

3. Nuts

This chapter defines nuts according to the H.S. code of the Tariff Schedule (Fig. 3-1), covering imports as well as domestically-produced walnuts and groundnuts.

Fig. 3-1: Scope of coverage for nuts in this chapter

Category	Description	H.S. code
Nuts	Coconuts	0801.11, 19
	Brazil nuts	0801.21, 22
	Cashew nuts	0801.31, 32
	Almond	0802.11, 12
	Hazelnuts	0802.21, 22
	Walnuts	0802.31, 32
	Chestnuts	0802.40
	Pistachios	0802.50
	Macadamia nuts	0802.60
	Other	
	Betel nuts, pecans, other	0802.90
Ground-nuts	1202.10, 20	

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of nuts is regulated primarily by the following laws: 1) the Customs Act / the Act on Temporary Measures concerning Customs, 2) the Plant Protection Act, and 3) the Food Sanitation Act.

<Customs Act and Act on Temporary Measures concerning Customs>

Of nuts, groundnuts are subject to import restriction. The ministerial ordinance on the tariff-rate quota system for corn, etc. under the Customs Act and the Act on Temporary Measures concerning Customs establishes the tariff-rate quota system for the purpose of domestic producers, and applies to groundnuts. Under the tariff-rate quota system, a lower tariff rate, or the primary tariff rate, is applied only to imports of below certain quantity for the purpose of securing that imported products are available to consumers at lower prices, while imports above the quota limit are subject to a higher tariff rate, or the secondary tariff rate.

Meanwhile, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned under the Customs Act.

There is also a system in which reduction or exemption of tariff duty may be granted by obtaining approval from the chief of an individual customs office when importing groundnuts for the production of groundnut oil (Article 13. of the Customs Tariff Act).

<Plant Protection Act>

Dried nuts that have not been heat-processed are handled as fresh produce, and undergo quarantine procedures, including screening for contamination by any pests or harmful plants, under the Plant Sanitation Act. Quarantine procedures performed at airports and ports are under the authority of the regional Quarantine Stations. Nuts that are individually packaged even if fresh, and those that have been seasoned, are exempt from the Plant Protection Act, and subject to food sanitation inspection under the Food Sanitation Act.

Appendix 2. of the Ordinance for Enforcement of the Plant Protection Act stipulates that the importing of cashews, walnuts, etc. is prohibited from certain countries and regions for which the contamination with quarantine pests has been detected in the past, and as of March 2011, the importing of these nuts is prohibited from a number of countries and regions due to quarantine pest issues (however, those tightly sealed in containers for retail sale and processed products are exempt from the food sanitation inspection, and such products are not subject to import ban even if they fall in the category of the region and item that are banned for importing under the Plant Protection Act).

Care should be taken as infestation with pests or harmful plants may occur during the process of storage and transportation, even if there is no contamination at the production stage.

No item with soil attached to it can be allowed for import; any soil must be removed before the importing process.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, nuts are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, nuts should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of 2011, of the nuts that are subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act), items subject to compulsory testing regardless of the country of origin include ground-nuts and processed ground-nuts and pistachios (both of which are tested for aflatoxin). By specific country of origin, such items include almonds produced in Italy (aflatoxin), etc.

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

There is no specific law applicable to the sales of nuts. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of nuts in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of nuts in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (paper containers and packaging, plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures**(1) Procedures for Authorization of Importing and Sales****<Tariff-rate quota>**

Under the tariff-rate quota system applicable to the importing of groundnuts, those who wish to receive tariff-rate quota must file the required documents (Fig. 3-3) to the International Economic Affairs Division, International Affairs Department, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries, in accordance to the ministerial ordinance on the tariff-rate quota system for corn, etc. under the Customs Act and the Act on Temporary Measures concerning Customs. In order to apply to become an enterprise approved for tariff-rate quota, one must qualify for requirements such as "having experience in import custom clearance for groundnuts and being trusted to handle importing by themselves."

Issuance of certificates is handled by the Agricultural Production and Livestock Industry Division, Agriculture, Forestry and Fisheries Department, Okinawa General Bureau, Cabinet Office.

<Plant Inspection>

Because the Plant Protection Act rules that bulk importing of fresh nuts is handled only at certain seaports and airports that are capable of sufficient plant protection measures for the purpose of preventing diseases and pests from entering the country, care should be taken in selecting the seaport/airport of entry before exporting from the country of origin.

In filing an application for inspection with the Ministry of Agriculture, Forestry and Fisheries Quarantine Station, the required documents must be submitted (Fig. 3-3) promptly after entry to port. In the event of rejection due to the detection of diseases or pests as a result of quarantine, fumigation or other measures are ordered.

