

The Japanese Market for Environmentally and Socially Certified Agricultural Products from Central America



THE WORLD BANK



IFOAM JAPAN



The Japanese Market for Environmentally and Socially Certified Agricultural Products from Central America

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Foreword

The World Bank contracted IFOAM Japan to carry out a study of the Japanese market for foods certified as produced against environmental and social standards in Central America. IFOAM Japan carried out the study in 2004 under the technical supervision of the Commodities and Trade Division of the Food and Agriculture Organization (FAO). IFOAM Japan was assisted by RUTA for the Central American component of the study.

This publication derives from the report submitted by IFOAM Japan which has been edited by FAO and the World Bank.

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Acronyms

AFC	Agriculture, Forestry and Fisheries Finance Corporation
ANAFA	Asociación Nacional para el Fomento de la Agricultura Ecológica en Honduras
ATJ	Alter Trade Japan
BELTRAIDE	Belize Trade and Investment Development Service
BSE	Bovine Spongiform Encephalopathy
CA	Central America, Central American
CCPB	Consorzio per il Controllo dei Prodotti Biologici
CIF	Cost, Insurance and Freight
CIMS	Centro de Inteligencia sobre Mercados Sostenibles/Sustainable Markets Intelligence Centre
CLUSA	Cooperative League of the United States of America
CORDES	Cooperación y el Desarrollo Comunal de El Salvador
CSR	Corporate Social Responsibility
DIS	Draft International Standard
EPA	Economic Partnership Agreement
EU	European Union
EUREPGAP	Euro-Retailer Produce Association standard for Good Agricultural Practice
FLO	Fairtrade Labelling Organizations International
FOB	Free On Board
FOMIN (MIF)	Fondo Multilateral de Inversiones (Multilateral Investment Fund)
FTA	Free Trade Agreement
FTOMark	Fair Trade Organization Mark
GAP	Good Agricultural Practice
GBP	Pound Sterling
GMI	General Marketing Institute
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Association for Technical Cooperation)
HACCP	Hazard Analysis Critical Control Point
HMF	hydroxy-methyl-furfural
IFAD	International Fund for Agricultural Development
IFAT	International Federation for Alternative Trade
IFOAM	International Federation of Organic Agriculture Movements
IICA	Inter-American Institute for Cooperation on Agriculture/Instituto Interamericano de Cooperación para la Agricultura
ILO	International Labour Organization
IOAS	International Organic Accreditation Service, created by IFOAM
ISO	International Organization for Standardization
JA	Japan Agricultural Cooperatives
JAS	Japanese Agriculture Standard
JA-Zen-noh	National Federation of Agricultural Cooperative Associations Japan
JETRO	Japan External Trade Organization
JOAA	Japan Organic Agriculture Association
JONA	Japan Organic and Natural Foods Association
JOPA	Japan Oilseed Processors Associations
JPQA	Japan Plant Quarantine Association
JSEQ	Japan Organization for Safety, Environment and Quality
MAFF	Ministry of Agriculture, Forestry and Fisheries
METI	Ministry of Economy, Trade and Industry
MHLW	Ministry of Health, Labour and Welfare

MIAC	Ministry of Internal Affairs and Communications
MOF	Ministry of Finance
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organization
NOP	National Organic Program (United States of America)
OCIA	Organic Crop Improvement Association
OCS	Office Coffee Service
ODA	Official Development Assistance
PPMD	Production Process Management Director
RA	Rainforest Alliance
RCO	MAFF Registered Certification Organization
RFCO	MAFF Registered Foreign Certification Organization
RUTA	Regional Unit for Technical Assistance
SAN	Sustainable Agriculture Network
US\$	US Dollar
WB	World Bank
WTO	World Trade Organization
¥	Japanese Yen

Glossary

Grading

'Grading' is an official term used by MAFF referring to a procedure for internal verification which ensures that both the certifying operation was carried out in accordance with the internal regulation and that the specific lot of a certain product met the Organic JAS standards. An Organic JAS certified PPMD (see below for its definition) conducts this process, at the end of which it affixes the Organic JAS label on the product. Furthermore, this procedure also includes checking and management of the use of the Organic JAS label. See Appendix III for a more detailed description of this procedure. Despite the use of the term "grading", JAS Grading is not an inspection for quality, nor is it the same as North American grading of fruit, meat or beans (Japan Agriculture Standards, a training manual from OCIA).

Kokusai Sanchoku

'Kokusai Sanchoku' is an international version of Teikei, based on Teikei-style agreements between specific Japanese consumers and specific producers from specific countries. It is also closely related to the philosophy of fair-trade (i.e. minimizing the burden on the environment in the producing countries, avoiding exploitation, putting supplementary funds to trading prices to support producers' efforts toward financial independence from subsidies and debts, etc.)

Organic JAS Graded

The term 'graded' is an official MAFF terminology, used to describe products that have been labelled with the Organic JAS mark. Under the Organic JAS system, products are Organic JAS 'graded' after an internal verification procedure, called 'grading' (see above for its definition), to ensure that production operations satisfactorily meet the internal regulations for production and that products meet Organic JAS standards.

PPMD

'PPMD' is abbreviation for a Production Process Management Director, which is either an individual or an organization (e.g. an agricultural cooperative, an agricultural corporation) that manages a farming system and is Organic JAS certified.

Subdivider

'Subdivider' is a term used in the Organic JAS standards to refer to a category of distributors that participates in the selection, cleaning, processing and packaging of Organic JAS graded products.

Teikei

The 'Teikei' system is based on a production specific agreement between a producer and a group of consumers. The basic philosophy behind this system is to have a safe and stable agricultural production without the use of pesticides or chemical fertilizers and with a minimum burden to the environment. In order to support such producers' efforts, the consumers commit themselves to purchase all products from that producer in accordance with an agreement established between them, thus assuring the sustainability of production. The idea of Teikei has also been applied in other countries, such as the Box Scheme in the United Kingdom and the Community Supported Agriculture in the United States.

Introduction and Overview

The main objective of this study is to support the efforts put forth by small-scale producers in Central America (CA) to penetrate the Japanese market for products that are produced in socially and/or environmentally responsible manners. This report therefore analyzes the current trends and future prospects of the Japanese market for such types of products and processed foods, especially from the perspective of Central American exporters seeking to access this market.

Findings reported in this document are based primarily on a market study that was carried out in Japan in the spring of 2004. Special consideration was given to the Central American countries' exports of certified products to Japan, supply capacities, as well as to challenges and concerns specifically related to trading with Japan. The Japanese general market, and particularly that market for products grown by means of socially and/or environmentally responsible practices, is analysed through the compilation of various sources, including existing literature, statistical data and survey results of consumer preferences and distributor trends. Future prospects are constructed based on current trends, as well as insights provided by key informants, including IFOAM Japan, in the respective areas of these markets.

When working with the Japanese food market, it is important for foreign exporters to understand the attitudes of major players along the food supply chain. Some key questions about the Japanese distribution system that Central American operators should consider are:

- What are the characteristic trends in the Japanese distribution system?
- What do Japanese suppliers seek in imported products and expect from foreign suppliers?
- What do major Japanese retailers expect from their suppliers, including foreign producers and exporters?
- What are Japanese suppliers' attitudes and plans for dealing with certified agricultural products?

It is also essential to study consumer preferences, their concerns about food safety and quality, and, in particular, their concerns with regard to imported products.

Prior to examining the accessibility of the Japanese market for certified agricultural products, it is important to understand first the historical background and systematic characteristics of this market, as well as some of the major changes that have affected the market in recent years. Section I-1 therefore provides a historical background of the market for socially and environmentally responsibly grown agricultural products in Japan. First, the foundation of this type of market and the philosophy of Teikei are introduced, the latter based on the establishment of a face-to-face relationship between the producer and the consumer. This section is intended to provide readers with a historical overview of the development of the Teikei-style transaction systems (e.g. Teikei, collective purchasing, home delivery), and to explain how Teikei is applied in the general market today, a market represented by large retailers, such as supermarkets. The historical and cultural significance of the Teikei philosophy is an important factor when studying the present Japanese marketing system for socially and environmentally responsible products.

Another important factor to take into consideration is the expansion of the market for those products that are produced in socially and environmentally responsible manners. These products are usually perceived by consumers as healthier and may therefore benefit from the growth of the market for the so-called 'safe and reliable' foods that has been fuelled by rising concerns over food safety and reliability in Japan. As described in Section I-2, a large number of food-related scandals have occurred in Japan over the past few years, which have significantly affected the trust among Japanese consumers, especially with regard to food safety and the reliability of the food industry. In order to recover consumer

trust in the safety and reliability of the food industry, the Japanese Government has been implementing a series of laws and regulations. These changes include the revision of the Japan Agricultural Standard (JAS) Law, which has been adjusted to include a new section on organic certification (Organic JAS) and the guidelines for specially grown products. Japanese suppliers are also undertaking various measures to respond to consumer needs for food safety and reliability, for instance, by installing product and management standards and monitoring systems.

Main import related regulations and requirements are outlined in Section I-3. Many of the specifics of such regulations, however, are reserved for individual consultation, as they are dealt with largely on a case-by-case basis. Whenever possible and appropriate, references are provided for more detail and/or consultation

In Chapter II, various certification programmes known in Central America and Japan are presented. It should be noted, nonetheless, that, at present, Organic JAS is the only national-level certification system that is based on a legal system in Japan. Section II-2 is thus dedicated to a detailed description of this system, along with specific suggestions and instructions as to how foreign organic operators could participate in it. Descriptions of other certification programmes, as well as suggestions as to how existing certification systems in Central America (Rainforest Alliance/SAN, fair-trade, Bird Friendly, SA, ISO, etc.) may be applicable in Japan, are also provided.

Governmental measures and laws, as well as voluntary efforts on the part of private operators to adopt various certification programmes, are believed to bring positive changes which should help re-establish the assurance of food safety and reliability of labelling in the general market. On the other hand, such certifications and regulations do not always meet the expectations of those persons who are involved in more direct relationships between producers and consumers (i.e. Teikei-style transactions). Therefore, in parallel with the general market venue that is growing steadily, the direct relationship-based transactions are also expected to continue to play an important role in the market for socially and environmentally responsibly grown agricultural products.

In addition to the above described changes in the Japanese society as a whole, and in the food sector in particular, the Japanese market is also going through some fundamental structural transitions. In response to recent significant changes in the law on wholesale practices, the market is now shifting away from the complicated multi-layered structure that had long been in operation toward a more direct and simplified style. One of the implications of this transformation for foreign exporters is that they now have a variety of options when deciding whom to work with in the Japanese marketing system. These structural changes are described in Section I-2.3.

After providing an overview of the general market (Chapter I) and the certification systems (Chapter II), the report goes on to focus on consumer and distribution trends in the two most established certified markets in Japan, namely, the market for organic products and the market for specially grown agricultural products (Chapters III and IV). Market trends, statistical data on production, certification/grading and distribution of these products are closely analysed. Based on these analyses, current sizes of the respective markets are estimated and their future prospects evaluated. The expansion of the organic market seems to be facing strong constraints. Given the fact that the current attention to safe and reliable foods could shift more toward organic food, one of the key challenges in the Japanese market is to educate consumers and make them realize that organic practices may be one of the most promising ways to produce safer and more reliable foods, as well as to protect the environment and promote sustainability.

