are subject to confiscation or destruction at customs based on provisions of the Customs Act. Importers may even be subject to criminal penalties, including fines and imprisonment.

•Customs Tariff Act / Customs Act

Under revisions of the Customs Tariff Act in June 2006, importation of items that infringe on a plant breeder’s rights is prohibited, and such items are subject to confiscation or destruction at customs based on provisions of the Customs Act. Plant breeders’ rights holders may petition the director of customs to ban importation of items that infringe on plant breeder’s rights.

•Foreign Exchange and Foreign Trade Act

Under the terms of the Washington Convention (CITES), the Import Trade Control Order of the Foreign Exchange and Foreign Trade Act regulates importing of species of wild fauna and flora listed in the Appendices to the Convention, which includes certain varieties of bulbs and cut flowers. The Washington Convention applies to three categories of species, as discussed below. Imported cut flowers may be regulated by the Import Trade Control Order. Particular attention should be paid for orchidaceous plants because most of them are subject to import restriction. Plants may be cultivated for commercial purposes; those that were obtained prior to the conclusion of the Convention are also permitted so long as a certificate by the management authority of the exporting country to that effect has been granted. For more information on the specific content and applicability of these classifications, you can contact the Wild Fauna and Flora Trade Team, Agricultural and Marine Products Office, Trade Licensing Division, Trade and Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

A: Appendix I (All species threatened with extinction)

International commercial traffic of these species or products made from these species is prohibited. Trade is allowed in special cases such as for academic purposes, however an export permit issued by the exporting government and an import approval by the Minister of Economy, Trade and Industry are required.

B: Appendix II (All species requiring strict international regulation to prevent danger of extinction)

The importer of any such species or product made from a member of such species must present to Japanese customs authorities an export certificate or re-export certificate from the management authority of the exporting country. Some species need prior confirmation by the Minister of Economy, Trade and Industry.

C: Appendix III

(All species that any party identifies as being subject to regulation and requiring the cooperation of other parties in the control of trade)

The importer of any such species or product made from a member of such species for commercial purposes must present to Japanese customs an export certificate and a certificate of origin issued by the management authority of the exporting country, or a certificate granted by the management authority of the country of re-export that the specimen was processed in that country. Some species need prior confirmation by the Minister of Economy, Trade and Industry.

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

Cut flowers may be subject to some regulations at the time of sale. Special flowers such as orchids may be subject to provisions of the Act on Conservation of Endangered Species of Wild Fauna and Flora (Species Conservation Act) and the Act on Specified Commercial Transactions. Furthermore, containers and packaging materials may also be subject to labeling provisions of the Act on the Promotion of Effective Utilization of Resources, and the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging (certain small-scale providers are exempt from regulation).

•Act on Conservation of Endangered Species of Wild Fauna and Flora (Species Conservation Act)

The Act established a legal framework of protection for species considered to be in danger of extinction. Seeds and bulbs, which are designated as species specially identified for protection, may not be sold or transferred in Japan. However, species that are being raised for commercial purposes may be distributed in Japan, provided that proper registration procedures with the Minister of the Environment are completed. Registration procedures take place with the Japan Wildlife Research Center, a registration organization officially designated by the Ministry of the Environment.

•Act on Specified Commercial Transactions

Sales of “specified products/rights/services” to general consumers through “specified commercial transactions” such as mail order sales or door-to-door sales are subject to provisions of the Act on Specified Commercial

Transactions. Specified commercial transactions applicable include 1) door-to-door sales; 2) mail order sales; 3) telemarketing sales, 4) multilevel marketing transactions [network marketing by word of mouth/referral, pyramid sales]; 5) specified continuous service offers; and 6) business opportunity related sales transactions. Mail order sales include internet sales and advertisements through e-mail.

(3) Contacts of Competent Authorities

Fig. 2 Contacts of competent authorities

Related regulations and control	Competent agencies	Contact/Website
Plant Protection Act	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fish	TEL: +81-3-3502-8111 http://www.maff.co.jp
Plant Variety Protection and Seed Act	Intellectual Property Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.co.jp
Customs Tariff Act / Customs Act	Compensation and Operation Division, Customs and Tariff Bureau, Ministry of Finance	TEL: +81-3-3581-4111 http://www.mof.co.jp
Foreign Exchange and Foreign Trade Act	Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Wild Fauna and Flora Trade Team, Agricultural and Marine Products Office, Trade Licensing Division, Trade and Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Act on Conservation of Endangered Species of Wild Fauna and Flora	Wildlife Division, Nature Conservation Bureau, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp
Act against Unjustifiable Premiums and Misleading Representations	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on the Promotion of Effective Utilization of Resources/Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Office of Recycling Promotion, Policy Planning Division, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp

2. Labeling

(1) Labeling under Legal Regulations

With regards to labeling regulations for cut flowers, specific containers and packaging are subject to labeling provisions in order to promote sorted collection, under the Act on the Promotion of Effective Utilization of Resources. When paper or plastic is used as a packaging material, a material identifier mark must be displayed on at least one spot on the side of the container with information where the material is used.

[Representation example]



External packaging



Individual packaging

(2) Labeling under Industry-level Voluntary Restraint

Shipment standards labeling by the New Flower Production and Distribution System Study Group

The New Flower Production and Distribution System Study Group (c/o Japan Flower Promotion Center Foundation) provide the cut flower's shipment standards for low-temperature bucket distribution. Under its own standards, it is required to label the following items.

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- 1) Name of flower
- 2) Name of variety
- 3) Grade
- 4) Length (It abolishes the previous labeling of L, M or S and uses the cm indication by unit of 10cm instead)
- 5) Number of flower unit
- 6) Name of producer (or producer association)
- 7) JF code
- 8) Place of origin (can be omitted)

Labeling place of origin

Labeling place of origin for cut flowers is not an obligation. However, there is a movement to promote labeling place of origin for the purpose of differentiating and establishing brands. In 2007, as a part of the “project to promote enhancement of agricultural competitiveness” by the Ministry of Agriculture, Forestry and Fisheries, the Japan Flower Promotion Center Foundation (JFPC) hosted a discussion on how place of origin should be labeled, and a guideline was prepared. The guideline stipulates rules on labeling place of origin, including the place of origin definition, name, where labeling is applicable, and other affairs.