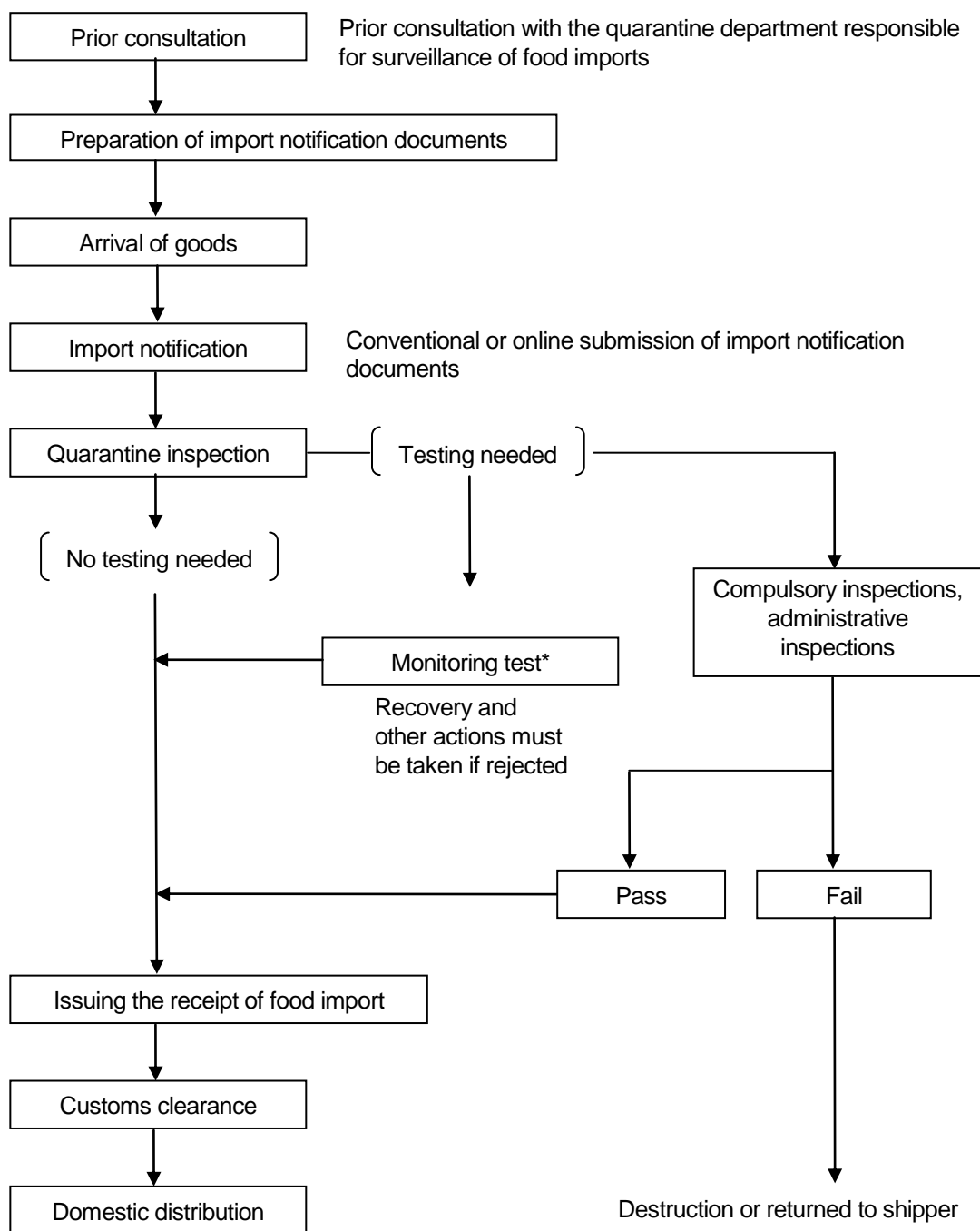
<Food Sanitation Inspection>

Under the Food Sanitation Act, the required documents must be submitted (Fig. 3-3) when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 3-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry into Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, an import permit may be given in principle.

Fig. 3-2: Flowchart of import procedure

Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 3-3 according to the authorities to which each document is submitted.

Fig. 3-3: Documents required for import clearance

Submitted to	Required documents	Fresh products	Processed products
International Economic Affairs Division, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries	Tariff rate quota application (groundnut importers)	△	—
	Import clearance record of groundnuts	△*1	—
	Sales results and plan for groundnuts	△*1	—
	Import clearance statistics summary of groundnuts	△*1	—
	Documents to prove that the applicant is the genuine entity that will import groundnuts	△	—
Quarantine Information Office, Ministry of Health, Labour and Welfare (Plant quarantine under the Plant Protection Act)	Application for import inspection	○	—
	Phytosanitary certificate issued by the plant quarantine service of the exporter	○	—
Departments responsible for surveillance of food imports of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	○	○
	Material/ingredient table	—	○
	Production flow chart	—	○
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	—	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○

Source: Ministry of Agriculture, Forestry and Fisheries; Ministry of Health, Labour and Welfare; Ministry of Finance
 ○: Required △: Required for particular articles —: Not required *1: Only groundnuts imports meeting the requirements.

As a phytosanitary (inspection) certificate, in principle the original copy that indicates the absence of pathogen or pest contamination, issued by the plant protection authority of the exporting country in a form in compliance with the International Plant Protection Convention, must be submitted. While the Convention stipulates that the phytosanitary certificate submitted to the authorities of the importing country be the original copy, the following two are deemed valid in Japan, taking into consideration such cases where the original copy is lost or the delivery of the original copy is delayed:

- A "carbon copy" of the original copy produced simultaneously; and
- A copy that has been proven as being identical to the original copy by the plant protection authority of the exporting country.