In an attempt to analyse the market mechanisms in more depth, Chapter V discusses value chains of organic and conventional products. The basic price chain of organic products does not differ significantly from that of conventional counterparts. Price differences between conventional and organic items, or organic price premiums, found in this study vary greatly, depending on the products and their quality, while the average price premium was calculated to be 37 percent. In general, however, whether such premiums are high enough to compensate for the risks and costs of organic production is questionable.

Chapters VI and VII are dedicated specifically to Central American products that are currently exported to Japan or those that may have potential for future exports. A few products were selected for further investigation based on existing statistics, current trends reported from Central America and insights provided by relevant authorities in Japan. The main products are coffee, banana, sugar, cocoa, and sesame. Other products were also studied, though in less detail (citrus, pineapple, mango, tropical fruit jam and jelly, fruit juice, natural honey and spices). Current market trends and future prospects, including possible opportunities and constraints are discussed in the sections of this study covering these products.

The report concludes with recommendations and suggestions for Central American small-scale producers and exporters wishing to access the Japanese market for socially and/or environmentally certified products (Chapter VIII).

It is hoped that this report will serve as a useful resource for the Central American governments, NGOs, private organizations, and most of all, small-scale production operators in the region who wish to export their certified products to Japan.

Summary of Conclusions and Recommendations

This report concludes that the Japanese market has potential to offer new opportunities for certain certified products¹ from Central America. This is especially true for the organic market, which has a well-established certification system in Japan. This market is expected to increase its dependence on imported products, as domestic organic food production is not able to meet the potentially large demand for organic food. Other certification labels that are associated with social and/or environmental benefits, such as fair-trade and Rainforest Alliance, could also expand in the context of the increasing interest shown in environmental preservation, health and safety and reliability of food supplies. This is true provided promotional efforts are made for these certifications to become more widely known and better appreciated in Japan.

It must be noted, nonetheless, that the overall Japanese food market is already saturated, and as such, it is generally a challenge for new foreign suppliers or new products to enter this market, or for current suppliers to expand their business. Furthermore, the long distance from Central America and the high transportation costs to Japan place Central American suppliers at a disadvantage when competing with Asian countries. These hindering factors are coupled with import bans, restrictions on some Central America fresh products exports and fumigation at the port of entry.

In order to successfully penetrate the Japanese market for certified products (e.g. organic, fair-trade, Rainforest Alliance), foreign suppliers must carefully select products, while keeping in mind the above mentioned hindering factors. According to the studies conducted in the preparation of this report, sugar, cocoa, fruit juices and honey have growth potential in the Japanese market, while coffee, banana, sesame, citrus, pineapple, tropical fruit jam and jelly, mango and spices seem to face various difficulties in either accessing or enlarging their respective markets in Japan. With respect to the forms in which products are exported, processing products prior to export is one of the ways to circumvent the risk of fumigation at the port of entry. This partly explains why the Japanese market for imported processed organic vegetables and fruits is comparatively large. Refined sugar, cocoa mass and fruit concentrates are some of the examples of processed products, most of which are used as ingredients for domestic processing. Exporting partially processed ingredients for Japan's processing industry is therefore one of the recommended strategies for foreign suppliers.

In addition to the certification label, imported products must also have other qualities that appeal to Japanese consumers and distributors, and such qualities must be effectively promoted to enhance their marketability. The market for certified products is still young and has potential to expand in Japan. On the other hand, due to the fact that certification labels are not well known in Japan, certified products do not enjoy high and steady demand. As such, promoting and disseminating information on the social and environmental benefits of existing certification programmes in Central America is strongly recommended, in addition to considering participating in the Organic JAS system.

Promoting positive images of Central America as a place of origin for food products is also a challenging and yet essential task. Central American suppliers must keep in mind that their region lacks a strong reputation as a place of origin for any particular product in the minds of Japanese consumers, a fact that could hinder their success in Japan. Investing efforts and time in promotional activities is highly advisable in all types of trade, but it is especially crucial in the case of supplying products for retail in Japan. This is because the Japanese retail market is sensitive not only to product quality and price, but also to the images associated with places of origin, brands, packaging and design.

Another fundamental ingredient for success in exporting to Japan is the presence of Japanese business partners who would collaborate with foreign suppliers. Although Central

¹ In this report, the term "certified products" means agricultural products that have been produced in an environmentally or/and socially sustainable manner and certified as such by one of the certification systems described in section II.

American exporters would deal mostly with Japanese importers who handle the importing procedures on behalf of final buyers, i.e. processors and retailers, it is advisable to maintain direct contact with the final buyers, as they make the final decisions on product quality, quantity, price and delivery punctuality. It is also important for Central American suppliers to proactively share promotional information on the region and their products with their Japanese partners, as these factors play an important role in promoting products effectively, as well as in developing products and marketing strategies that would suit the demand of the Japanese market.

Prior to approaching potential business partners, it is strongly recommended that foreign suppliers study general trends among Japanese distributors, particularly with regard to food safety and reliability issues. Foreign exporters are often expected to adhere to Japanese distributors' management methods and product standards. Quality management is much emphasized in Japan and therefore should be considered as one of the key factors in order to establish new transactions and/or to maintain long-term business relationships. Moreover, Central American suppliers should be aware of possible challenges in establishing and maintaining productive relationships with Japanese business partners. In addition to obvious communication barriers, such as the language and time differences between Central America and Japan, the business cultures differ in many regards (e.g. respect, promises, consistency, punctuality, compromises, etc.).

In essence, the saturation of the Japanese market in general, as well as the challenges in establishing business relationships, make the Japanese market a rather difficult target for new foreign suppliers. Furthermore, the specific requirements of export, such as transportation and lot size, place small-scale operators at a further disadvantage. However, the immaturity and the potential growth of the Japanese market for certified products could offer opportunities for newcomers. Small-scale operators should consider grouping themselves in order to participate in various certification programmes and compete with larger-scale producers. They should also take advantage of alternative trade channels in the market for products with social and/or environmental benefits (i.e. Kokusai Sanchoku or International Teikei), mainly because these channels are often based on principles that are favourable to small-scale suppliers, such as fair-trade, promoting small-scale operations and establishing trust-based direct relationships with suppliers.

I. Background to the Japanese Market for Certified Agricultural Products and Processed Foods

I-1. History of Membership-based Transactions and Expansion into the General Market

In Japan, the distribution system of products that are grown in socially and environmentally responsible manners developed with Teikei, a system initiated by the Japan Organic Agriculture Association (JOAA), founded in October 1971. Although the market for these products has expanded and diversified today, the basic concept of Teikei continues to play an important role as one of the principles of the marketing structure.

The Teikei system is based on a production agreement between a producer and a group of consumers. The basic philosophy behind this system is to have safe and stable agricultural production without the use of pesticides or chemical fertilizers and with the minimum burden to the environment. In order to support the efforts incurred by the producer, the consumers commit themselves to purchase all of the products from that producer in accordance with the agreement between them, thus assuring the sustainability of the production.

Until 1999, when the revised JAS Law specified the definition of organic agricultural products as “products that are produced without pesticides or chemical fertilizers for over three years,” most of the products that were being distributed in the Teikei-based systems used to be considered as ‘organic’, including those that were grown with small amounts of pesticides. This is because the general attitude among the Teikei producers and consumers was to respect ideas, such as ‘the sustainable development of agriculture’, ‘the local circulation of resources including nutrients,’ and ‘the input of manure to create healthy soil’. In other words, rather than focusing on stringent requirements that defined how organic products had to be produced, the emphasis was on the consumers’ understanding and their collaboration with the producers’ efforts to assure food safety and reliability, while also protecting the environment. Therefore, the importance was, and still is, placed on mutual communication between producers and consumers, through direct contacts and newsletters, thus keeping producer and product information transparent to the committed group of consumers. This type of direct connection between producer and consumer is sometimes referred to as a “face-to-face” relationship, and one of the characteristics of such a market system is that it is membership-based, where the reliability of the product is one of the highest priorities.

During the late 1970s and the 1980s, the idea of the Teikei system was expanded by newly developed distribution units, which specialized in *fresh* organic agricultural products. It must be noted here that, prior to these new distributors, health food stores used to carry mostly *processed* organic foods. These new distributors have succeeded in establishing a wider distribution system for socially and environmentally responsible products, while continuing the Teikei method of contract-based production, by grouping small-scale producers together and inviting consumers to become members of their distribution system. Serving as a go-between, they collect fresh vegetables and fruits from the contracted group of producers and deliver them to prearranged collection places, or depots, where member consumers gather to collect their share. Daichi wo Mamoru Kai is one of the first of such distribution units.

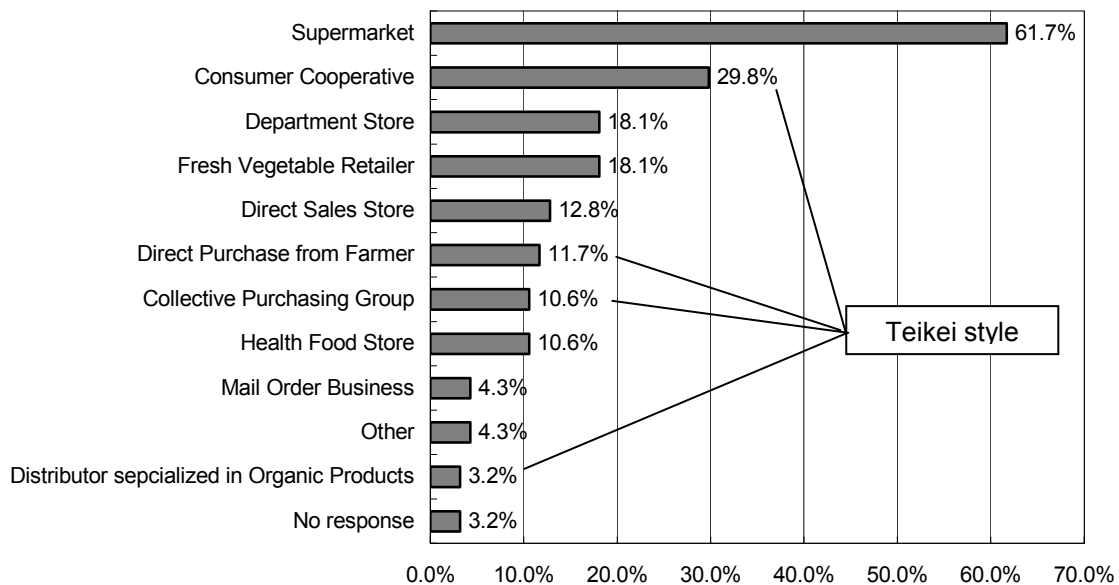
Around the same time as these specialized distributors, some of the consumer cooperatives, which developed from collective purchasing efforts, also organized their consumers as coop members and began to supply organic agricultural products.

From the late 1980s into the 1990s, yet another type of distribution units grew, specializing in home delivery services. They have spread the distribution of organic agricultural products into an even wider market than before. A few examples of this type of

distributors are Radish Boya, Bio Market (formerly known as Polan) and the Shizen & Organic Food Company (SOFCO). The earlier mentioned Daichi wo Mamoru Kai also expanded their services to include home delivery.