Inquiries: Japan Flower Promotion Center Foundation (JFPC) TEL: +81-3-3664-8739 <http://www.jfpc.or.jp>

3. Taxation System

(1) Tariff Duties

As shown in the table below, cut flowers are not subject to taxation.

Fig. 3 Tariff duties on cut flowers

HS Code.	Description	Rate of Tariff Duty				
		General	Temporary	WTO	Preferential	Special Preferential
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared					
	Fresh Cut Flowers					
0603.11	000 Roses	Free		(Free)		
0603.12	000 Carnations	Free		(Free)		
0603.13	000 Orchids	Free		(Free)		
0603.14	000 Chrysanthemums	Free		(Free)		
0603.19	000 Others	Free		(Free)		
	010 - Lilies					
	090 - Others					
0603.90	000 Others	Free		(Free)		

Note 1: Special preferential rate is applicable only for the Least Developed Countries.

Note 2: Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table and for more details on economic partnership agreements (EPAs) with each country.

(2) Consumption Tax

5% x CIF

4. Trade Trends

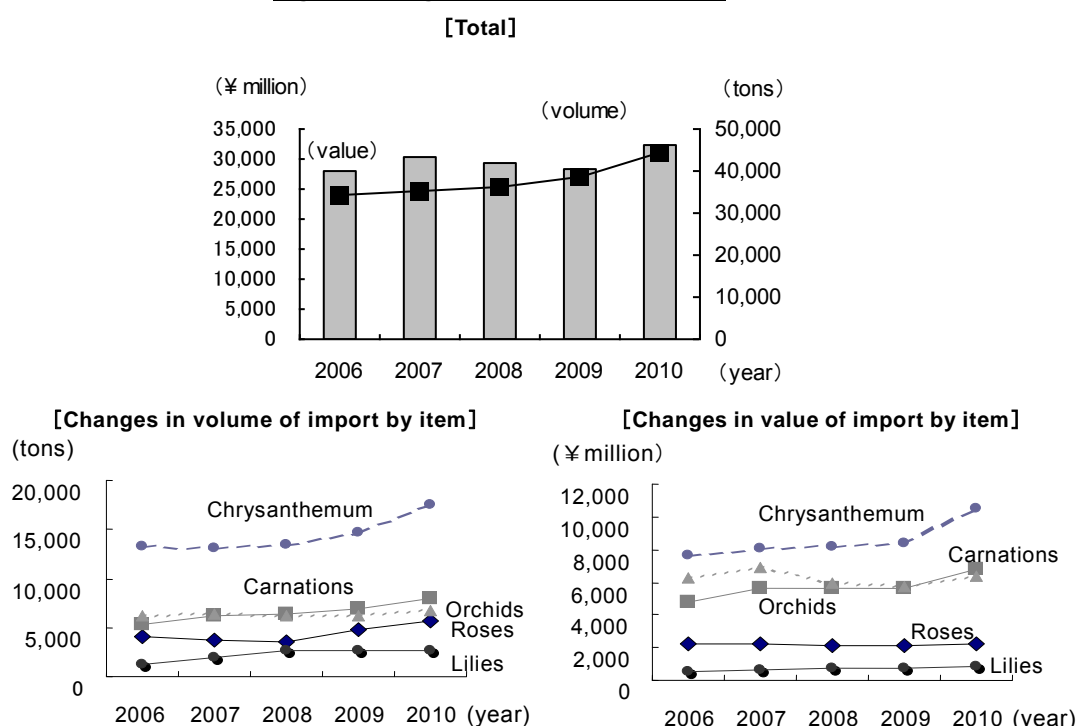
(1) Changes in Imports

<Import trends>

Imports of cut flowers to Japan began in the late 1960s, when Japan began importing chrysanthemums from Taiwan. Except for temporary drops following the collapse of the Bubble Economy in the early 1990s, imports of cut flowers has steadily increased. Most recently, in particular, the quantity of imports reached a record level every year from 2006 to 2010. Imports of cut flowers reached 114% of the previous year's figures in terms of both quantity and value, 44,145 tons and 32.3 billion yen, respectively.

Among the different items, chrysanthemums had by far the largest import volume. Increased use of different varieties of chrysanthemum at funeral services and increased demand for spray chrysanthemums in recent years has supported the growing trend in chrysanthemum imports.

Fig. 4 Changes in cut flower imports



Item	2006		2007		2008		2009		2010		Average unit price
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	
Roses	4,020	2,235	3,654	2,223	3,581	2,152	4,777	2,168	5,614	2,237	398
Carnations	5,350	4,734	6,170	5,596	6,299	5,578	6,946	5,627	7,965	6,788	852
Orchids	6,168	6,283	6,362	6,853	6,186	5,942	6,117	5,737	6,663	6,407	96
Chrysanthemum	13,351	7,667	13,150	8,097	13,478	8,171	14,634	8,409	17,602	10,488	60
Lilies	1,280	524	1,918	621	2,580	720	2,596	736	2,606	883	34
Other fresh cut flowers	3,945	4,818	3,600	4,606	3,186	3,778	2,715	3,340	3,070	3,691	120
Other	367	1,794	552	2,418	743	2,834	734	2,291	624	1,896	304
TOTAL	34,481	28,053	35,408	30,414	36,053	29,176	38,519	28,308	44,145	32,392	73

Units: volume=tons, value=¥ million, average unit price = ¥ per kilogram
 Note: Total is not always the simple sum for each column due to rounding.