Phytosanitary certificates issued by the country of origin are not required as attachments for almonds, cashews, coconuts, pistachios, Persian walnuts (excluding those in the shell that are produced in regions subject to importing ban), and macadamia nuts (Article 5.3. of the Plant Protection Act).

(3) Competent Authorities

Fig. 3-4: Contacts of competent authorities

Plant Protection Act	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act /	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp

Fig. 3-4: Contacts of competent authorities (continued)

Act for Standardization and Proper Labeling of Agricultural and Forestry Products		
Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp	
Measurement Act		
Measurement and Intellectual Infrastructure 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	
Health Promotion Act		
Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.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 Specified Commercial Transactions		
Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources		
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 for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp	
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp	
Unfair Competition Prevention Act / Trademark Act		
Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3581-1101 http://www.jpo.go.jp	

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of nut products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) Unfair Competition Prevention Act.

When importing and selling fresh nuts such as raw chestnuts and shelled walnuts, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 1) product name, 2) country of origin, 3) content, and 4) name and address of importer.

When importing and selling processed nuts packed in containers, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

< Product name >

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

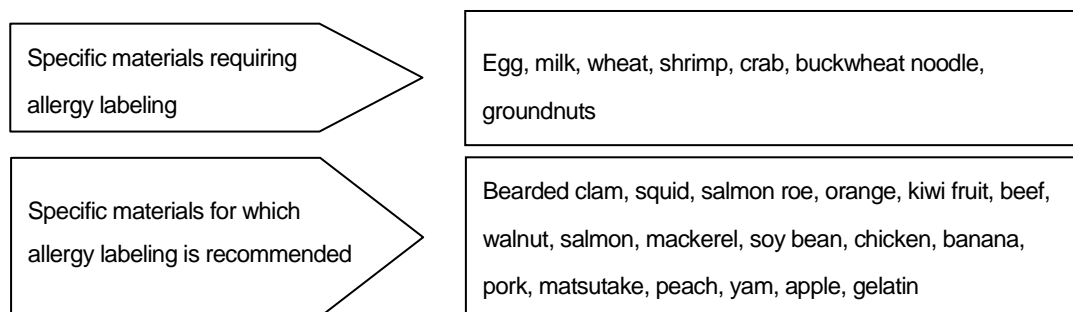
<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

<Allergies>

To prevent health hazards in consumers with specific allergies, it is required or recommended that the specific ingredients shown in Fig. 3-5 be labeled in accordance with the Food Sanitation Act.

Fig. 3-5: Specific materials related to allergy labeling



Source: Ministry of Health, Labour and Welfare

Ingredient labeling is mandatory for products containing groundnuts and recommended for those containing walnuts. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label does not identify specific ingredients, labeling is required or recommended.

<Content weight>

When importing and selling nuts, the importer must measure the length, weight, or volume of the product in accordance with the Measurement Act and indicate them in their respective measurement units required by law on the label.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. As the quality of nuts does not deteriorate easily, the "best-by" date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the "best-by" date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For products which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

The following nuts are defined as fresh food; the country of origin must be stated:

- a) Products which have been adjusted, washed with water, and dried after harvest, and those which have been simply cut
- b) Products listed in a) whose shell has been peeled or which have been cut into two or sliced
- c) Mixture of the same type of nuts

Country of origin must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of general food products excluding those for special dietary uses in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). If general names such as “vitamin” are labeled instead of describing the specific names of nutrients, ingredients must be labeled.

Components must be indicated in the following order and unit:

- a) Calories (kcal or kilocalories)
- b) Protein (g or grams)
- c) Fat (g or grams)
- d) Carbohydrate (g or grams)
- e) Sodium
- f) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include nuts, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Fig. 3-6) can be labeled as “organic” in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark (Fig. 3-6), to be permitted to have organic labeling.

- a) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- b) Labelling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 3-6: JAS-certified organic mark

**<Containers and packaging>**

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging.

When the following two types of containers and packaging are used for nuts, either or both marks shown in Fig. 3-7 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 3-7: Labels for promoting sorted collection



Plastic containers and packaging



Paper containers and packaging

<Description>

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

There are no voluntary industry restraints for nut labels.

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on nuts are shown in the table below. Caution should be exercised since rates vary according to the item, shape, and ingredients of products, and other factors. If the importer wishes to check tariff rates and other information in advance, it may be convenient to use the prior instruction system.

Preferential tariff rates, lower than general tariff rates, are applicable to articles imported from developing countries if the imports meet the requirements specified by the laws and regulations of Japan. In order to receive preferential tariff rates on import articles, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs, authorized chamber of commerce and industry, or other competent agency in the preferential treatment country.