Today, marketing of these products has developed further, penetrating into larger-scale distribution systems. A recent study on consumer purchase preferences (the interviewed could select multiple answers) shows that over 60 percent of Japanese consumers purchase agricultural products, both conventional and organic, from supermarkets (see Graphs I-1.1 and I-1.2). Supermarkets are therefore becoming a new target for the marketing of socially and environmentally responsible agricultural products. Large-scale supermarket chains now carry organic and reduced pesticide/chemical fertilizer vegetables under their own brand names, such as Ito Yokado’s “Kao ga Mieru Yasai” (Visible Face Vegetables). Efforts made by large supermarkets, such as Ito Yokado, to ensure transparent communication between their producers and consumers imply the importance of food reliability and traceability in the distribution of their brand products, owing its origin to the Teikei system.

Graph I-1.1: Where Organic Agricultural Products are Purchased

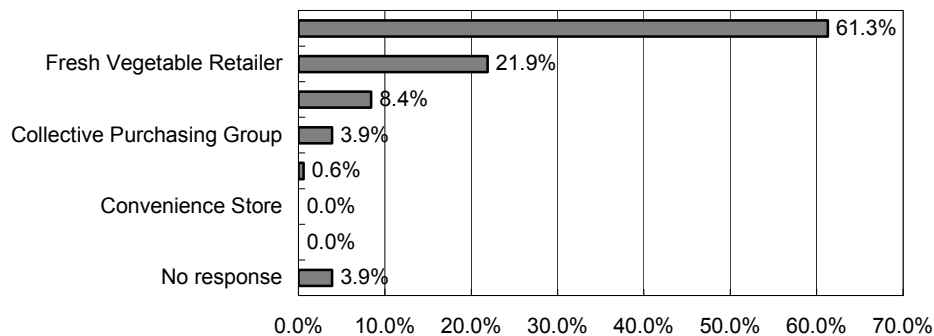


(Source: Agriculture Promotion Foundation, 2003)

Note: Respondents could select multiple answers

Note: A 'direct sales store' refers to a place where a producer sells their products directly to consumers. This category of retail includes farmer’s markets, shops in Michi-no-Eki (road stations), roadside vending, etc.

Graph I-1.2: Where Conventional Agricultural Products are Purchased

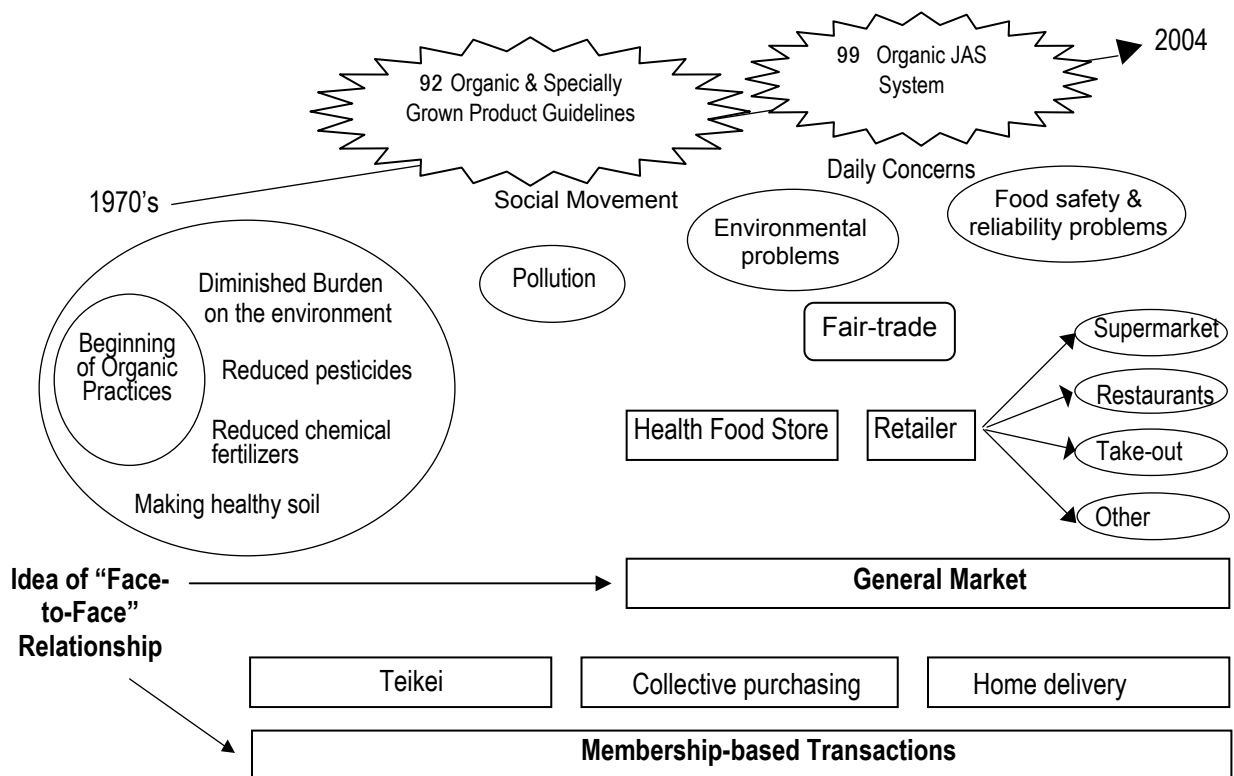


(Source: Agriculture Promotion Foundation, 2003)

Teikei-style efforts are fundamentally different from certification, in that the former places the importance on human relationships that are based on trust, whereas the latter comes from the idea that contracts govern transactions between anonymous parties. Currently, along with the growing interest in organic food in the general Japanese market, Teikei-style membership-based transactions (i.e. Teikei, collective purchasing, home delivery and coop) are also continuing to thrive, keeping a comparative share in the market, as do the supermarket chains (see Graph I-1.1). In other words, the presence of Teikei-style distributors must be kept in mind as important suppliers of foods produced in socially and/or environmentally responsible manners, such as certified products.

Some Japanese operators, who are involved in the distribution of this type of products, are now extending the idea of Teikei to international trade, thereby reaching out to small-scale producers in developing countries. This effort is called “Kokusai Sanchoku” or international Teikei between foreign producers and Japanese consumers. This is also closely related to the philosophy of fair-trade (i.e. minimizing the burden on the environment by producing countries, avoiding exploitation, putting supplementary funds to trading prices to support the producer’s effort toward financial independence from subsidies and debts, etc.). One of the leading organizations of this type of transaction is Alter Trade Japan, Inc. (ATJ), which was founded by collaborative funds from various distributors specialized in organic products as well as consumer cooperatives. ATJ is known for its fair-trade importation of no pesticide bananas from the Negros Island in the Philippines and that of eco shrimp from Indonesia, although they also import many other products, including coffee. AEON, Japan’s largest supermarket chain, as well as Starbucks, a major coffee chain, are also beginning to participate in this type of trade, encouraging a further expansion of fair-trade products in the Japanese market.

Diagram I-1.1: History of Food Safety Measures and Changing Market Systems in Japan

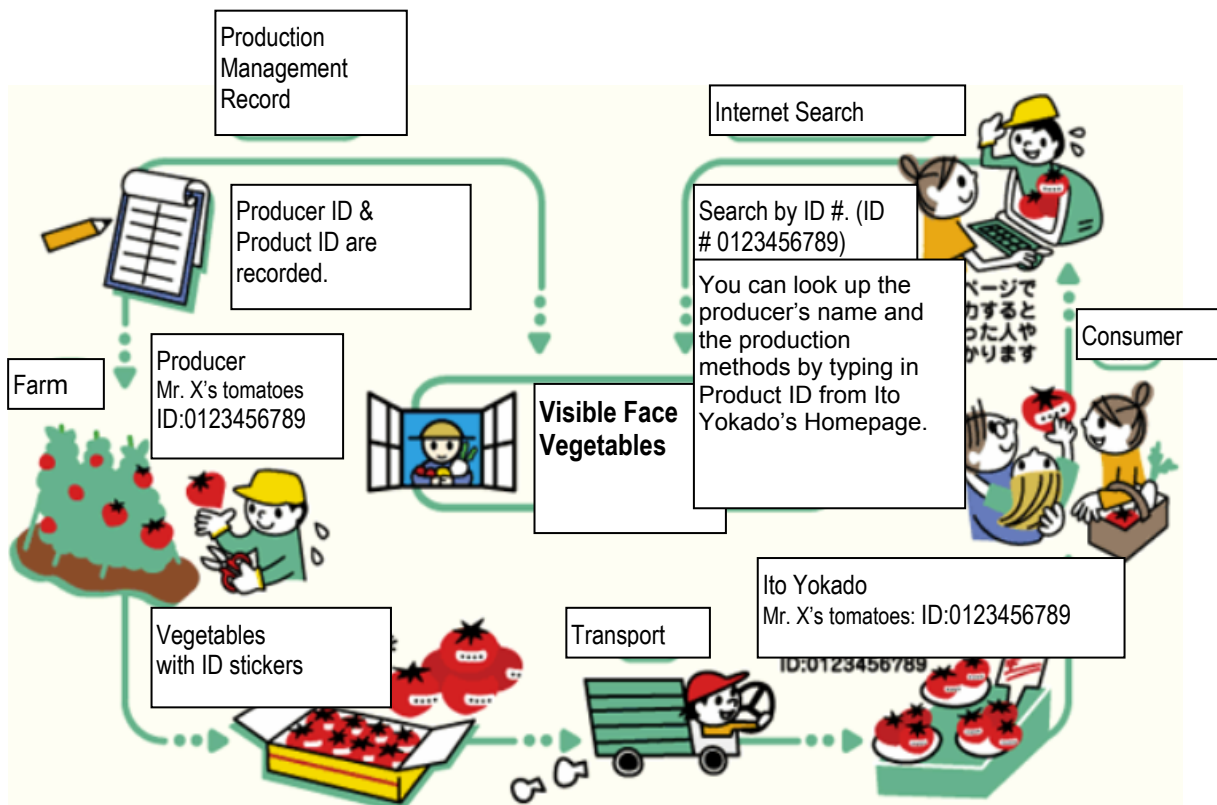


(Source: JSEQ, 2004)

In sum, the Japanese food market for socially and/or environmentally responsible products has developed from “membership-based” transactions, such as Teikei, to include the general market, represented by supermarket chains (see Diagram I-1.1). Despite such an expansion, the historical concept of Teikei continues to exist as the base of the market system. Ito Yokado’s Internet homepage for Kao ga Mieru Yasai (Visible Face Vegetables) is a good example of utilizing the modern technology to communicate with a large number of consumers (see Diagram I-1.2). This homepage is equipped with a search engine to look up producer names and production methods, by inserting product ID numbers that are assigned to the Visible Face vegetables. The philosophy of open communication between the producer and the consumer has thus transformed itself into a new and wider system of sharing production information.

Since the objective of this report is to examine the accessibility of imported products from Central America to the Japanese market, more detailed discussions on the cultural significance of the Teikei-style methods in the Japanese market shall be reserved for another occasion.