Source: Trade Statistics (MOF)

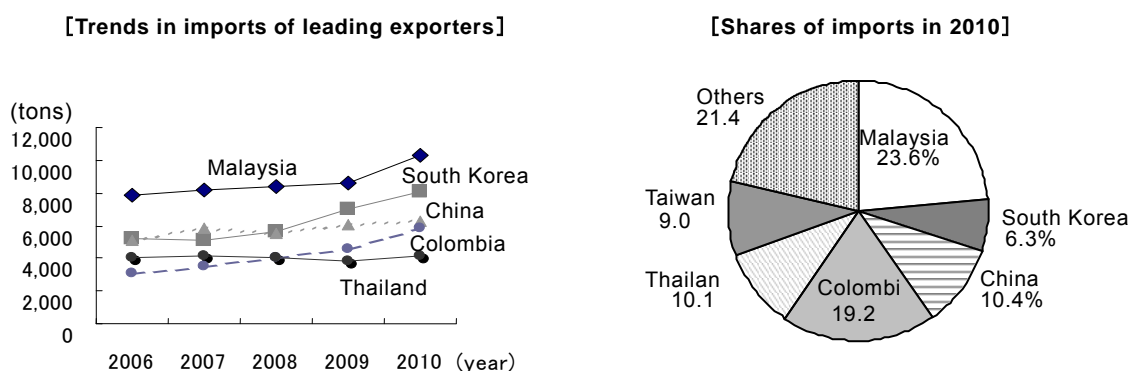
<Import trends by country/region>

Cut flowers are imported to Japan from countries around the world. In terms of quantity, the largest imports in 2010 came from Malaysia at 10,333 tons which accounted for 23.4% of total imports to Japan; Malaysia has remained the largest source of cut flower imports to Japan since 2006. Malaysia is followed by the Republic of Korea (8,102 tons, 18.4%) and China (6,237 tons, 14.1%), ranking 2nd and 3rd, respectively. As with the case with these three countries,

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countries of origin of cut flower imports to Japan are typically those in the Asian region due to their close proximity to Japan. The geographical connection to Japan gives Asian countries an advantage of shorter transit times, which makes it easier for them to keep the flowers for export fresher compared to countries more distant from Japan. As a result, Japan tends to choose Asian countries to import cut flowers from. In terms of import value, the country of origin with the largest imports was still Malaysia, and is followed by Columbia as the 2nd ranking country at 5,864 tons or 13.3%, which also ranks as the 4th largest importer in terms of quantity. This may have to do with the fact that the average unit price per kilogram of cut flowers imported from Columbia was 1,063 yen, which is higher compared to those of the Republic of Korea or China. Flowers imported from Columbia include roses and carnations, which are items that demand high quality, and thus are traded at relatively high unit prices. With certain items of cut flowers imported from countries such as China, pricing tends to matter more than quality, and imported flowers tend to be of lower unit prices. This causes flower prices to vary widely among the different countries.

Fig. 5 Principal places of origin of cut flowers



Country	2006	2007	2008	2009		2010				
	Volume	Volume	Volume	Volume	Value	Volume	Share	Value	Share	Average unit price
Malaysia	7,900	8,215	8,398	8,579	6,321	10,333	23.4%	7,648	23.6%	740
Republic of Korea	5,209	5,058	5,679	7,005	1,689	8,102	18.4%	2,029	6.3%	250
China	5,096	5,827	5,567	6,093	3,332	6,237	14.1%	3,357	10.4%	538
Colombia	3,124	3,529	4,062	4,615	5,026	5,864	13.3%	6,233	19.2%	1,063
Thailand	4,060	4,131	4,013	3,816	3,125	4,124	9.3%	3,263	10.1%	791
Taiwan	2,742	2,209	2,623	2,478	2,235	2,966	6.7%	2,907	9.0%	980
Vietnam	1,231	1,405	1,501	2,028	1,249	2,093	4.7%	1,278	3.9%	611
New Zealand	816	777	705	727	1,259	719	1.6%	1,369	4.2%	1,904
Kenya	760	745	485	442	565	564	1.3%	651	2.0%	1,154
India	871	842	669	583	420	531	1.2%	353	1.1%	665
Others	2,672	2,670	2,350	2,153	3,088	2,613	5.9%	3,304	10.2%	1,265
(Africa)	1,061	1,217	1,075	1,089	1,131	1,364	3.1%	1,332	4.1%	977
Total	34,481	35,408	36,053	38,519	28,308	44,145	100.0%	32,392	100.0%	734

Units: volume=tons, value=¥ million, average unit price=¥ per kilogram
 Note: Total is not always the simple sum for each column due to rounding.

Source: Trade Statistics (MOF)

<Import trends by item and by country/region>

Countries of origin with the largest imports of cut flowers to Japan for different items include the following: roses - the Republic of Korea (at 3,543 tons, 63.1% of imports to Japan); carnations - Columbia (5,357 tons, 67.3%); orchids - Thailand (4,052 tons, 60.8%); chrysanthemum - Malaysia (9,784 tons, 55.6%); lilies - the Republic of Korea (2,542 tons, 97.5%). Novelty used to be a quality expected in imported cut flowers, and a large amount of flowers of varieties not grown in Japan would be imported from certain limited countries, such as Dendrobium orchids from Thailand. Roles that imported cut flowers are expected to play have changed in recent years, however, and imports have been increasing from countries that provide cut flowers that meet Japanese market needs such as those concerning quantity, quality, and price. As a result, items of imported flowers are more diverse than before, and countries of origin of import

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also vary according to the different items.

Fig. 6 Principal places of origin of each cut flower (2010)