Fig. 3-8: Tariff duties on nuts (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
08.10	11	-000	Coconuts, Brazil nuts and cashew nuts					
			Coconuts					
			Disiccated	6.0%		3.0%	Free	
	19	-000	Other	6.0%		3.0%	Free	
			Brazil nuts					
	21	-000	In shell	4.0%		3.0%	Free	
	22	-000	Shelled	4.0%		3.0%	Free	
31	-000	Cashew nuts						
	32	-000	In shell	Free		(Free)		
		Shelled	Free		(Free)			
08.02	11	-100	Almond					
			In shell					
			1 Bitter almond	Free		(Free)		
			2 Sweet almond	4.0%		2.4%	Free	
	12	-100	Shelled					
			1 Bitter almond	Free		(Free)		
			2 Sweet almond	4.0%		2.4%	Free	
	21	-000	Hazelnuts or filberts (Corylus spp.)					
			In shell	10.0%		6.0%	Free	
	22	-000	Shelled	10.0%		6.0%	Free	
	31	-000	Walnuts					
			In shell	10.0%		(10.0%)		Free
	32	-000	Shelled	10.0%		(10.0%)		Free
	40	-000	Chestnuts (Castanea spp.)	16.0%		9.6%		Free
50	-000	Pistachios	Free		(Free)			
60	-000	Macadamia nuts	5.0%		(5.0%)	2.5%	Free	
90		Other						
		1 Betel nuts	Free		(Free)			
		2 Pecans	5.0%		4.5%	Free		
		3 Other	20.0%		12.0%		Free	
12.02	10		Ground-nuts					
			In shell	726yen/kg				Free
		Other						
		-091	Products imported by the Japanese government or those imported following MAFF Minister certification, which is stipulated by cabinet order		10.0%	-10.0%		
			Other			617yen/kg		
	20	-099	Shelled	726yen/kg				Free
		Other						
		-091	"the Pooled Quota"		10.0%	-10.0%		
		-99	Other			617yen/kg		

Source: Ministry of Finance

Note 1) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 2) Special preferential rate is applicable only for the Least Developed Countries.

Note 3) 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.

2. Consumption Tax

(CIF + Tariff duties) × 5%

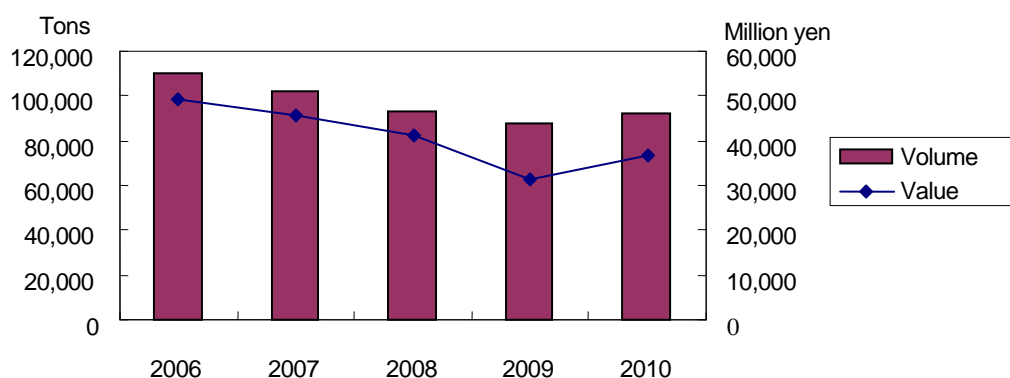
IV. Trade Trends

1. Changes in Imports

The import volume of nuts reached 92,463 tons in 2010, and is showing a recovering trend from the sluggish situation experienced in 2008 and 2009. The main types of imported nuts are groundnuts, almonds, and chestnuts, accounting for 73.5% of the total import volume. As a result of food safety issues exemplified in the detection of pesticide residues in processed vegetable products from the main exporter country China, Chinese groundnut imports dropped from 2007 to 2009, and the total import volume of groundnuts also followed suit. Nevertheless, the quantity of Chinese groundnut imports exceeded that of the previous year starting in 2010, consequently leading to an increase in the total volume of groundnut imports.

Almonds have shown a steady performance as a leader in import volume in the nut category, recording 25,744 tons (109.3% vs. previous year) or ¥12,233 million (126.0% vs. previous year) in 2010. Meanwhile, chestnuts are showing a continuous downward trend, recording negative growth in both volume and value. Imports of cashew nuts have also remained stable, with 6,678 tons (109.5% vs. previous year) or ¥3,776 million (115.5% vs. previous year) in 2010. Trends for other nuts have been affected by economic and other factors showing both upward and downward trends. However, Brazil nuts recorded an export volume of 50 tons in 2010, doubling in both volume and value.