Diagram I-1.2: Ito Yokado’s System Flow Chart of the Visible Face Vegetable Brand



(Source: Ito Yokado Webpage)

I-2. Food Safety and Reliability

I-2.1 Food-related Incidents and Their Effects on Consumer Trends

One of the main drives behind the above described expansion of the market for socially and environmentally responsible products into the Japanese general food market is a rapidly deteriorating sense of trust among Japanese consumers, especially with regard to food safety and reliability.

Over the past few years, Japan has experienced a series of threatening incidents and accidents related to food safety. These events are summarized in Table I-2.1 in Appendix I.

As a result, consumer tendencies toward food consumption have altered drastically. According to recent surveys, a high percentage of Japanese consumers have begun to worry more about food safety than ever before, placing “food safety and reliability” over “price” or “taste,” which had long been their top priorities (AFC (December, 2001), IFOAM Japan, et. al. (October, 2003), Saison Research Institute (July, 2002),) (see Graphs I-2.1 and I-2.2 in Appendix I). Thus, ‘safety and reliability of food’ has become a serious challenge for the Japanese food market. It is within this context that the previously described market for socially and/or environmentally responsible products has come to expand rapidly. This market, which is now known as the safe and reliable food market, will offer certified agricultural products, including organic, new opportunities to penetrate the mainstream market.

In June of 2000, a large dairy product company caused a food poisoning scandal because of their low-fat milk containing Staphylococcal Enterotoxin. Because this reputable company responded poorly to the accident, Japanese consumers’ trust in the food industry in general declined sharply along with a dramatic increase in the level of food safety concerns among them. Furthermore, in May 2001, the first incident of Bovine Spongiform Encephalopathy (BSE) infected cows was recognized in Japan, and the slow response of the Ministry of Agriculture, Forestry and Fisheries (MAFF) caused much criticism against the administration. In December of that same year, a series of incidents with pesticide residues in imported vegetables from China were reported, followed by yet another incident of excess pesticide residues (e.g. Chlorpyrifos) in nearly 10 percent of imported Chinese frozen spinach in March 2002 (see Graph I-2.3 in Appendix I). Immediately after these residual pesticide incidents, consumer concerns about pesticide residues in Chinese vegetables recorded a high of 86 percent (Micromill, August, 2002) (see Graph I-2.4 in Appendix I). The reliability of the Japanese inspection system was also seriously questioned, and the import of frozen spinach was suspended in September of that year. Another scandal in 2002 involved GM soybean found in organic tofu. These disconcerting events were followed further by the suspension of import of US beef due to the detection of BSE cows in the United States in 2003. The sense of food safety among Japanese consumers thus was severely threatened, especially with regard to imported food items.

The reliability of domestic food safety standards also came to a serious threat due to a series of scandals, such as those with false labelling and prohibited food additives, starting in January 2002. In August of that year, non-registered cancer-inducing pesticides (e.g. Difolatan) were found to have been imported, sold and used in Japan, which caused agricultural products in 32 prefectures to be recalled and discarded. In 2003, another false labelling incident occurred, this time related to an allergic substance. Most recently, in 2004, Avian Influenza, or bird flu, broke out in January both in some countries abroad and in Japan.

As a result of these scandalous acts on the part of the food industry and food related diseases, consumers have begun to question the reliability of food-related information that suppliers provide. In a study conducted by the Cabinet Office in May 2002, 66 percent of the surveyed consumers felt that the current food labelling was not satisfactory. More specifically, 60.4 percent mentioned that they were purchasing fewer products that were produced or processed by the companies that had been accused of false labelling or other scandals, and 18.4 percent said that they had stopped purchasing the products that had been associated with such incidents entirely. It must be emphasized at this point that this type of abrupt changes in consumption is unprecedented in Japan, and consequently, these changes have led a number of companies to bankruptcy.

In summary, these continuous food-related incidents have shaken the confidence in food safety and reliability among Japanese consumers. They now demand that product information be more transparent, that their voices be taken seriously, and that the whole process of food supply, all the way from the level of production to that of distribution, be improved in order to restore their sense of comfort in the safety and reliability of the food that they consume. Some consumer groups are beginning to create their own standards to evaluate corporations in the food industry in the areas of business management, operation

standards, measures to response to consumer needs, and compliance with relevant laws (Asahi Newspaper, 23 April 2004).

The bright side of these intensifying demands by consumers is that they are driving the whole food industry as well as the government to make changes that promote the production and distribution of safer food items with more reliability. As will be discussed later in this report, one of the signs of such changes is the introduction of various certification systems, such as Organic JAS, specially grown products and fair-trade. In other words, as mentioned at the beginning of this section, great opportunities are ahead for products that are produced and distributed in socially and/or environmentally responsible manners.

I-2.2 Administrative Reforms and Laws in Association with Food Safety Concerns

In recent years, the Japanese Government has carried out multiple administrative reforms, has revised existing laws and has issued new guidelines and regulations on food and agriculture (see Table I-2.2 in Appendix I). While these changes are motivated partially by WTO and CODEX, they are also related to the intensifying consumer demands for food safety and reliability. In fact, the administrative focus has made a significant shift from the producer to the consumer, suggesting the latter's desire to recover the sense of food safety and reliability.

One of the most concrete examples of such administrative efforts is the establishment of the Food Safety Commission in the Cabinet Office in July 2003, with an aim to undertake independent risk assessment. The Food Safety Law was created to serve as the basis for this commission, along with other laws that were reviewed and revised. To list a few, the Pesticide Control Law and the Food Sanitation Law were revised; the negative list of prohibited pesticides was re-written as a positive list of permitted pesticides; the Pesticide Residue Standards were reviewed; and several punitive regulations were tightened. The Beef Traceability Law as a countermeasure against BSE, as well as the JAS Standard on Production Information to extend the traceability control to other products, are also other examples of governmental measures to attempt recover the safety of food and the reliability of labelling.

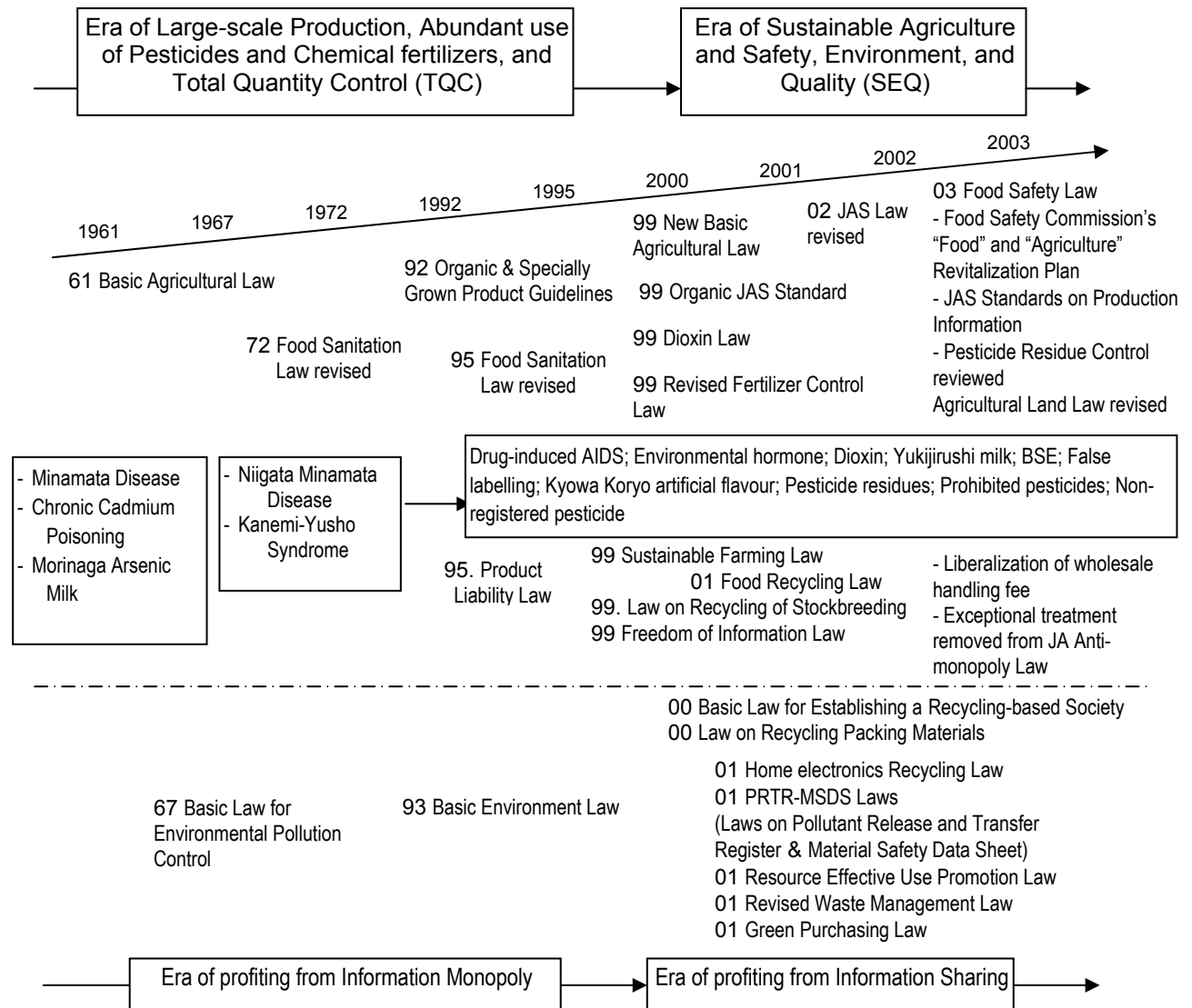
Another major shift in the law is in the area of environmental protection. The revision of the Agricultural Basic Law in July 1999 is a good example. The original law, which was first legislated in 1961, led to the beginning of a mass-production and mass-consumption society, which was supported by the idea of modernization and industrialization of agriculture (i.e. scale expansion of production, promotion of efficiency through abundant utilization of pesticides and chemical fertilizers). In contrast, the newly revised Agricultural Basic Law, which was revised 38 years after its first implementation, was significantly transformed, placing the formation of a recycling-based society through 'the promotion of the natural cyclical function of agriculture' as its basic concept.

The Sustainable Farming Law was also passed in association with the revised Agricultural Basic Law. Its basic principles are aimed at the reducing the use of pesticides and chemical fertilizers and encouraging the making of healthy soil. The revised JAS Law, which made third party certification of organic agricultural practices compulsory for the labelling of Organic JAS, was also implemented around the same time. The Basic Law for Establishing a Recycling-based Society, too, was passed in 2000, triggering the creation of many other environment-related laws in various industrial areas, including the Food Recycling Law and the Law on Recycling of Stockbreeding in the agricultural and food sectors. Overall, many laws have either been revised or newly legislated based on the concept of environmentally responsible practices.

As shown in Diagram I-2.1, the year 2003 became an important turning point for the Japanese administration with regard to food safety. It is certain that the legal and administrative shifts in relation to food safety issues, including that of imported agricultural products, have come to reinforce the establishment of the newly introduced safe and reliable

food market and to encourage the recycling of resources and the protection of the environment.

