

“Japanese Food Exports”

Growing market for sake and green tea

The nuclear accident at Fukushima Daiichi Nuclear Power Plant and the strong yen mean that Japan’s food exporters are facing tough times. Meanwhile, national commitments continue to bring high quality Japanese foods to increasingly health conscious consumers around the world.

Global movement to tighten food safety controls

Exports of Japanese foods have begun to rally following the major meltdowns at three reactors in the Fukushima Daiichi Nuclear Power Plant (hereinafter the “nuclear accident”) that were caused by the Great East Japan Earthquake of March 2011. In 2012, Japan recorded a total of 173.76 billion yen in food exports for the six months from April through September, 7.1 percent up over the same period a year earlier. While these figures are indicative of its recovery, Japan’s food exports are 7.9 percent down compared to the same period in 2010 and food exporters continue to face a tough environment.

The historically strong yen is another factor that is hurting Japan’s exports. Many companies that export to Europe and the United States have expressed their concerns about the impact on their business of the ongoing strength in the yen. Japanese food exports amounted to 359.06 billion yen in 2011, 11.6 percent down from the preceding year¹.

Again, while governments around the world have begun to relax the inspections and regulatory controls imposed in connection with the nuclear accident, many still remain in place. Numerous safety tests and regulatory measures continue to apply, including import suspensions, requirements for certificates of origin or radioactivity levels testing, and sample inspections at ports of entry. According to an update from Japan’s Ministry of Agriculture, Forestry and Fisheries (MAFF) regarding import controls on Japanese foodstuffs, as of October 16, 2012, a total of 42 countries and regions have imposed some form of restriction as a result of the nuclear accident.

Aside from the restrictions being imposed in connection with the nuclear accident, there is a worldwide movement to reinforce food safety controls. Countries and regions throughout the world, including Japan, have reported a series of incidents/accidents involving threats on food safety in recent years. According to data from the U.S. Food and Drug Administration (FDA), approximately

¹ All figures are taken from Ministry of Finance. The total comprises the value of exports of “food and live animals” and “beverages and tobacco.”

3,000 people die and 48 million people get sick every year from food-related illnesses. Many will recall the serious cases of food poisoning caused by frozen meat dumplings that occurred in China in 2007, but numerous incidents involving the illegal use of clenbuterol (a beta-2 agonist and sympathomimetic amine that is used to treat breathing disorders; when fed to livestock it accelerates growth and increases the proportion of lean meat) in porcine feed continued to be reported as late as 2011.

With this underlying trend, the FDA implemented the Food Safety Modernization Act (FSMA), in January 2011. The FSMA places significantly tougher regulatory requirements on all business operators supplying food that is consumed in the U.S.. The new law requires FDA to strengthen its inspections of the registered foreign food facilities (factories, etc.) and requires foreign firms to have written plans for hazard analysis and risk-based preventive controls for human food, as well as extending the coverage of this rule. The FSMA allows the U.S. to temporarily halt exports from a registered facility if it determines that the food manufactured and/or processed at that facility poses a reasonable probability of serious adverse health consequences or death, and the FDA can refuse entry into the U.S. of food from a foreign facility if it denied inspections. Thus, the new law has a huge impact on food facilities throughout the world, not to mention Japan.

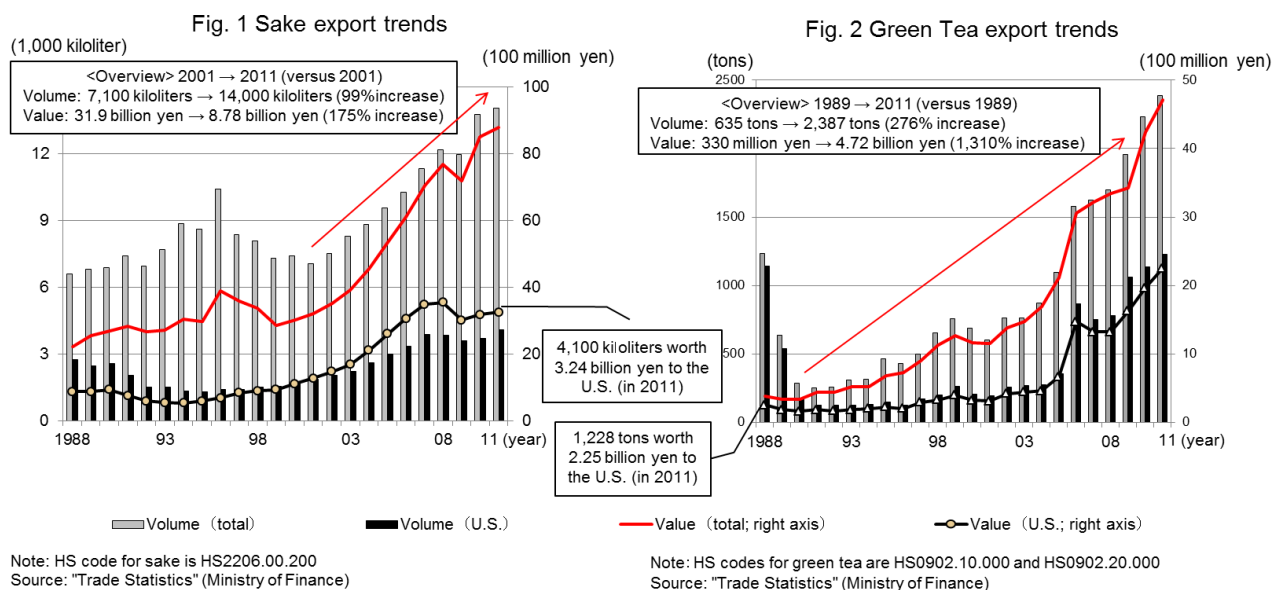
In Europe, meanwhile, efforts are being stepped up to encourage food manufacturers to acquire globally recognized Food Safety System Certification (FSSC), such as the FSSC 22000. The Global Food Safety Initiative (GFSI) is managed by The Consumer Goods Forum (TCGF), a global network of multinational food retailers and manufacturers including Tesco and Carrefour, and is working towards worldwide harmonization of food safety standards and improved cost efficiency in the food supply chain. In Japan, Coca-Cola (Japan) Company, Limited and other leading retailers and manufacturers established the Japan TCGF in August 2011.