Fig. 3-9: Changes in nut imports



Source: Trade Statistics (MOF)

Fig. 3-10: Changes in nut imports by item

Units: volume = tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Coconuts	2,407	2,389	1,980	2,320	2,227	256	339	318	268	259
Brazil nuts	19	27	26	22	50	13	21	18	11	26
Cashew nuts	4,690	5,767	6,171	6,101	6,678	2,600	3,280	4,132	3,269	3,776
Almond	21,488	23,332	23,894	23,557	25,744	18,537	16,128	12,971	9,705	12,233
Hazelnuts	631	700	497	576	589	519	545	413	333	382
Walnuts	10,992	10,945	7,731	8,861	9,436	8,025	8,560	7,333	4,923	6,277
Chestnuts	22,054	17,397	14,446	13,831	12,625	7,996	7,262	5,880	5,096	4,598
Pistachios	2,117	2,054	2,418	1,838	2,218	1,884	1,733	1,785	1,524	1,930
Macadamia nuts	2,160	1,688	2,136	2,502	2,348	2,894	1,750	1,759	1,896	2,280
Ground-nuts (Note 1)	41,458	36,162	32,356	27,056	29,614	4,958	5,094	5,838	3,807	4,175
Other	2,120	1,304	1,085	1,139	934	1,370	1,063	778	685	956
Total	110,136	101,765	92,740	87,803	92,463	49,052	45,775	41,225	31,517	36,892

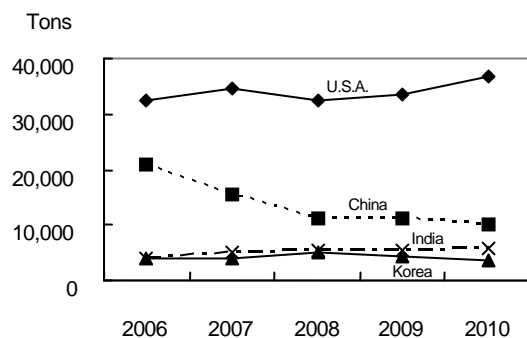
Source: Trade Statistics (MOF)

(Note 1) Figures for groundnuts and other items were collected in March and February 2010, respectively, during the research period.

2. Regional breakdown

Import trading partners for nuts differ according to item, but it is characteristic of this market that certain countries account for a high share in particular items. The United States is a principal exporter of almonds, which is a main item in nut imports. China exports a considerable amount of chestnuts and groundnuts. In terms of total imports, the United States, which commands most of the share for almonds, is the number one trading partner with 44,418 tons (103.6% vs. previous year) in 2010, followed by China and India. Cashew nuts have displayed stable import volumes in recent years with 6,678 tons (109.5% vs. previous year) in 2010, although African countries such as Tanzania experienced a sharp decline with 16 tons (24.8% vs. previous year) and ¥5.6 million (21.5%) in value in 2010.

South Africa exported 5,890 tons of groundnuts in 2010, which accounts for approximately 20% of total groundnut imports.

Fig. 3-11: Trends in leading partner imports

Source: Trade Statistics (MOF)

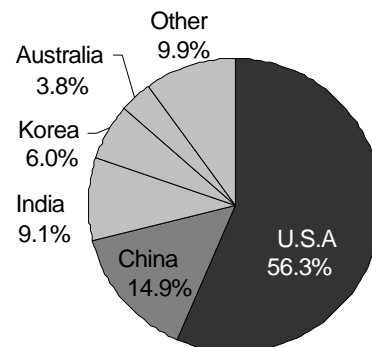
Fig. 3-12: Shares of imports in 2010 (value basis)

Fig. 3-13: Principal places of origin of nuts

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	35,539	39,010	41,464	42,858	44,418	27,164	25,598	22,251	16,914	20,755
China	51,363	39,797	23,490	22,639	24,339	10,335	9,077	6,003	4,637	5,508
India	4,052	4,982	6,013	5,494	5,972	2,247	2,873	3,700	2,918	3,352
Korea	4,144	4,054	4,935	4,169	3,519	3,030	3,016	3,191	2,755	2,227
Australia	1,769	1,059	1,531	1,530	1,367	2,261	1,163	1,284	1,218	1,412
Other	13,269	12,863	15,307	11,113	12,848	4,015	4,048	4,796	3,075	3,638
Total	110,136	101,765	92,740	87,803	92,463	49,052	45,775	41,225	31,517	36,892
(African countries)	8,051	6,301	7,316	5,105	6,766	1,911	1,513	1,827	1,158	1,498

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

In the nut category, almonds, cashew nuts, and pistachios are currently completely dependent on imports. Some chestnuts and walnuts are also produced domestically, but are far behind imports in both quantity and price. Hence the market is mostly dominated by imported products.

4. Background of Changes in Volume of Imports and Other Trends

The domestic market for nuts was revitalized by a review of the health benefits seen in salt and additive-free nuts, and growth was experienced in the cashew market (refer to Fig. 3-10). Also due to the economic downturn, more consumers are choosing to drink alcohol at home in an effort to cut costs by buying drinks to take home rather than drinking at bars, etc. As a result, demand for snacks rose and imports bottomed out in 2010, with the total volume settling at a higher figure relative to the previous year. The key factor in this import trend is to what extent demand for snacks and healthy foods can be secured amid concerns of higher costs for raw ingredients in 2011.

Furthermore in 2011, the domestic wholesale prices for cashew nuts have remained high. This is because supply from India, the principal importer, has declined, and West African producers such as Nigeria have harvested less due to droughts.

V. Domestic Distribution

1. Trade Practice, Etc.

Special trading firms for nuts and dried fruits or confectionery ingredient suppliers are generally in charge of distributing nuts. Therefore, in order to sell nuts in a variety of sectors including home, processing, and commercial use, it is advantageous to do business through these specialized companies.