Diagram I-2.1: Flow Chart of Laws and Administrative Reforms on “Food” and “the Environment”



(Source: JSEQ, 2004)

Nonetheless, it must be noted here that, from the perspective of the 'organic community', these legal measures cannot be considered satisfactory. This is primarily so because these legal revisions and legislations are intended to meet the standards imposed by WTO and CODEX in order to accommodate the globalization trend. As a result, some regulations have come to disregard Japan's monsoon climatic conditions and thus have become unreasonably stringent for domestic production. On the other hand, according to some influential consumer groups and cooperatives, some other regulations, which had served to protect the environment, food safety and other important aspects related to food production and trade, have become deregulated. Overall, they claim that these changes, do not only represent improvements, but also some serious regressions and deteriorations. While positive changes in the administration must be acknowledged and enhanced, the urgent need to improve society toward sustainability must be further emphasized. More

concretely and in line with the objective of this report, some protective measures must be put in place to support small-scale producers and businesses.

I-2.3 Supplier Trends in Association with Food Safety Concerns

As discussed in the previous two sections, both consumer trends and governmental responses in association with food safety concerns will likely result in continuous growth of the market for 'safe and reliable foods' in Japan.

Food businesses are reacting promptly to these changes. Among food suppliers, retailers have the strongest influence on food supply chain behaviour. This is because they order products in direct response to what consumers demand, which in turn affects the quality and variety of food handled by the rest of the supply chain.

Another characteristic recent change in the Japanese market system has been the enhancement of the retailers' position in the supply chain. This change is a rapid structural transformation that is happening due primarily to major deregulations of the law regarding wholesale. The market, which had been organized in complicated and strictly ordered multiple layers of distributors, working between the producer and the final retailer, now allows more flexibility in transaction. This shift in the market structure implies that the retailer, such as supermarkets, is now able to deal directly with the producer, rather than having to go through a series of distributors in between. This new system allows more freedom for the retailer to formulate their own style of business, but also places more responsibility on them for the quality of their supplies and business practices (e.g. food safety, reliability, traceability), as well as more social responsibility to directly contribute to the welfare and justice of society. As described in Section I-1 of this chapter, it is within this context that an increasing number of general retailers are incorporating more Teikei-like contract-based production methods and socially and environmentally responsible practices. Various certification systems are thus introduced into the market (see Chapter II), and this style of business is expanding to international trade (e.g. fair-trade, international Teikei).

This section therefore intends to clarify how Central American small-scale producers and exporters can work effectively with the current market system, especially given this new tendency of final suppliers to work directly with producers.

For Central American small-scale producers and exporters, three main supply routes are considered: (1) supplying raw materials to dining services (e.g. restaurant chains), take-out services (lunch boxes, pre-made foods) and cafeteria services; (2) supplying ingredients to food processors; and (3) supplying home cooking ingredients directly to retailers (e.g. supermarkets). While the former two routes supply ingredients, discussed in (a) below, the last one is for retail, i.e. direct consumption, in (b).

(a) Supply of Ingredients

In the case of supplying ingredients for processing, domestic processors and food service companies are the recipients of such imported products. As will be described in Chapter III, there already exists a large volume of organic ingredient products that are imported into Japan. From Central America in particular, coffee, sugar, cocoa beans, fruit juice and spices are some examples of this type of trade. At present, imports of ingredients from Central America appear to be more commonplace than the second type, which is to import products for retail. Cases of fresh product imports from Central America are very rare. However, even though current examples are few, especially if they could be partially or fully processed prior to export (e.g. cocoa, sugar, frozen fruit, fruit juice, vegetable puree, dried fruit), possibilities for Central American ingredient supplies could expand more widely.

One of the factors to keep in mind, however, is that many of the buyers of ingredients are beginning to install their own food quality standards based on which they purchase supplies. These standards apply to imported, as well as domestic, products. Central American suppliers should therefore contact individual Japanese suppliers (i.e. processor,

food service) in order to learn about their standards. In the case of organic products, Central American suppliers would have to be Organic JAS certified in order to realize any business with Japanese Organic JAS certified suppliers. Refer to Section II-2 for more details on organic certification.

A new and rapidly growing trend among ingredient buyers is that some are beginning to engage in the production of ingredients that they use. This trend is related to recently implemented governmental measures to revitalize domestic agriculture, which have made it possible for any company to become an agricultural corporation and thus participate in farming and related practices (e.g. production, processing), provided that they satisfy certain criteria. Some examples of this trend are Kagome's plan to become a farming corporation, and Green House's initiative to adopt the contract-based production method of purchasing. More ingredient buyers are expected to obtain the status of a farming corporation and to engage in the production process of their ingredients, in order not only to assure the safety and reliability of food supplies, but also to control the cost of domestic supplies.

(b) Supply for Retail

(i) Specialized Distributors and Consumer Cooperatives

In general, specialized distributors and consumer coops have long been emphasizing the importance of environmental preservation and food safety. Many have their own voluntary production and food quality standards to govern the reduced or no use of pesticides and chemical fertilizers, and have some sort of production management system installed. They select business partners based on these standards, and use so-called production management sheets for producers to fill out and confirm their production processes. What is particularly characteristic about their business style is that, sticking firmly to the philosophy of Teikei, these distributors rely on contract-based production, which is founded on the mutual acceptance of responsibilities by all of the contracted parties (i.e. by means of declaration forms and production information certificates). Since they have a direct connection with their production sites, this style of transaction allows them to trace their products easily and to disclose necessary production information to their customers.

Since 1999, in which organic standards were established at national level (i.e. Organic JAS), many of these organizations began to switch from their own system of production management to the national system of second and third party auditing, in order to further improve the reliability of their services. One of the changes with this shift is that of organic labelling. While many of these voluntary management systems used to recognize varying stages of practices in conversion (i.e. somewhere between conventional and organic practices), the Organic JAS system does not. As discussed earlier, most of these non-conventional productions used to be treated often as 'organic' in Japan. Today, with the Organic JAS system in place, such types of production are not recognized as organic, but rather, their products qualify for a newly established category, called "specially grown agricultural products." This categorization will be discussed in Section II-3.

(ii) General Distributors

In parallel with these membership-based distributors, more general distributors, such as supermarkets and dining services (e.g. restaurants), are increasing the amounts of organic and specially grown agricultural products that they handle. Many also have their own production and food quality standards set up. The most notable trend among these distributors is the use of their voluntary standards to market these products as "brand" commodities. Moreover, in order to monitor production processes, some are moving toward systematizing third party auditing by means of establishing their own management rules.

For instance, AEON Group, one of the three largest supermarkets in Japan, has a set of norms called the *AEON A-Q* (AEON Produce Suppliers Quality Management Standards), modelled after GAP and EUREPGAP. They sell agricultural products that meet a certain level of standard, adhering to these norms under the brand of "TOP VALU Green-Eye." As

mentioned earlier, Ito Yokado also has their own brand called “Kao ga Mieru Yasai” or Visible Face Vegetables with a system of third party auditing based on their production and management standards (see Image I-2.1 and Diagram I-1.2). The brand name of a third major supermarket, Daiei, is called “Sukoyaka Vegeta” or Healthy Vegetables.

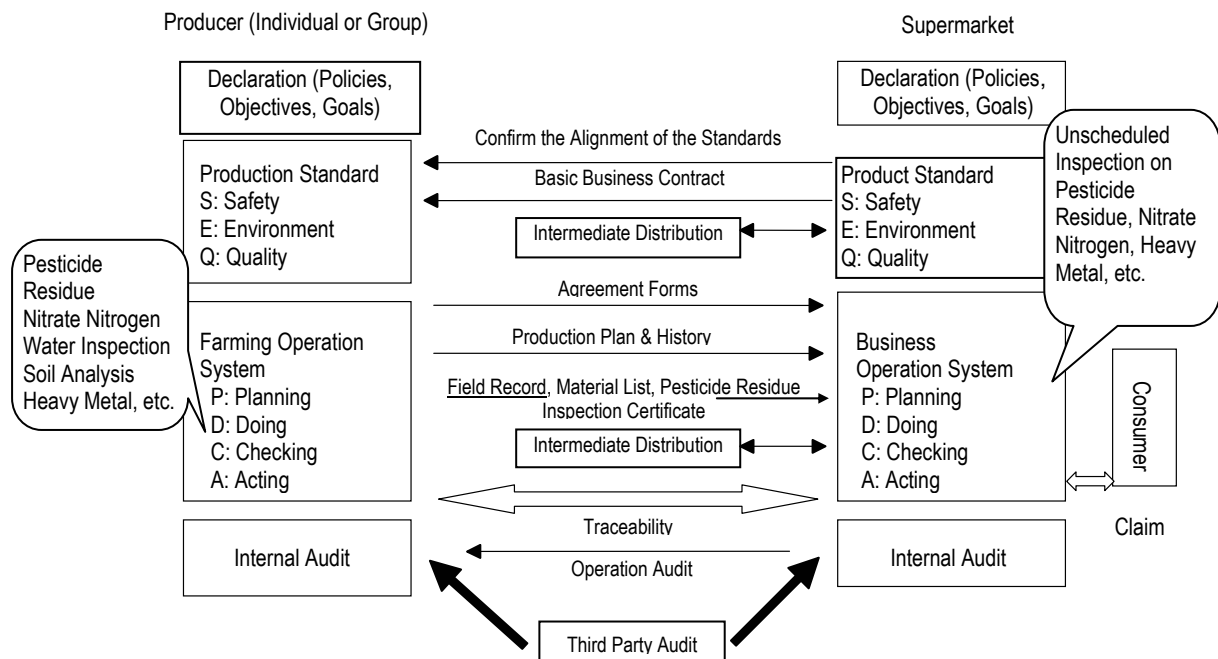
Image I-2.1: Image of the “Visible Face Vegetables” Section at Ito Yokado



(Source: IFOAM Japan)

Below is a diagrammatical summary of the newly developing form of transaction system for socially and/or environmentally responsible agricultural products in the general market (see Diagram I-2.2). While this diagram represents a system that is currently used mostly by major supermarkets such as those described above, this type of transaction will most likely spread to other supermarkets and restaurant chains, eventually growing into a mainstream marketing strategy.

Diagram I-2.2: Newly Developing Transaction System (Supermarket - Producer)



Declaration

Declaration implies that the supermarket makes their business objectives and product development strategies public. A declaration is an expression of their business ideology, including issues on food safety, the environment and food quality. It also includes the retailer's social responsibility to support efforts in production and distribution practices that take environmental and food safety concerns into consideration.

Producers are also expected to have a set of relevant policies in their farming operations, including those with regard to organic or other certifications (such as specially grown products), food safety and the environment. The supermarket uses these policies to evaluate the declarations of those producer groups who wish to make a contract with them.

Product Standard, Production Standard

Product and production standards are documents that summarize relevant policies in practical terms (i.e. what kinds of commodities will be produced and sold) in accordance with the above mentioned declarations by the two parties, i.e. a set of product standards by the supermarket and that of production standards by the producer. They serve as the bases for the "production management sheet," which is used to ensure that both of these standards are in agreement. When it is confirmed that the two standards are consistent with each other, a basic business contract is established.