Variety	Rank	Country	Volume	Share	Yearly change	Value	Share	Yearly change	Average unit price
Roses	1	Republic of Korea	3,543	63.1%	125.5%	378	16.9%	101.4%	107
	2	Kenya	531	9.5%	91.2%	574	25.7%	137.1%	1081
	3	India	528	9.4%	126.4%	347	15.5%	72.7%	658
	4	Ethiopia	335	6.0%	105.3%	237	10.6%	106.7%	706
	5	Colombia	231	4.1%	126.5%	250	11.2%	132.2%	1081
Carnations	1	Colombia	5,357	67.3%	126.6%	5,059	74.5%	127.5%	944
	2	China	2,108	26.5%	96.2%	1,329	19.6%	102.7%	631
	3	Vietnam	266	3.3%	75.1%	146	2.1%	83.2%	547
	4	Ecuador	140	1.8%	177.5%	145	2.1%	157.7%	1034
	5	Turkey	48	0.6%	118.5%	56	0.8%	141.6%	1184
Orchids	1	Thailand	4,052	60.8%	108.1%	3,109	48.5%	104.5%	767
	2	Taiwan	1,421	21.3%	108.6%	1,514	23.6%	122.6%	1065
	3	Malaysia	538	8.1%	128.6%	523	8.2%	125.1%	971
	4	New Zealand	451	6.8%	99.7%	902	14.1%	108.7%	1998
	5	Singapore	73	1.1%	98.3%	83	1.3%	92.9%	1136
Chrysanthemum	1	Malaysia	9,784	55.6%	120.2%	7,112	67.8%	120.9%	727
	2	China	3,663	20.8%	114.7%	1,438	13.7%	133.6%	393
	3	Republic of Korea	1,804	10.2%	125.7%	729	7.0%	141.6%	404
	4	Vietnam	1,612	9.2%	110.4%	796	7.6%	99.7%	494
	5	Taiwan	494	2.8%	137.9%	188	1.8%	186.7%	381
Lilies	1	Republic of Korea	2,542	97.5%	99.7%	829	93.9%	120.0%	326
	2	China	45	1.7%	215.4%	36	4.1%	212.5%	804
	3	Colombia	13	0.5%	64.2%	12	1.3%	63.7%	936
	4	Taiwan	4	0.2%	97.1%	3	0.4%	72.5%	724
	5	Netherlands	1	0.0%	802.7%	2	0.2%	740.4%	1878
Other fresh cut flowers	1	Taiwan	1,046	34.1%	129.9%	1,202	32.6%	134.6%	1148
	2	Australia	427	13.9%	90.2%	460	12.4%	74.8%	1076
	3	Netherlands	351	11.4%	138.3%	727	19.7%	119.5%	2070
	4	South African Republic	276	9.0%	149.7%	248	6.7%	150.9%	897
	5	New Zealand	267	8.7%	97.5%	467	12.6%	108.7%	1746
Other	1	China	340	54.5%	78.1%	492	25.9%	65.5%	1446
	2	Colombia	123	19.8%	106.2%	801	42.3%	99.9%	6497
	3	Thailand	60	9.6%	98.5%	144	7.6%	101.0%	2406
	4	U.S.A.	46	7.4%	106.8%	49	2.6%	88.1%	1064
	5	Ecuador	21	3.4%	91.7%	298	15.7%	81.1%	14153

Units: volume=tons, value=¥ million, average unit price=¥ per kilogram
 Note: Total is not always the simple sum for each column due to rounding.

Source: Trade Statistics (MOF)

(2) Import Market Share in Japan

The proportion of imports in cut flowers has been expanding yearly. For instance, in 2009 the percentage of carnation imports that were handled at major wholesale markets almost doubled compared to the figure of five years previous, reaching 21.6% in terms of quantity. Chrysanthemums (spray chrysanthemums) and roses accounted for 22.7% and 13.4%, respectively, both up from their volumes of five years previous. Considered as the three major varieties of cut flowers; carnations, chrysanthemums, and roses are important flowers that are widely available in Japan. Even for such varieties that are very common in Japan, imports are becoming increasingly less uncommon.

Cut flowers imported to Japan are often those grown in areas with equable climate, and there are many countries that may be candidates as an origin of import of cut flowers. When flowers are grown in favorable conditions, it allows for a stable supply of cut flowers of constantly reliable quality, which, combined with the fact that there are a large number of potential countries of origin of imports, gives imported cut flowers the impression of being a reliable product. Imports are very well received in the Japanese cut flower market, and some imported cut flowers are traded at even higher prices than their domestically produced counterparts for their superior quality. Such a sense of reliability in terms of quantity and quality has been increasing the presence of imported cut flowers, winning more market share from domestic products.

Fig. 7 Major wholesale share of imported flowers (2009)

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	Volume	Share	Value	Share	Unit price	
					Imports	Total
Chrysanthemum subtotal	116	6.0%	5,902	6.3%	121	136
Chrysanthemum morifolium ramat	25	2.5%	1,066	1.9%	43	58
Spray chrysanthemum	91	22.7%	4,829	25.1%	53	48
Small chrysanthemum	0.3	0.1%	7	0.1%	25	30
Carnations	108	21.6%	4,083	18.9%	38	43
Roses	51	13.4%	2,644	9.5%	52	73
Lilies	8	4.1%	735	2.7%	95	144
Cymbidium	2	19.3%	998	31.1%	650	403
Dendrobium Orchid	74	74.3%	3,088	72.1%	42	43
Oncidium	17	61.4%	1,320	53.5%	79	91

Units: volume = million pieces, value = ¥ million, unit price = ¥ Source: Survey on Flowers Wholesale Markets in 2009 (MAFF)

Note 1 :Total is not always the simple sum for each column due to rounding. .

Note 2 :The table only includes flowers that can be identified as imported.

Note 3 :Shares are the ratio of each item to the wholesale total.

(3) Changes in Volume of Imports and Backgrounds

As discussed above, imported cut flowers have advantages in terms of quantity, quality and price, and are winning an increasing market share with an increase in the volume of imports, resulting in reduction of the domestic product share.

For cut flowers imported to Japan, flowers are grown in "right crops for right area"; different areas grow flowers that are best suited to each area (for instance, the natural environment of the area is suitable for the growth of a certain variety of flowers). This helps minimize declines in the quality or yield of flowers because of changes in climate, and allows the production of cut flowers of steady levels of quality and quantity. The fact that there are a large number of countries exporting cut flowers to Japan means that, even if one of the countries has issues with production, flowers may still be imported from other countries. These factors account for the stable quantity and quality of imported cut flowers.

The "right crops for right area" growing practice also creates price advantages. Cut flowers are imported from such countries as Malaysia and other Asian countries, Columbia, Ecuador and other South American countries, and Kenya, Ethiopia and other African countries; much of the imports come from countries located in tropical or subtropical highland areas with temperatures ranging from 15-20 degrees Celsius throughout the year, which creates climate conditions that are suitable for the cultivation of flowers. In such areas, cut flowers may be produced in cultivation facilities that do not require heating, thanks to the constantly temperate climate, which helps lower the cultivation costs for cut flowers. For instance, the average wholesale unit price of carnations in the entire Japanese market (including imports) is 43 yen, whereas that of imports is 5 yen lower at 38 yen.

In response to the rising presence of imported products, domestic cut flowers are being marketed with a difference in variety as a factor to differentiate them from their imported counterparts, as seen with flowers of "nuanced color". Domestic trends show that the intention of Japanese growers and authorities is to encourage a "compartmentalization" according to what is sought after in the marketplace: imports, where a certain level of quality and large quantity are priorities; and domestic products where flowers with character, such as "nuanced color", are required, but where there is no need to produce in large quantity.