2. Domestic Market Situations

The Japanese nut market is primarily divided into those used as ingredients for confectionary production and breadmaking, and those to be consumed directly (nut snacks). The market structure differs between the two categories.

The market size for nuts used in confectionary production and breadmaking is large since it covers major bread manufacturers, confectionery makers, and also small-scale bakeries and pastry shops. Since Japan is progressing toward an aging society with declining birthrates, bread, confectionery, and dessert sales are experiencing a slightly decreasing trend, and nuts used as ingredients for these types of food products are following the same trend.

Almonds, walnuts, chestnuts, macadamia nuts, and cashew nuts are frequently used ingredients for confectionaries and bread. Walnuts are especially high in demand for baking bread. Various assortments of nuts including almonds are used to prepare confectionaries, ranging from snacks such as almond chocolates manufactured by leading confectionery makers, to baked and unbaked cakes made by individually managed small-scale pastry shops. They are used for a variety of purposes.

Nut snacks refer to the demand for nuts consumed at home or at restaurants without cooking. Almonds, cashew nuts, groundnuts, pistachios, and walnuts are frequently used, and many products that mix five or six types of nuts are also being

sold. The market size is limited compared to nuts used in confectionery production and breadmaking, and it can be said that the Japanese are not accustomed to eating nuts directly out of a bag.

However, since the year 2000, the media has reported on the health benefits of nuts on various TV programs, thus triggering demand. In 2008, almonds were picked up by the media for their effect on health and beauty, particularly drawing attention from young women. There is a growing awareness among consumers that nuts are healthy food products. They are also convenient to eat and tasty in flavor.

Most nuts eaten directly out of a bag/container are consumed at homes or restaurants as snacks when drinking. Demand for consumption at home is especially high. Due to the recession starting in 2008, the tendency to buy alcoholic drinks for home consumption instead of drinking at bars and restaurants in order to cut back on spending has risen, and the nuts market has been expanding since 2009. Moreover, as public awareness increases that nuts are healthy products and that consumption on a daily basis promotes health, more consumers are not only using them in breads and cakes or snacks, but also as ingredients in food preparation such as adding them to salads.

Although manufacturers and trading firms such as Kyoritsu-foods, Toyo Nut, Rokko Butter, Shoei Foods, and Inaba Groundnuts hold large shares in the market, there are few companies of prominent scale. Many companies are competing with each other on a several billion yen scale.

Fig. 3-14: Nut market in Japan (nut snacks)

Year	Sales (¥ million)	Yearly change
2006	28,350	—
2007	23,000	81.1%
2008	22,400	97.4%
2009	23,000	102.7%
2010(forecast)	23,200	100.9%

Source: 2011 Food Marketing Handbook No. 1, Fuji Keizai

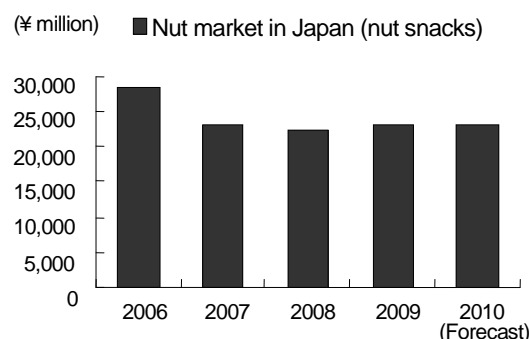


Fig. 3-15: Nut snack sales by type

Type \ Year	2008		2009		2010(forecast)	
	Sales	Ratio	Sales	Ratio	Sales	Ratio
Almond	2,850	12.7%	3,150	13.7%	3,250	14.0%
Cashew nuts	4,100	18.3%	4,150	18.0%	4,200	18.1%
Mixed nuts	7,700	34.4%	7,800	33.9%	7,900	34.1%
Other	7,750	34.6%	7,900	34.3%	7,850	33.8%
Total	22,400	100.0%	23,000	100.0%	23,200	100.0%

Source: 2011 Food Marketing Handbook No. 1, Fuji Keizai

(1) Types of nuts

1) Chestnuts

Chestnuts have the highest consumption rate among nuts in Japan, with both local products and import products from China, Korea, and Europe strong in the market. Since the pulp of local chestnuts is soft and not fit for processing, they are usually sold raw. Chestnuts from China are sweet and therefore called sweet chestnuts. They are generally consumed roasted, but in the year 2000, Kanebo Foods launched “retort sweet chestnuts” called “amaguri muichaimashita (I’ve peeled a sweet chestnut),” which are easy to carry packaged pre-peeled chestnuts weighing about 30grams, and they became a huge hit.

2) Almonds

Most almonds come from the United States, and have the widest range of usage in Japan. They are not only used in snacks such as almond chocolates manufactured by leading confectionery makers, baked goods, ice cream, unbaked cakes made by individually managed patisseries, but are also consumed as “nut snacks” or appetizers with drinks at restaurants and at homes, and also for cooking, boasting a broad range of demand. In 2008, salt-free almonds were taken up as an effective cooking ingredient for beauty and health because of their ample vitamin E content. This drew much attention from young women, and led to a growing number of female consumers, especially for salt-free almonds.