Business Operation System, Production and Manufacturing Systems

Once clearly stated standards are set in place, a plan for production is made according to the production management sheet. Implementation of the plan is checked (monitoring and measuring) and records are made in order to allow third party evaluation, especially in cases where certain aspects required by the standards are not fulfilled. Where permitted, pesticide residue values are specified by the retailer's standards; sampling inspection could also be required. Traceability depends on record keeping of information on production, quality check, storage, sub-division, shipping and receipt of goods, sales and stock inventory.

Both the producer and the supermarket are responsible for the maintenance of this system. Therefore, in exchange for a purchase contract made by the supermarket, the producer signs a declaration form that commits them to produce in accordance with the supermarket's standards and an agreement of compliance between them. The producer is also to provide the supermarket with other required documents, including a production plan and production history.

Internal Audit, Business Audit (second party) and Third Party Audit

An internal auditing system implies that internal checks are carried out to ensure that the planning (P), the doing (D), the checking (C) and the acting (A) are conducted properly. Recently, however, there is an increasing tendency to shift away from internal auditing toward second party or third party audits in order for the company to enhance its social justice stance and a trustable reputation in society.

I-2.4 Implications for Foreign Suppliers

Various changes in the market structure, as well as in the governmental administration, to ensure food safety and reliability within Japan have been described in this chapter. Despite such efforts to improve the domestic food supply system, the fact remains that Japan's food availability self-sufficient rate is less than 40 percent (calorie based), making it necessary to depend on imported products. This self-sufficiency rate is expected to decrease even more in the future, as the number of producers and their successors in the domestic agricultural sector is on a decline and national products are already struggling to compete with cheaper imported counterparts. Demands for imported products, especially

among large-scale distributors, such as supermarkets and restaurants, are therefore expected to continue to rise.

One of the major challenges for suppliers, including foreign producers, is to ensure the safety and reliability of imported foods, since, as discussed earlier, Japanese consumers are very uneasy about this matter (see Section I-2). Some consumer surveys show that imported foods are among the top issues that Japanese consumers worry about, and that their concern about the safety of imported foods (e.g. residue pesticides) exceeds any merits that could come with such products (Food Safety Commission (2003), MAFF (2001), Tokyo Prefecture (2002, 2000)) (see Graphs I-2.5, I-2.6, I-2.7 and I-2.8 in Appendix I). Therefore, in order to succeed in the Japanese market, it is definitely essential for suppliers to ensure the safety and reliability of foods throughout the entire process of production and distribution, both prior to export from the country of origin and once imported into Japan (Food Safety Commission (2003)) (see Graph I-2.9 in Appendix I).

Given these challenges, the new form of business as described in the previous section is expected to extend to the handling of imported products. In fact, some types of management systems are already beginning to be established to improve traceability and to guarantee food quality (including pesticide residue analysis) of imported products. Already, apart from Organic JAS certification, some importers have their own standards for the production with reduced pesticides and chemical fertilizers. They use these standards to establish a management system for contracted farms abroad, such as in China, in order to ensure high quality food supply all the way up from the production level. With regard to food safety inspection, instead of depending solely on foreign inspection agencies, some have begun to undertake measures to conduct inspection themselves, using Japan's most advanced technology. One example is an integrated analysis centre that was recently established in Qingdao, the biggest port of export in China. This centre, called the Qingdao Research Institute of Food Safety, is funded by 18 entities, consisting of pesticide residue analysis labs, analysis machine manufacturers and food companies. The centre analyses pesticide residues, water quality, soil, heavy metals, microorganisms, genetically engineered products, etc. While its short-term objective is help Japanese companies deal with the pesticide residue problems of Chinese vegetables, its longer-term goals are to extend its research scope to the development of analysis technologies, as well as to provide consultation on various production management systems and to help improve the safety of foods in the entire region of Asia.

As a consequence of these trends toward higher demands for food safety among consumers and more stringent management systems (e.g. ISO14001, ISO9001) among food businesses, it is expected that compliance with conditions to export their products to Japan will become increasingly difficult and complicated for foreign suppliers. However, working with certifications could help foreign suppliers establish an advantageous position in assuring the quality, safety and reliability of products that they provide. Although few certification systems currently available in Central American countries would match directly those in Japan, there exist multiple ways to work with and make use of such certifications. For instance, as discussed in the following chapter, it is possible for foreign suppliers to participate in the Organic JAS certification system. Even if a system would not be yet established in Japan, such as the case with fair-trade, this type of certification may still offer a doorway to the Japanese market. In fact, Japanese food businesses are beginning to engage more frequently in fair-trade, for they see it as a way to fulfil their social and environmental responsibility. Various certification systems, including Organic JAS and fair-trade, will be introduced in the next chapter.

I-3. Import Regulations for Agricultural Products and Processed Foods

Food safety and quality control are as important for imported products as they are for domestic supplies. MAFF and MHLW of the Japanese Government coordinate their efforts to maintain multiple layers of regulations on import, food safety and quality. Foreign exporters are expected to clear these difficult hurdles in order to realize their business with Japan.

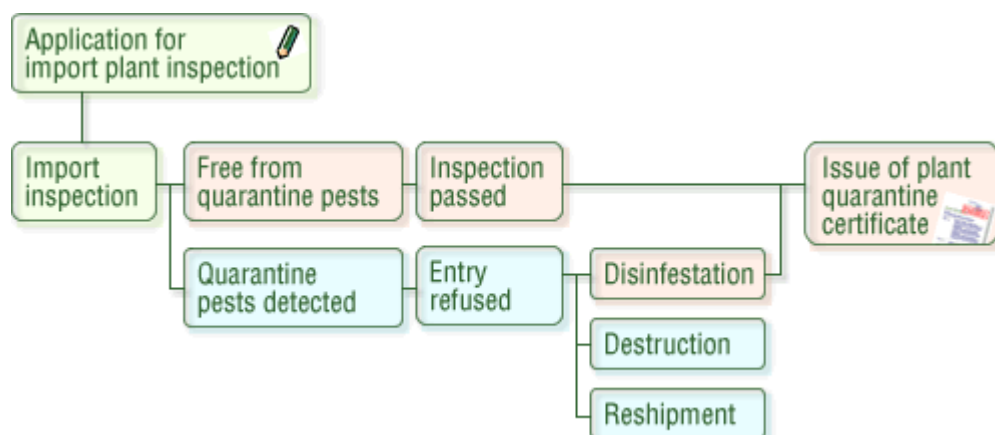
Although selected import regulations that are assumed to be most relevant to Central American producers are briefly described in this section, it is strongly recommended that they consult the Handbook for Agricultural and Fishery Products Import Regulations (JETRO, March 2004), which can be viewed at <http://www3.jetro.go.jp/se/j/jousa/kikaku/jpbook/index.html>. A hardcopy of the handbook can be purchased online from this page.

For regulations and rules on tariffs, detailed information is provided online but only in Japanese at <http://www.customs.go.jp/news/tariff2004/index.htm>. It is therefore advisable to consult the Japanese importer when exporting the product to Japan. In addition, most chambers of commerce in Central America are able to provide basic information on Japanese tariffs in Spanish.

I-3.1 Plant Quarantine of Imported Agricultural Products (Authority: MAFF)

In order to prevent plant diseases and pests from coming into Japan, quarantine is carried out with all plants and plant products that are imported by means of freight, personal luggage, parcel post, etc. The Plant Protection Station of MAFF is in charge of this task (<http://www.pps.go.jp/english/index.html>) and the Plant Protection Law governs this procedure.

Diagram I-3.1: Import Quarantine Procedures



(Source: MAFF Plant Protection Station's webpage on Import Quarantine)

When a plant or plant product is imported, the law requires that a phytosanitary certificate issued by the authorities of the exporting country be attached to the product; that inspection of the production site in the exporting country be conducted; and that it be imported through one of the designated ports of entry.

Imported plants and plant products are grouped into three categories, (a) import-banned items, (b) items subject to quarantine, and (c) items not subject to quarantine. Below, descriptions are extracted from MAFF's Plant Protection Station's webpage, <http://www.pps.go.jp/english/faq/import/>.

(a) Import-banned Items

This category covers the following items: 1. Plants shipped from a region where there are pests, which have not yet been introduced in Japan and could cause serious damage to crops and forest resources; 2. Pests and plant pathogens; 3. Soil; and 4. Plants with dirt.

Appendix I contains a table (Table I-3.1) of prohibited plants from the Central American countries, which is extracted from a list prepared by the Plant Protection Station. For a more complete list of prohibited plants, refer to MAFF's Plant Protection Station's website, at <http://www.pps.go.jp/english/faq/import/kinshi.html>. When referring to this list online, note that Central America is included in the North American region.

(b) Items Subject to Quarantine

This category covers items that are not included in (a) or import-banned items, but which are inspected upon entry. It involves a wide range of plants such as seedlings (including scions), ornamental plants, cut flowers, bulbs, seeds, fruits, vegetables, grains and cereals, beans and legumes, dried flowers, timber (excluding sawn timber), spice crops, herbs, medicinal plants, etc.

An extracted list of this category of products is available in Table I-3.2, Appendix I and a full list at <http://www.pps.go.jp/english/faq/import/kensa.html>.

(c) Items Not Subject to Quarantine

Although all plants are subject to import inspection as a rule, some plant products are exempt from this requirement. They are highly processed products (e.g. wooden furniture, tea, canned or bottled products packed in sealed container), which are free from the risk of recontamination.

A list of items included in this category is available at <http://www.pps.go.jp/english/faq/import/fuyou.html>.

(d) Inspection and Disinfection

In summary, imported plants and plant products are inspected in accordance with the categories as described above. Where there is a suspicion of disease or pest, the plant is subject to a more stringent inspection. If a quarantined pest or disease is confirmed by this inspection, protective measures, such as fumigation, disinfection, isolation, removal and destruction, are carried out.

It should be noted here that the proportion of the product that is subject to inspection from each shipment, as well as the type of disinfection method that is used, depends on the kind of product. These matters are quite complex and cannot be explained sufficiently in this report. Although detailed lists are available on the webpage of the Plant Protection Station of MAFF, they are currently available only in Japanese (<http://www.pps.go.jp/law/index.html>). It is therefore advisable to consult the Station to inquire about specific products that the producer wishes to export to Japan. JETRO's description of the Plant Protection Law is available at: http://www.jetro.go.jp/se/export_to_japan/files/oto/o-48.html

I-3.2 Food Sanitation Law on Imported Agricultural Products and Processed Foods (Authority: MHLW)

“The purpose of the (Food Sanitation) law is to prevent the occurrence of health hazards arising from human consumption of food so as to contribute to the protection of health of people by conducting regulations and measure deemed necessary, from the view point of public health, for securing food safety.” (Excerpted from Article 1 of the Food

Sanitation Law) (JETRO (Search for “Food Sanitation Law” from http://www.jetro.go.jp/cgi-bin/se/export_to_japan/search.cgi)

- JETRO has comprehensive descriptions and relevant appendices (e.g. lists of Maximum Pesticide Residue Limits, Food Additives, etc.) in English, although they cannot be copied or reproduced. To view a list of the documents that are available for purchase, go to: <http://www3.jetro.go.jp/se/j/jousa/kikaku/jpbook/index.html>

Examples:

Specifications and Standards for Foods, Food Additives, etc. Under the Food Sanitation Law (JETRO, January, 2003)

Flavoring agents as food additives (JETRO, August, 2003)

- The Japan Food Chemical Research Foundation also has a website with a list of regulations on food additives, pesticide residues, apparatus and containers or packages for food. Go to: <http://www.ffcr.or.jp/zaidan/FFCRHOME.nsf/pages/eng.h-page>

Example:

Handling of the unauthorized food additives, which are evaluated as safe and are widely used internationally

- MHLW's homepage provides links to several relevant regulations and topics: <http://www.mhlw.go.jp/english/index.html>

Example:

Imported Foods Inspection Services Home Page

II. Certification Systems

Five major certification systems in Central America, namely organic, fair-trade, Rainforest Alliance, ISO14001 and SA8000, are introduced in Section II-1, followed by relevant Japanese certification systems. The Organic JAS system is discussed in Section II-2, as it is the most established and the only national-level certification system based on a law. Among voluntary certification systems, the Guidelines for the Labelling of Specially Grown Agricultural Products provide the most established framework for certification of non-conventional agricultural products in Japan, thus introduced in Section II-3. Fair-trade (Section II-4) and Rainforest Alliance (Section II-5) certifications have also been introduced into the Japanese market, but their applications are still limited.