The FSSC 22000, which is a GFSI benchmarked standard, is more rigorous than the ISO 22000 standard for food safety management systems on which the International Organization for Standardization (ISO) set forth. Even so, Japanese food manufacturers are also seeking to acquire FSSC 22000 accreditation, primarily due to a rise in requests for this certification from their foreign and domestic business partners. In China, too, the Administrative Measures for Registration of Overseas Manufacturers of Imported Food was issued in March 2012 (entered into force in May). These measures set forth specific requirements in respect of the registration procedures to be completed by overseas manufacturers of food exports for the Chinese markets, documentary requirements, and the terms and conditions for registration.

Exports of some Japanese foodstuffs are increasing

Despite the tough business environment Japan's food industry faces, exports of certain

commodities have increased conspicuously. Chief among these are Japanese rice wine (refined sake) and green tea. In 2011, exports of Japanese sake reached record levels both in terms of volume and value. Exports of green tea, meanwhile, reached their highest level since 1989 (again, in terms of both volume and value), marking a bright spot for the nation's food industry. When compared with the worst years in the past ten years for exports of the two products and 2011, exports of sake points to a 99-percent increase over 2001 in volume to 14,000 kiloliters and a 175-percent increase in value to 8.78 billion yen, while exports of green tea are up by 276 percent over 1989 to 2,387 tons, and the full value of green tea exports has soared by 1,310 percent to 4.72 billion yen (see Figures 1 and 2).



Of note was a marked tendency towards the premium grades: *daiginjo*, *ginjo* and *junmaishu* among exports of Japanese sake to the United States and Hong Kong—the leading export destinations for this commodity in 2011. Japan's sake breweries have developed promotions for U.S. buyers that highlight the extensive knowledge and/or stories concerning the characteristics of the brand or the history of the brewery, and imports of premium sake have grown as a result.

In Hong Kong, consumption of sake and wine has increased following the removal of all duties on liquor (all liquor with an alcoholic strength of not more than 30 percent by volume) introduced in 2008. Locally brewed boutique sake has gained a following among wealthy people of Hong Kong and this is boosting consumption of premium grade sake in the territory. There has been an exponential increase in value of Japanese sake exports to Hong Kong, which climbed 21.4 percent to 1.529 billion yen year-on-year basis in 2011.

Many countries are also looking at Japanese green tea. In the United States, the leading importer of green tea, the consumption of Japanese green tea is growing on the back of the increase in the number of Japanese restaurants, the sales expansion of green tea at major grocery store chains, and

the sales of green tea/matcha (powdered green tea)-flavored beverages at chain store cafes. There has been a marked increase in the value of high-end green tea exports, which are prized for their quality, and in 2011 totaled 2.252 billion yen (14.7% up over the preceding year). High quality, high price sake and green tea products are thus a growing business for Japan's exporters.

Government introduces 1-trillion yen food export target

The Japanese government has introduced a policy that aims to promote joint public-private sector initiatives intended to support producers of agriculture, forestry, fisheries and food products in their efforts to develop overseas markets, in line with its goal to increase the value of Japanese food exports to 1 trillion yen by 2020. The government is expecting JETRO to make a major role. In January 2012, JETRO set up the Headquarters of Export Activities of Agriculture, Forestry, Fisheries and Food, and concerted efforts are being made to expand overseas markets for these products. To give a specific example of JETRO's activities in this area, the organization hosts seminars in many places throughout the country to increase business operators who are interested in exports. It supports local business operators to participate in major food industry trade shows, such as SIAL China 2012 in Beijing, or extends invitations to foreign food buyers to Japan. The SIAL China 2012 trade show of May 2012 was the first industry event at which JETRO had participated since the nuclear accident in March 2011. The Japan pavilion was packed primarily with Chinese buyers throughout the event, providing fresh evidence of the demand for Japanese foods in China.

In addition, in June 2012, JETRO released a request to the government as a five-point policy proposal regarding the support for exports of agriculture, forestry, fisheries and food².

Japan's agriculture, forestry, fisheries and food-related businesses will continue to face challenges, including the ongoing strength in the yen, which need to be overcome in order to promote exports of these products in 2013. In a questionnaire survey targeting domestic businesses directly engaged in, or businesses interested in, the agriculture, forestry, fisheries and food industries undertaken by JETRO in 2011, whether they were affected by the nuclear accident or the strong yen, 90 percent of the former and 80 percent of the latter were the answers. At the same time, however, more than 90 percent stated that they would "continue exporting," suggesting that Japanese food retailers and producers remain positive towards the business prospects offered by overseas markets. The strong enthusiasm of Japanese food businesses and other interested parties with the support of the government holds possibilities to create an increasingly rosy picture for 2013.

² The five proposals are as follows: (1) continuous efforts to urge other countries/regions towards the early removal of import restrictions related to the nuclear accident, (2) measures to deal with food safety restrictions by individual countries, (3) promotion of talks on the quarantine of animals and plants, (4) development of a system for intellectual property protection, and (5) strategic responses to logistics.

Note: This article is based on information as of December 2012.

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