3) Walnuts

Walnuts have traditionally been harvested in Japan as well, but most products now come from the United States or China. They are used widely for a variety of purposes including western confectionery such as cakes or cookies, Japanese confectionery, bread, in cooking, and consumed as snacks with drinks.

4) Cashew nuts

Cashew nuts are used in Chinese cuisine, confectioneries, appetizers, etc. As they are used in Chinese dishes stir fried with chicken and also in Indian dishes, it can be said that cashew nuts have a more extensive range of culinary application

compared to other types of nuts. India exports 80% or more, Vietnam follows with 10% or more, and other countries such as Tanzania also export a small amount. Originally, there were many cases where cashew nuts produced all over the world were shipped to India with shells, and that is why most imports come from India. Because Vietnam improved their production efficiency dramatically in the 1990s, exports from Vietnam increased substantially, pushing up the total import volume of cashew nuts.

5) Macadamia nuts

In Japan, chocolate covered macadamia nuts often brought home from Hawaii as souvenirs, are most popular. Chocolate covered macadamia nuts and other types of confectioneries are also produced in Japan using ingredients imported from Australia, South Africa, Malawi and other countries. South Africa and Malawi account for around 10% of the total import volume, respectively.

6) Groundnuts

Groundnuts have been historically grown in Japan. Therefore local products are found, but a large volume is imported from China and other countries. Groundnuts are used in snacks such as “kaki-peanuts” which mixes rice crackers with groundnuts, groundnut butter, margarine, and appetizers, having a wider range of use compared to other nuts. Domestic products account for around 10% and imported products for about 90% of the consumption, and each have their own roles. Local products often come with shells. Although they are higher in price, they come in large pieces with a strong flavor and sweetness, attracting demand as a high-value-added product. Most import products come without shells. As they are smaller and cheaper, they are often used as ingredients in oil products such as groundnut oil and margarine, as well as in confectioneries.

7) Pistachios

Pistachios are in the market shelled and non-shelled. Peeled nuts are generally used as ingredients in making cakes or ice cream, and shelled nuts are usually consumed as nut snacks. Globally, Iran is the top producer, and used to command 80% of the share in Japan until 1998. However, due to the detection of aflatoxin levels exceeding legal limits in Iranian pistachios in 2002, the United States has now taken over the market.

8) Hazelnuts

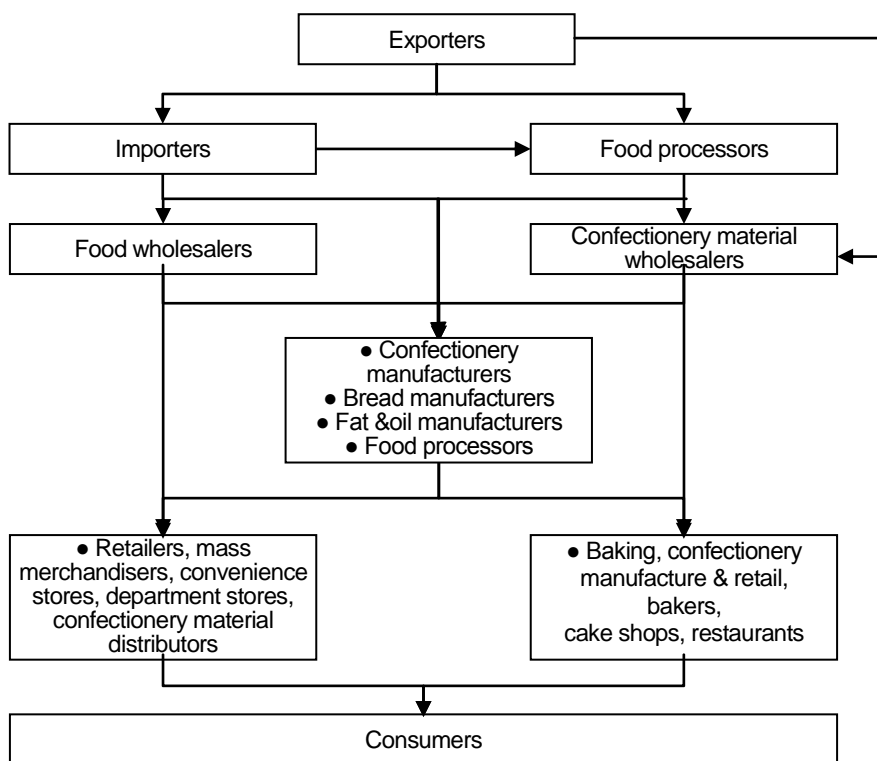
In Japan, hazelnuts are mostly used as ingredients for making confectioneries such as cakes, baked goods, and chocolates etc. Additionally, hazelnuts have gained recognition due to stores such as Starbucks Coffee selling coffee using hazelnut or filbert syrup. Most hazelnuts come from Turkey, and imports from Turkey expanded drastically in the early 2000s due to the Turkish Hazelnut Association’s efforts in promoting sales in Japan.