It should be noted that the systems introduced here, except that for the labelling of Organic JAS, are not governed by law. While some have a system of certification built in, they are not implemented at the national level. Others operate as a registration-based system or simply as a set of guidelines.

II-1. Certifications in Central America

The number of voluntary agricultural certification programmes operating in Central America has increased during the last decade. Voluntary certification has become a popular way for producers to take part in socially and/or environmentally responsible practices while also differentiating their agricultural products, and for corporations to promote the role of their social responsibility. Although only the Government of Costa Rica has a support programme for organic agriculture to help producers obtain certification, many private NGOs (e.g. CLUSA, CORDES ANAFAE, BELTRADE) and international collaborations (e.g. GTZ, IFAD, WB, FOMIN) have programmes to support producers to conform with various certification standards, such as organic, EUREPGAP and the ISO standards.

Many producers in Central America perceive certification as an opportunity to gain market access, and, in some situations, to obtain a better price. Many producers are also aware of social and environmental benefits that may come as a result of adhering to certain certification standards.

Some of these voluntary certification programmes target the national market, while others are more oriented toward export markets, including Japan. Five of the major certification programmes that exist in Central America, namely organic, fair-trade, Rainforest Alliance, ISO14001 and SA8000, may have market potential in Japan, and products certified by three of these programmes (i.e. organic, fair-trade and Rainforest Alliance) are already present in the Japanese market. The other two types (i.e. ISO14001 and SA8000) are not certification programmes for products, but rather for production facilities. There already exist a number of agricultural production and processing companies that are certified in accordance with these system standards in Central America.

Each of the five main certification programmes in Central America is described briefly below. For more details, the reader may consult : *¿Es la certificación algo para mí? Una guía práctica sobre por qué, cómo y con quién certificar productos para la exportación* (M. Andersen, RUTA, 2003)².

² This document is also available in English: Do you know how to certify your products for exportation? A practical guide for producers in Central America about why, how and with whom to certify agricultural products (M. Andersen, RUTA, 2003).

II-1.1 Organic Certification

Organic agriculture aims to maximize the use of renewable resources on the farm, while at the same time protect the surrounding environment and human health. Organic agriculture places much emphasis on recycling, soil health and biological activity, as well as the avoidance of synthetic pesticides and chemical fertilizers. However, many Central American producers associate organic farming solely with the aspect of non-use of pesticides and chemical fertilizers.

Organic certification in Central America exists for crops and livestock, although, at present, exports from the region consist mostly of crops. Organic agriculture produces and exports a significantly larger variety of products than do other types of certified productions in this region. While domestic demand is growing, the principal markets remain abroad, in North America, Europe and Japan. Among various reasons for Central American farmers to convert to organic agriculture, higher prices of organic products and the rapidly growing international organic market in recent years are attractive to Central American producers.

It is also notable that small- and medium-scale producers have played an important role in the development of the organic market in the region. More recently, however, as the market began to grow, large producers started to participate in organic practices. This has resulted in increased competition on price and product quality, and consequently, premiums that the organic producers enjoy now are likely to fall in the future. Organic farming nonetheless may offer an interesting alternative for many producers in Central America, as it is now well recognized in most markets and thus is likely to maintain some degree of preference over non-organic products.

In Central America standards for organic agriculture have been developed primarily by private certification bodies, although the governments of the region are becoming increasingly interested in promoting production and export. The Government of Costa Rica has already developed its own national organic standards and regulations and the other Central American countries are following its lead in order to support their organic agricultural sector.

When organic products are exported, they must meet the organic labelling regulations of importing countries, such as the Organic JAS standards in Japan.

II-1.2 Fair-trade

The principal aim of fair-trade is to enable better living conditions for producers and workers in developing countries by offering better terms of trade, including paying a minimum guaranteed price, plus an extra allowance. The Fairtrade Labelling Organizations International (FLO) is the worldwide umbrella organization for fair-trade standard setting and certification. Although the fair-trade market has mainly been associated with the European countries, the United States and Japan have also begun to import certified fair-trade products in recent years. There are currently 17 FLO national organizations in Europe, North America and Japan, and producers in 45 nations in South and Central America, Africa and Asia benefit from Fairtrade. Products such as coffee, cocoa, sugar, honey, bananas, other fresh fruits and juices are exported by Central American fair-trade certified producers.

Compared to other certification programmes, fair-trade is unique for its pricing system and strong focus on improving the market access and living conditions of producers and workers. Producers could benefit from Fairtrade certification, as this process normally results in higher and more stable prices for their products. More specifically, producers receive a minimum guaranteed price plus an extra allowance (called "Fairtrade premium"). The price paid to the producer is decided on the basis of production and any other additional costs that might arise in their efforts to meet the Fairtrade requirements, such as the 'living wages' for workers. In general, the Fairtrade premium is meant to provide some means to the community for further improvements in the living conditions of its members.

Producers can apply for fair-trade certification as a group, such as a cooperative, a farmer association or a private large farm (plantation). Local auditors inspect the farm and FLO Cert Ltd. makes the decision to certify the producer. Normally, the farm is inspected annually to check that the operation continues to meet the Fairtrade requirements and to examine what producers have achieved with the Fairtrade premium. Currently, traders, who use the FLO certification, mark on their packages, and pay the large portion of the certification cost. Under a recently introduced fee system, producers have also become responsible to cover inspection costs, although producers are compensated for these expenses through the guaranteed Fairtrade minimum price³ that they receive under the FLO system. There are a number of requirements related to the function of producer associations and the treatment of workers. Farmer associations/cooperatives have to operate based on democratic principles. Examples of the issues that are specifically relevant to plantations are: freedom of association and collective bargaining; workers' housing and sanitation; workers' health and safety; and no child or forced labour. In addition, the producer must follow the environmental and social laws in their country and demonstrate continual improvement in annual audits. There are also rules on how the Fairtrade premium has to be spent. Some products also have specific requirements related to environmental protection.

One of the key constraints in the fair-trade system is that producers can become certified only if the fair-trade umbrella organization in Germany (i.e. FLO) determines that there is a market for their fair-trade labelled products. Another constraint is that there is no guarantee that the products would be marketed and/or sold as 'fair-trade' simply because a producer is certified as such.

II-1.3 Rainforest Alliance

The Rainforest Alliance (RA) certification aims to promote good farm management practices for natural resource conservation, improve worker conditions and community relations and environmental management. The RA certifies farms for the Sustainable Agriculture Network (SAN), a group of non-governmental organizations working for environmental conservation and development. In collaboration with some producers, SAN has developed standards for banana, coffee, citrus, cocoa and fern productions. Their environmental standards include requirements for conservation of forests, streams and wildlife; soil and water management; storage, transport and application of agrochemicals. They also include integrated pest management; criteria for waste management; and a farm management plan that integrates the environmental and social standards. Some of their standards, particularly the social aspects, require compliance with national legislations and internationally recognized conventions.

RA certified products may be labelled, but it is not a requirement. The RA certification programme is characterized for its inclusion of both environmental and social issues, while also having a flexible point system on which performance is monitored and continually improved.

The RA programme has mainly been associated with one of the large banana corporations in Central America, but, with the inclusion of coffee, citrus, cocoa and fern, a larger number of farmer associations consisting of small- and medium-scale producers participate in this programme today.

Producers may use this certification as a way to differentiate their products in the market, but it does not guarantee any particular price premium. Therefore, whether RA certification can give any financial benefit to the producer depends on its market recognition, as well as negotiations between buyer and seller.

³ Inspection costs are built into the calculation of the guaranteed Fairtrade minimum price that is paid to producers under the FLO system.

II-1.4 ISO14001

The ISO14001 standard is designed to support the implementation of environmental management systems. The standard defines the framework of management processes, to which certified organizations must adhere. It also requires that the organizations respect their respective national environmental regulations. ISO14001 has mainly been applied in the industrial sector, but, in the last decade, it has also been adopted by an increasing number of large-scale agriculture and agricultural processing facilities. Because ISO14001 does not set any specific norms on performance or require that the operation meet any specific targets, facilities with varying degrees of targets may become certified in this programme. As a result, the effectiveness of this certification programme largely depends on the commitment made by individual companies that participate in this system.

ISO14001 certification is applicable to the production facilities, but not the product. Therefore, products from certified facilities do not carry the ISO14001 label, and as such, consumers are not normally made aware of the association of this certification with any particular product that they may purchase. This certification does not provide the producer with any special price premiums or particularly favourable markets. However, by participating in the ISO14001 system, operators could improve their efficiency, and reduce their costs through better management of internal processes and resources.

II-1.5 SA8000

The Social Accountability SA8000 standard is in line with the ISO standard, in that it is a certification of production facilities. The SA8000 certification aims to create better and safer working environments, and it is based on the international ILO conventions, which covers social justice, workers' rights and working conditions.

SA8000 has mainly been applied in the manufacturing sector, but some large-scale agricultural production and processing facilities are also beginning to adopt it in their operation. In Central America, a number of facilities that produce banana, pineapple, canned fruits and processed coffee are participating in this system. There are no particular price premiums or any market associated with this certification, although it may prove beneficial for large agro-industries if they can use it in their corporate public relations.

II-2. Organic Certification in Japan: Organic JAS System

Until the 1990s, there was no regulation in Japan on the labelling of organic or without pesticide products.. However, as the demand for safer food improved and the sales of higher premium products began thus to attract suppliers' attention, incidents of false labelling and forgery of commodities became increasingly commonplace. In order to control this situation, the Ministry of Agriculture, Forestry and Fisheries (MAFF) established *the Guidelines for the Labelling of Specially Grown Agricultural Products* (referred to as "the Guidelines" in this report) in October 1992. Certification under these guidelines is discussed in the next section.

In the late 1990s, in response to the establishment of the CODEX Guidelines, the Japanese Government decided to revise the Law Concerning Standardization and Labelling of Agricultural and Forest Products, and thus the revised JAS Law was implemented in late 1999.