5. Domestic Distribution

(1) Trade Practice

Cut flowers are traded at flower wholesale markets around the country (136 markets as of 2011). It is customary at the flower markets that the volume of incoming shipments of cut flowers are larger on certain days of the week than others, and the volume on a day with fewer incoming shipments may be about one-tenth of that of a day with more shipments. Such days with larger incoming shipments are referred to as "omote-bi (front-side days)," which usually fall on Mondays, Wednesdays, and Fridays. Days with smaller incoming shipments, on the other hand, are referred to as "ura-bi (back-side days)," or Tuesdays and Saturdays. Although the flower wholesale markets are typically open five days a week for trading, the omote- and ura-bi system means that trading is conducted virtually three days a week.

The fact that trading is not conducted every day, combined with a long-standing practice in which many wholesalers put flowers up to auction in the order of arrival to the market rather than giving priorities to more perishable flowers, has resulted in the current trading conditions that are not necessarily optimal to growers and retailers who intend to place a greater focus on improving the shelf life of flowers.

(2) Domestic Market Situations

<Domestic market trends>

The Japanese flower industry is considered to be valued at approximately 1,200 billion yen, inclusive of production through distribution, processing, and retailing. As the flower industry worldwide is considered to be valued at about 12 trillion yen, the Japanese market accounts for one-tenth of the industry worldwide, ranking itself among one of the largest markets in the world.

The Japanese cut flower market has steadily grown as more consumers come to enjoy flowers in their everyday life, although it is gradually falling into a state of stagnation as of late. Approximately 5 billion units of cut flowers were traded wholesale in 2009, which represented about a 2% decline from the previous year. This may have been due to different reasons according to uses of cut flowers.

Uses of cut flowers may be divided into roughly two categories: business uses, such as hotel parties, etc., ceremonial functions, exhibitions, events, Japanese- or Western-style flower arrangement lesson materials; and household uses such as those for offerings at Buddhist altars, household use; and get-well, celebratory or other personal gifts. Of these, business uses have faced a large drop in demand due to the economic downturn that has caused more businesses to hold off on buying such "non-essentials" as cut flowers in order to reduce budgets. As for household uses, on the other hand, cut flowers are regarded as luxury goods, and there are always people who enjoy flowers or wish to have flowers in their everyday life; consequently, the weak economy has caused demand to shrink, but not as much as the drop in business uses.

Looking at the occasions during the Japanese year when people buy cut flowers, in recent years demand has been particularly higher in months that contain holidays, including March (equinoctial week), May (Mother's Day), August (Bon festival or the Buddhist festival of the dead), September (equinoctial week), and December (end of the year and preparations for New Year). Meanwhile, the trend in which the average annual purchase of cut flowers is higher in older populations shows that the use for offerings at Buddhist altars accounts for a large part of the domestic use.

Another major use other than that for Buddhist altar offerings is household use. Cut flowers, being considered as a luxury good in principle, are in demand for household use and are often used as room decorations. Cut flowers that have long shelf life, seasonality, a large choice of colors, and high quality are in high demand. Cut flowers for gift uses, on the other hand, have a different type of demand than that of household use, even if both types are personal purchases; expensive-looking varieties such as lilies, cymbidiums, and Phalaenopsis orchids are in high demand. Other than these, flowers with distinctive shapes or flowers with other features such as tropical flowers and Australian native flowers have potential for higher demand, yet sales of such flowers are small at present.

Fig. 8 Changes in cut flower demand

Fig. 9 Changes in yearly household expenditures on flowers by age of householder

-Cut Flowers-

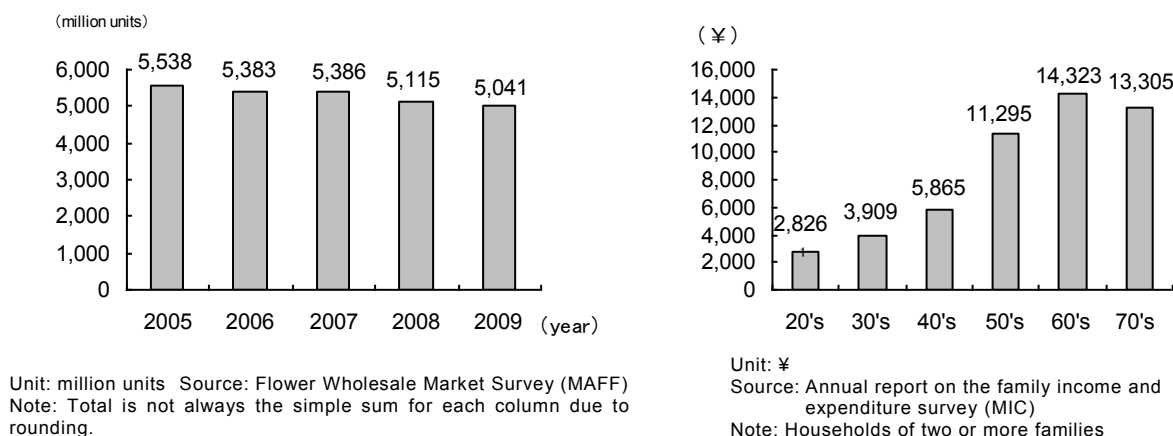


Fig. 10 Changes in yearly household expenditures on flowers

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expenditures	11,553	11,536	11,540	11,020	10,697	10,602	10,722	10,828	10,327	10,136
% change	—	99.9%	100.0%	95.5%	97.1%	99.1%	101.1%	101.0%	95.4%	98.2%

Unit: ¥ Source: Annual report on the family income and expenditure survey (MIC)
 Note: Households of two or more families

<Trading of cut flowers by item>

Among cut flowers traded in Japan, the flower in highest demand is the chrysanthemum. Demand is highly pronounced as demonstrated by the fact that, of the approximately 5 billion cut flowers that are traded wholesale at flower wholesale markets, about 1.9 billion flowers or 40% of the total are chrysanthemums. This is followed by carnations (approximately 490 million units) and roses (approximately 370 million units). These flowers are considered as the three major cut flowers in Japan.

Such a large volume of trade of chrysanthemums is supported partly by the demand for them for offerings at Buddhist altars, particularly for funerals. Demand trends vary among different varieties of chrysanthemums, however; demand is falling for *Chrysanthemum morifolium ramat*, while it is growing for spray chrysanthemums. One explanation for this is that, as the traditional view of chrysanthemums being the flower for funerals loses favor and is not as universally supported as it used to be, flowers that would not traditionally be used for funerals, such as Western varieties and bright-colored flowers, are becoming increasingly popular; and Western flowers look better with spray chrysanthemums rather than *Chrysanthemum morifolium ramat*, resulting in an increase in the use of spray chrysanthemums.