3. Distribution Channels

The distribution channel for nuts in Japan is as displayed in Fig. 3-16. Distribution of nuts is generally handled by importers, processors, and confectionery ingredient wholesalers, as in the case of dried fruits. However, there are also specialized trading firms and special processing manufacturers for nuts. Since the variety of uses covers a broad range of processing such as for bread, confectioneries, oil, and others, there are many different processed food manufacturers and each of them require their own volumes and forms.

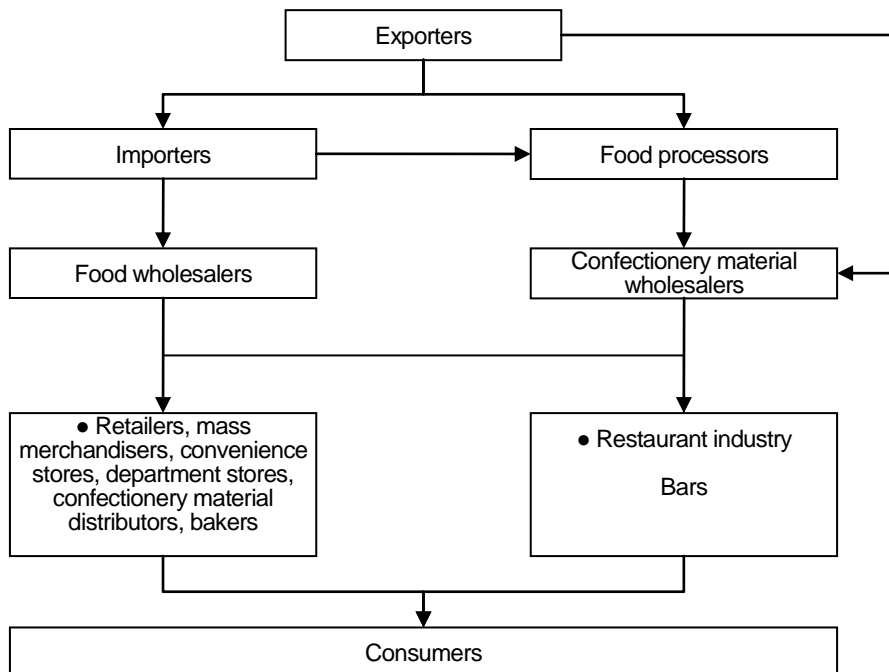
Fig. 3-16: Distribution channels for nuts

(1) For confectionery, bakery, and processed food uses



Source: Fuji Keizai research data

(2) For nut snack use



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

Nut exports to Japan must be verified that they do not include any noxious insects stipulated under the Plant Protection Act of Japan, and that they are compliant to the guidelines stated by the Food Sanitation Act. The Food Sanitation Act sets standards on the amount of food additives, pesticide residues, and contaminated material allowed. Products not meeting the standards will be banned from entry into the Japanese market.

The Food Sanitation Act strictly limits the aflatoxin B1 content of nuts under 0.01ppm. For nuts, many violations against the Food Sanitation Act upon importing or delivery usually turn out to be detections of aflatoxin exceeding approved limits.

The regulation for aflatoxin currently targets only aflatoxin B1. However, regulations will be tightened starting in October of 2011. Restrictions are planned to be amended to limit the total content of aflatoxin B1, B2, G1, and G2 to be under 0.01ppm.

The Japanese have always recognized nuts as healthy products, but this recognition became more prevalent in the late 2000s and it has now become a general perception that nuts are especially effective on women's beauty, and has led to market expansion. For example, the Almond Board of California has succeeded in increasing sales by promoting almonds with the catch copy "natural supplements," targeting women's beauty needs. In the Japanese market, it is effective to promote nuts as being "healthy, convenient, and tasty."

<Exhibitions>

Fig. 3-17: Exhibitions for nuts

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	International Hotel & Restaurant Show	
	http://www.jma.or.jp/hcj	TEL: +81-3-3434-1377
Dessert, cake, beverage	Supermarket Trade Show	
	http://www.smts.jp	TEL: +81-3-5209-1056
	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL: +81-3-5294-0071

5. Failure Cases

<Aflatoxin contamination>

Along with spices and herbs and dried fruits, nuts also have a high frequency of being detected with highly-carcinogenic aflatoxin. In 1998, aflatoxin was detected in Iranian pistachios being sold at a mass merchandiser. Because other similar cases followed, the Ministry of Health, Labour and Welfare discussed the banning of pistachio imports from Iran in 2002. Later on, improvements in the inspection process prior to exportation were requested to the Iranian government and the cases of detection declined due to thorough storage management. However, exports from Iran dropped sharply and have been taken over by the United States.

6. Import Associations & Related Organizations

Fig. 3-18: Nut associations and related organizations

Japan Nut Association	http://www.jna-nut.com
na@jt5.so-net.ne.jp	TEL: +81-3-6662-6527
Almond Board of California	http://www.californiaalmond.jp
	TEL: +81-3-5414-3473
California Walnut Commission	http://www.californiakurumi.jp
	TEL: +81-3-5561-0401
Turkish Hazelnut Association	http://www.turkish-hazelnut.org
dttok@turkey.jp	TEL: +81-3-5414-3473