Carnations are often purchased as a Mother's Day gift, thus Mother's Day in May makes for the largest demand period of the year. Another occasion of note may be St. Valentine's Day (February 14h). While it is customary in Japan for women to present men with chocolates, there are some movements to encourage men to give women flowers in the name of "Flower Valentine." At present, it has yet to produce any influence over the demand for cut flowers including carnations.

Roses are an item that account for only 10% of all cut flowers, which is very small considering that roses are very well known. This may be because roses are not a common choice for household use as their uses are limited to those for weddings and gift giving. As a recent trend, roses of "rose-like appearance" have begun to be replaced by "roses that are not very rose-like," which are gaining more popularity and often featured in flower magazines. As typified by such varieties as *La Campanella* and *Yves Piaget*, these "not-so-rose-like roses" often have a milder shape and sweet scents. Because these roses "have soft petals which demands meticulous attention in the distribution process so as not to damage the flowers" or "aromatic roses have shorter shelf life than other varieties, and are not suitable for long hours of transportation", those available on the market are largely domestically grown specimens.

-Cut Flowers-

Imported roses, meanwhile, are often those of "rose-like appearance" that are universally accepted, such as Pareo 90 and Tineke. Imported flowers require longer hours of transportation by air or ship compared to domestic products, and many of them are of long shelf life. As rose-growing areas overseas target not only Japan but other markets around the world, varieties grown in such areas are typically those with universal appeal, and not necessarily those that are popular in Japan.

Fig. 11 Flower transaction at major wholesale markets (2009)

Item	Wholesale volume	Yearly change	Wholesale volume	Yearly change	Wholesale volume	Yearly change
Chrysanthemums (subtotal)	1,945	99.7%	93,516	92.8%	48	92.3%
Chrysanthemum morifolium ramat	985	98.3%	57,328	94.4%	58	95.1%
Spray chrysanthemum	400	102.0%	19,259	92.0%	48	90.6%
Small chrysanthemum	560	100.5%	16,929	88.6%	30	88.2%
Carnations	499	102.5%	21,617	95.6%	43	93.5%
Roses	379	94.2%	27,725	93.0%	73	98.6%
Lilies	187	102.3%	26,881	94.0%	144	92.3%
Stock	74	122.3%	4,129	100.2%	56	82.4%
Statice	140	95.1%	6,353	89.2%	45	93.8%
Eustoma	121	95.7%	13,217	93.9%	109	97.3%
Freesias	34	95.3%	1,313	88.0%	39	92.9%
Gladiolus	38	103.8%	1,969	91.2%	52	88.1%
Orchids (subtotal)	163	96.8%	14,894	91.2%	91	93.8%
Cymbidium	8	102.4%	3,206	89.7%	403	87.6%
Dendrobiumphalaenopsis	99	94.8%	4,280	86.6%	43	91.5%
Oncidiums	27	98.8%	2,468	93.4%	91	94.8%
Perennial baby's breath	69	97.6%	5,266	92.0%	76	93.8%
Alstroemeria	76	101.1%	5,418	93.9%	71	92.2%
Gerbera	192	96.2%	5,689	88.7%	30	93.8%
Sweet pea	124	94.2%	3,397	91.7%	27	96.4%
Tulip	58	91.6%	3,219	86.9%	56	94.9%
Gentian	105	105.6%	4,159	86.4%	40	83.3%
Delphinium	41	91.6%	3,203	86.4%	78	94.0%
Other cut flowers	796	95.6%	36,511	89.2%	46	93.9%
Cut flowers (total)	5,041	98.5%	278,477	92.3%	55	93.6%

Units: volume = million units, value = ¥ million, average unit price = ¥ Source: Survey on Flowers Wholesale Markets in 2009 (MAFF)
Note: Total is not always the simple sum for each column due to rounding.

<Distribution trends for cut flowers produced in Africa>

Another recent trend is the increase in imports of roses from Kenya and Ethiopia, transported by Dubai carrier Emirates Airlines, via Dubai, where The Dubai Flower Centre was opened in 2006 as a hub for global flower distribution. In 2005, Kenya ranked 7th among the countries with the largest rose imports to Japan while Ethiopia did not export to Japan. Imports from the two countries have since increased steadily, and in 2009 Kenya and Ethiopia had the second and ninth largest rose imports to Japan, respectively.

East Africa countries such as Kenya have long daylight hours with a large difference between daytime and nighttime temperatures, which makes for optimal growing conditions for roses. Their less clearly defined seasons are also an advantage in that roses may be shipped to Japanese markets even during the summer, when domestic production of roses drops. Roses grown in Africa are often of varieties with large blossoms and impressive looks compared to those grown in India or the Republic of Korea, and are reasonably priced for their superior quality. For these reasons, demand for African roses is growing in Japan with major sales at supermarkets and mass retailers.

<Trends for preserved flowers and organic flowers>

Roses are used in nearly 90% of preserved flowers, which are products that are primarily used for wedding and gifting giving purposes. To make preserved flowers, fresh flowers are treated by making blossoms suck up a special solvent to remove moisture and pigment, then preservative and coloring agents are added to ensure that the flowers may be kept in their best form for a long period of time. Their appeal can be attributed to several factors: colors are less prone to fade and the color, shape and freshness of the flowers can be preserved for several years. Preserved flowers have been available in Japan since 1996, but more shops are now offering them as a "kawaii (cute)" item; such concept-driven

-Cut Flowers-

preserved flower products are becoming more popular as products with a focus on design are generally well received among younger Japanese, such as young women, who would not normally be interested in fresh flowers.

Also appearing in recent years are organic flowers, or flowers that are grown without the use of chemical fertilizers or pesticides. Not only must organic flowers be grown without the use of chemical fertilizers or pesticides during production, fields cannot be used for a certain period of time after growing organic flowers, in order for the flowers to be labeled as organic. Such restrictions demand a large amount of time and effort for the growers, consequently there are very few producers of organic flowers in Japan. Because they are grown without the aid of chemical fertilizers or pesticides, organic flowers are also extremely delicate and thus less suitable for long-distance transportation, which means that there are only a very small amount of imports from overseas.

For these reasons, the volume of organic flowers available in Japanese markets is insubstantial at present.

(3) Distribution Channels

<Distribution channels>

In the normal course of distribution, growers in Japan (and overseas) ship their cut flowers to wholesale markets, where retailers buy flowers and sell them to consumers. According to the wholesale market data collection compiled by the Ministry of Agriculture General Food Policy Bureau, approximately 80% of cut flowers were traded at wholesale markets in 2007. Compared to percentages for other produce such as fruits, vegetables and marine products that stand at about 60%, the rate of cut flowers being traded at wholesale markets is fairly high.

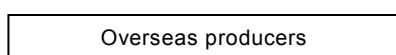
Methods of trading cut flowers at markets include auctioning and negotiation transactions, in which market traders take orders from buyers first, then send shipment orders to producers. As bulk buying by large-scale retailers such as supermarkets and flower shop chains becomes more common, certain levels of stability are increasingly required in the quantities, quality, and prices of products, which has resulted in a decline in the use of auctioning that imposes the risk of price fluctuations (i.e. if a buyer intends to put in a large order, that order may cause the prices to increase). In 2008, the rates of auctioning and negotiation transactions were approximately 40% versus 60% on a monetary basis. The percentage for auctioning had become about a half of the level ten years previous.

Importing of cut flowers is handled by importers specialized in cut flowers. In some cases, wholesale flower markets serve the role of a trading firm and handle importing.

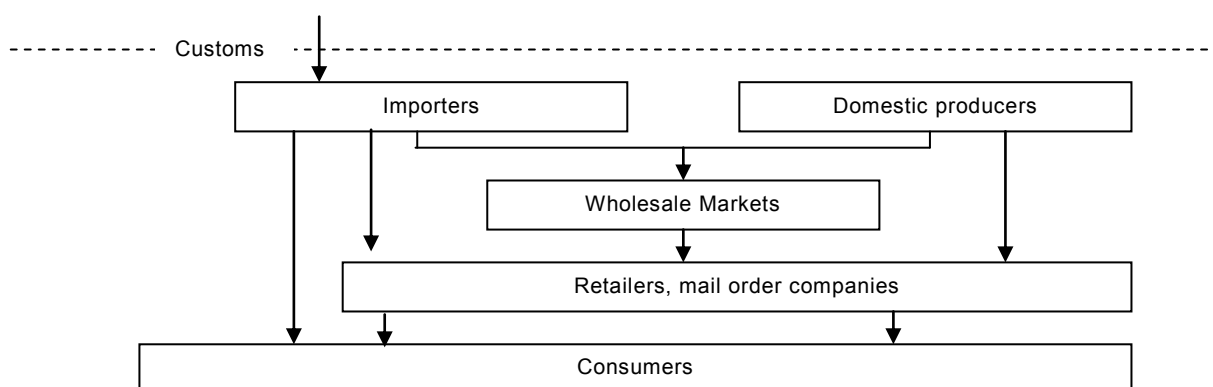
<Logistics>

Methods of transportation of cut flowers are roughly divided into two manners: packing cut flowers in cardboard boxes for shipping without a water supply, or "dry transportation"; and shipping flowers with a water supply, or "wet transportation." Among the wet transportation methods, the one that uses buckets specially designed for this purpose is called bucket transportation. Wet transportation provides a constant supply of water to cut flowers, hence keeping the flowers very fresh. While dry transportation is mainstream in Japan, the introduction of wet transportation has been increasing lately for it is superior in preserving the freshness of flowers and enables cut flowers to have a longer shelf life to meet consumers' demand. According to the Flower Industry Promotion Office at the Ministry of Agriculture, wet transportation accounted for 7.9% of all cut flower shipments in 2008.

Fig. 12 Distribution channels for fresh cut flowers



-Cut Flowers-



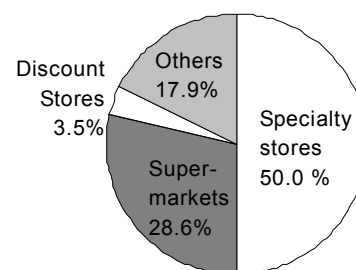
<Sales by retailers>

Types of retailers that sell cut flowers include specialized flower shops and supermarkets. A break down of market share indicates that specialized flower shops, with over 50% share, remain the most important type of retailers, although their share is shrinking. After specialized flower shops, mass retailers such as supermarkets and discount stores have large shares. A recent trend in specialized flower shops is to target store operations. Traditionally, the mainstream policy was to sell flowers that suited all occasions and all ages from the youth to the elderly. However, as people's views and lifestyles have become increasingly diversified and their flower needs are also becoming more personalized, targeted flower shops are emerging. For instance, recent flower shop chains that focus their business activities on household uses typically have locations in areas where certain levels of traffic are secured, such as buildings connected to railway stations and on busy shopping streets. This enables the building of repeat business. Some other chains have locations in urban areas and handle expensive flowers, targeting luxury clientele and developing their stores accordingly.

Another trend these days is the increase in the mail-order purchase of cut flowers. Mail-order service is often used for same-day delivery of flowers for weddings or funerals, and increasingly for household uses. The mail-order business is in fierce competition with many suppliers, including other businesses than flower shops. Because users buy products based only on images without seeing the actual products when buying by mail-order, the reproducibility of the products shown in pictures is required. Rare varieties of flowers and trend-sensitive designs are also proving to be popular with consumers' needs. There still remain some issues with mail-order service, however, including possible mishandling of products during transportation and cases in which flowers cannot be delivered to cold places, and so on.

Fig. 13 Shares of retailers by type

Type or retailer	1994	1999	2004	2009
Specialty store	70.7%	61.2%	57.1%	50.0%
Supermarket	12.5%	19.9%	23.0%	28.6%
Discount store	1.1%	1.7%	3.4%	3.5%
Co-op store	1.8%	1.7%	2.8%	2.7%
Department store	2.1%	2.6%	1.8%	1.8%
Mail-order	0.3%	0.4%	0.4%	1.0%
Convenience store	0.3%	0.3%	0.3%	0.3%
Others	11.3%	12.2%	11.1%	12.0%
Total	100.0%	100.0%	100.0%	100.0%



Note: Monthly purchases of household of 2 or more families by type of retailer
 Source: National Survey of Family Income and Expenditure (MIC)

(4) Issues and Considerations for Entering the Japanese Market and Marketing Method

<Points of note during transportation>

-Cut Flowers-

Imported cut flowers are subject to plant quarantine, and Japan is known for having one of the world's most rigorous plant quarantine. About 10% of imported cut flowers are treated by methyl bromide fumigation for disinfection as a result of detection of mites and other insects, but this causes the deterioration of flower quality, accompanied by an inevitable price cut. Time required for fumigation procedures is also an issue as it makes it difficult to guarantee a scheduled delivery, which may in turn affect trading.

In order to ensure that cut flowers pass the plant quarantine, as well as to keep freshness and improve shelf life, it is necessary to implement rigorous quality control throughout each step of the production and transportation process. For instance, when flowers are shipped by bucket transportation, failure to perform thorough low-temperature control and antibacterial measures may compromise the product quality. Improving the freshness and shelf life will also help raise the product values of cut flowers in the Japanese market.

A: Quality control in producer countries prior to importing (thorough pre-importing measures)

- a) Pest control at growing sites
- b) Adequate product sorting before importing
- c) Creative packaging
 - Adding anti-bacterial preservatives to water, packing a piece of synthetic resin containing evaporative insecticides, etc.

B: Measures to keep product freshness by importers

- a) Implementation of refrigeration system
 - Installing pre-cooling system (cooling to 5 degrees Celsius or lower before packaging)
 - Using dry ice or ice packs
 - Refrigerating products before and after customs clearance
 - Treating flowers with life-extending procedures to protect them from ethylene gas, such as treating flowers with chemicals containing silver nitrate or silver thiosulfate after removal from water, making porous materials absorb ethylene gas, etc.
 - Supplementing glucose or treating flowers with solution containing disinfectants to prevent parts near cut surface from decaying

<Marketing approaches>

Domestically-produced cut flowers are marketed to compete with their imported counterparts by differentiation of varieties, such as superior freshness, branding of growing areas, and realization of "nuanced colors" that appeal to Japanese people's taste, and so on. In marketing imported cut flowers, it is important to capitalize on advantages of imported products by carefully weighing the characteristics of domestic and imported products; in other words, the key is to provide products with high quality and superior shelf life in stable quantities and price settings.

Fig. 14 Characteristics of domestic and imported products

	Characteristics of domestic products	Characteristics of imported products
Production system	The yield and quality of flowers depend on weather. High-mix low-volume production.	The right crop for right land system allows the stable supply in both quality and quantity. The need for bulk transactions can be met.
Price	Costly (e.g., Using heaters for production). Seasonal variations.	Lower labor costs and hence price competitive. Risk of exchange fluctuations.
Certainty of goods arrival	The arrival of goods is guaranteed.	The arrival date of goods is not always guaranteed due to treatment of plant quarantine.
Breed	Production meeting the needs of Japanese consumers. Varieties of breed.	Breed selection based on global market needs. Limited varieties compared to domestic flowers.
Freshness	Fresh.	Vulnerable to decrease in freshness.

(5) Examples of Developing Countries' Products in Japan

Examples of imports from developing countries include those from Kenya and Columbia.

-Cut Flowers-

Cut flowers from Kenya used to be imported to Japan via European markets. Taking such a route, however, results in long transit time, making it difficult to keep the freshness of the flowers. With an aim to reduce the transit time, producers have started to use direct flights from Nairobi to Narita, to trade directly with Japanese importers. There are no longer direct flights between Nairobi and Narita, but cut flowers are currently imported via Dubai by Emirates Airlines, and imports of roses from Kenya are on the increase.

In Columbia, the Colombian Association of Flower Exporters (Asociación Colombiana de Exportadores de Flores; Asocolflores) has its own environmental certification called Florverde. Acquiring this certification can give flowers the image of being environmentally friendly, and helps in the promotion of Columbian flowers. The Florverde certification logo is used in product promotion in industry papers and at exhibitions. At the International Flower Expo Tokyo (IFEX) held in Japan, the Asocolflores has a booth that provides the opportunity to promote Columbian flowers.

(6) Import Promotion Activities

The Japan Floral Marketing Association organizes the International Flower Expo Tokyo (IFEX) for a few days every year. Considered as Asia's largest exhibition in this field, the IFEX hosts various seminars and flower exhibitions.

Meanwhile the Japan Florists' Telegraph Delivery Association held its' first Flower Summit in April 2010, inviting people from Japanese flower industries as well as those from foreign embassies in Japan to have discussions on the dissemination and development of "flower culture" and promote understanding. Participants included those from the embassies of Ethiopia, Malaysia, Thailand, Netherlands, Ecuador, among others. The association intends to hold the Flower Summit on a continuous basis. There are also other events for specific items of flowers, such as the International Roses & Gardening Show.

Fig. 15 Exhibitions and other events of cut flowers

Name of Events	Date	Details
International Flower Expo Tokyo (IFEX)	Annually Around Oct.	General exhibition of flower products sponsored by the Japan Floral Marketing Association
Flower Summit	Annually Around Apr.	Workshop for exchanging views to promote flower products, sponsored by the Japan Florists' Telegraph Delivery Association
International Roses & Gardening Show	Annually Around May	Sponsored by the International Roses & Gardening Show Organizing Committee (Mainichi newspapers, NHK, Sports Nippon Newspapers)
Japan Flower & Garden Show	Annually Around Mar.	General exhibition of flower products sponsored by the Japan Home Garden Association
Flower Dream in Tokyo	Annually Around Jul.	General exhibition of flower products sponsored by the Japan Florists' Telegraph Delivery Association

6. Related Organization

Fig. 16 Related organizations

Organization	Contact	URL
Japan Cut flower associate	TEL: +81-3-5465-1187	http://www.jcfa.com
Japan Flower Wholesale Market Association (JFMA)	TEL: +81-3-3291-6987	http://www.jfma.jp
Japan Flower Promotion Center Foundation (JFPC)	TEL: +81-3-3664-8739	http://www.jfpc.or.jp
Japan Floral Marketing Association	TEL: +81-3-3238-2700	http://www.jfma.net/
Japan Florists' Telegraph Delivery Association	TEL: +81-3-5469-5829	http://www.jftd.or.jp
The Japan Home Garden Association	TEL: +81-3-3249-0681	http://www.kateiengei.or.jp