The revised JAS Law contains a special section that standardizes the labelling of agricultural commodities produced in special ways or with the help of special materials. This section specifies standards for organic agricultural products, and requires third party certification of organic operators by MAFF registered certification organizations (RCOs and RFCOs) for the use of organic labelling.

The revised JAS Law's third party organic certification is the first certification system in Japan that is based on the ISO9001 food quality management method. Considering how

quickly various other management systems, such as ISO14001 and ISO9001, have been adopted in Japan, the Organic JAS system is also expected to become integrated quickly into the Japanese marketing system. Currently, there is a plan to revise the Organic JAS system for agricultural products and processed foods in 2005. In addition, the inclusion of the animal husbandry sector under the Organic JAS system is being considered at present, and it is expected that it will become implemented sometime during this year (2004).

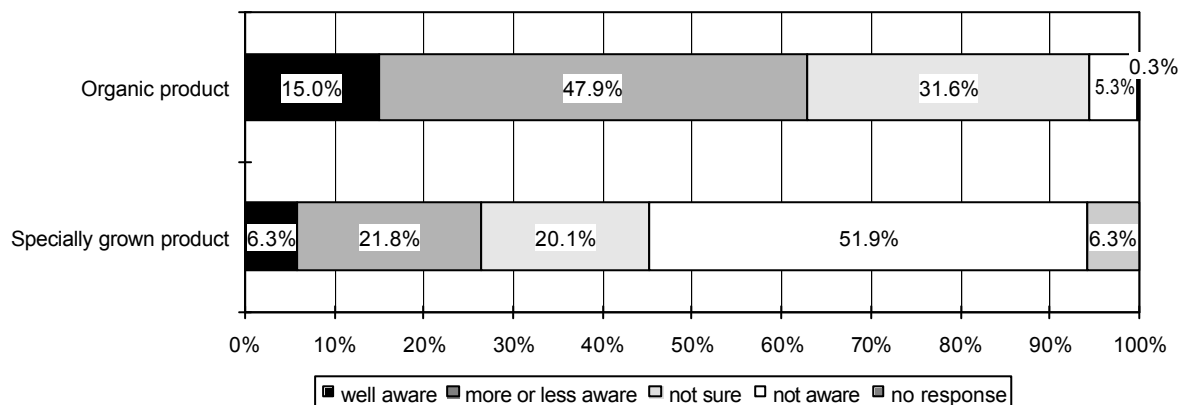
The establishment of this organic certification system under the revised JAS Law will most likely improve Japanese consumer's awareness on third party certification and its benefits, and promote certification of agricultural products that are produced in socially and environmentally responsible manners. On the other hand, from the perspective of the promotion of organic agriculture, one fundamental shortcoming of the governmental policy associated with this law is that it only refers to the labelling of organic products and not necessarily intended to enhance organic agriculture per se.

Image II-2.1: Organic JAS Mark



With regard to the long-standing definitional confusion over the labelling terminologies of organic products, IFOAM Japan, et. al., carried out a collaborative study between July and October 2003 (see Graph II-2.1). According to this study, the Organic JAS mark seems to have helped improve consumer understanding of the definition of “organic products,”. This compares especially with the definition of “specially grown agricultural products”, that remained poorly understood. (Please note that this situation may change with the newly clarified definition of the latter as of 1 April 2004)

Graph II-2.1: Consumer Awareness Levels of Organic and Specially Grown Agricultural Products



(Source: IFOAM Japan, et. al., 2003)

II-2.1 JAS Production Standards for Organic Agricultural Products and Processed Foods

The details of the standards for organic agricultural products and processed foods are specified in MAFF's Notifications No. 59 and No. 60. These were issued on 20 January 2000.

Notification No. 60, mainly on production of agricultural products, underlines various factors throughout the entire production process. They include: farm conditions, fertilization methods, seeds and seedlings, pest and disease control, transportation/cleaning/cutting/packing and labelling methods. Permitted agricultural inputs, including manure and soil conditioning substances, pesticides and processing aids, are also specified in its appendices.

Notification No. 59, principally on the production of processed foods, specifies those ingredients which are permitted in the latter and their proportions, as well as processing procedures, packing and labelling of organic and other processed foods. In addition, it contains appendices on permitted food additives and processing aids and pesticides.

Needless to say, genetic engineering techniques and radiation are prohibited for the production of organic agricultural products and their processed foods.

II-2.2 JAS Certification of Organic Operator

In order to sell agricultural products and processed foods, that are labelled as Organic JAS, in Japan, all operators that are involved in production, processing and sub-dividing must be certified by MAFF registered certification organizations. In the case of importers, they must also be certified by Organic JAS in order to handle organic products that are imported from countries with 'equivalent' certification systems. However, importers are not required to be certified when dealing with products that are already Organic JAS graded⁴ in the producing country prior to being exported.

It is therefore important for foreign operators to search for Japanese (RCO) or foreign (RFCO) certification organizations that are duly authorized by MAFF to certify Organic JAS in the specific country where the operator intends to be certified. Foreign operators should also obtain information on application procedures and certification costs, including required fees for the application procedure and scheduled inspections to maintain the certification. Such fees vary greatly from one RCO/RFCO to another, and thus, it would be advisable to consult with individual organizations for their pricing system. Refer to (c) below for more details on RCOs and RFCOs.

When handling the certification application procedure for an operator in a foreign country, the certification organization (RCO or RFCO) either sends one of their inspectors to the applicant's country or it might delegate the task of local inspection to a certification or inspection organization in the area, with which they have a contract. Such local certification or inspection organizations, to which RCOs and RFCOs would delegate this task (i.e. local inspection), are limited to those that are certified by that country's government or a local public authority, or those that have ISO65 or IOAS (the International Organic Accreditation Service, created by IFOAM) accreditation. The cost that is involved in such an inspection varies from one RCO/RFCO to another. In general, however, when they subcontract this task out to a local organization, the cost could be lower than otherwise (i.e. sending an inspector from outside the applicant's country). Since these arrangements are not publicly announced, it would be best to consult with appropriate local organizations, including possibly those that the applicant may already have contact with through other certification programmes.

Results of this local inspection are used to evaluate the applicant's operation, but the RCO or RFCO has the authority to either grant or reject Organic JAS certification in the end. This is irrespective of any other certifications that operators (applicants) may already have. It must also be noted that, in some cases, operators may be required to improve their internal regulations, grading regulations⁵, or other aspects of their operation before they can be JAS

⁴ See Glossary for its definition

⁵ 'Grading' is an official term used by MAFF to refer to a procedure used for internal verification in order to ensure that the operation has been carried out in accordance with the internal regulation, and that a specific lot of a certain product meets the Organic JAS standards. See Glossary at the beginning of the report for more detail.

certified. Needless to say, operators cannot use the Organic JAS mark prior to becoming JAS certified, even when they already have other certifications that may be similar in nature.

(a) Technical Criteria for Organic Operators

Technical Criteria for organic operators are basic conditions that must be fulfilled before an operator applies for Organic JAS certification. During the application process, a RCO or RFCO inspects and certifies that the applicant has all of the documents which satisfy these technical criteria and that their organic operation is carried out in compliance with the submitted documents. These criteria are in MAFF's Notifications No. 818 (Manufacturer), No. 819 (Production Process Management Director), No. 820 (Subdivider⁶) and No. 821 (Importer).

One of the key elements of these criteria is that the organic operator must have a set of internal regulations on operation (i.e. for the producer, regulations on production; for the manufacturer, on processing, etc.), as well as a set of grading regulations⁷ (to ensure that the internal regulations are properly implemented, and to manage the use of the Organic JAS mark), and the operation must be run in accordance with these regulations.

Since the criteria for the production process management director (PPMD) and the manufacturer are probably most relevant to Central American small-scale organic operators, lists of requirements stated in these criteria are attached at the end of this report (see Section (1) in Appendix II).

The definition of a PPMD must be clearly understood, since this can be especially beneficial for small-scale producers. A Production Process Management Director (PPMD) refers to either an individual or an organization (e.g. an agricultural cooperative, an agricultural corporation) that manages a farming system. This categorization allows a group of individual producers to be certified as a collective unit, which should help small-scale producers in Central America, as well as those in Japan and in its neighbouring countries, such as China, to participate in the Organic JAS system, especially with respect to various expenses that are involved with this certification. It should, nonetheless, be noted that there exist risks as well as benefits in applying as a group. When one member violates the rules or fails to meet the requirements, the entire group could lose the certification all together. When a PPMD is a group, it must nominate an individual to become the production process manager and another the grading manager. When a PPMD is an individual, that individual assumes the role of both of these managers. Within one year of appointment, both the production process manager and the grading manager have to complete a course on the JAS regulations, which is designated by the certification organization that is in charge of certifying the relevant PPMD. Tuitions for these two classes are also to be included in the calculation when an operator (or a group of operators) considers this certification.

In reality, when a foreign operator wishes to apply for Organic JAS certification, he will have to follow specific formats that are used by whichever certification organization (RCO or RFCO) handling his case. It is therefore advisable to consult with the RCOs and RFCOs that the operator has access to in the region.

(b) Certification Trends among Organic Operators

According to statistical data from the last three years, the number of production process management directors (PPMDs) that were certified peaked during the former half of 2001 (see Table II-1.1). This is most likely because many producers, who had been involved in organic practices since prior to the revised JAS Law, applied for organic certification soon after the implementation of the certification system.

⁶ 'Subdivider' is a term used in the Organic JAS standards to refer to a category of distributors that participate in selection, cleaning, processing, and packaging of Organic JAS graded products.

⁷ See Glossary at the beginning of the report for the definition of 'grading'.

Since then, however, the rate of certification of PPMDs in Japan has remained relatively unchanged. This may be accounted for by several factors. First, given the fact that a few years of transition are required before a farming operation can be converted to organic, an undefined number of producers and producer groups may still be in the process of preparing for certification. Another factor is that there remain many producers, including those who already practice organic production, who have not applied for certification due to their doubts on the merits of becoming certified, especially since extra labour and financial costs would be necessary for certification. Lastly, the fact that the Japanese Government has not introduced any measure to support organic agricultural practices in Japan may also be one of the hindering reasons.

As explained earlier, both individual and group producers can apply for PPMD certification. The number of individual producers, who are certified under the Organic JAS system, is shown in parentheses in the table below. As of 30 January 2004, a total of 4 501 individual producers are certified in Japan and 6 333 in foreign countries.

While the number of Japanese PPMDs has not increased very much, that of Japanese manufacturers has grown steadily thus far. This implies that domestically produced organic processed foods are becoming more dependent on imported organic ingredients.

Table II-2.1: Certified Organic JAS Operators

	Japanese Operator				Foreign Operator			Japanese + Foreign Operator			
	PPMD (Individual farmer)	Manufacturer	Subdivider	Importer	PPMD (Individual farmer)	Manufacturer	Subdivider	PPMD (Individual farmer)	Manufacturer	Subdivider	Importer (Japanese only)
8-12/2000	187 (630)	84	25	2	20 (139)	10	5	207 (769)	94	30	2
1-6/2001	583 (1 508)	394	185	56	38 (489)	73	18	621 (1 997)	467	203	56
7-12/2001	418 (1 295)	89	92	12	64 (1 084)	62	10	482 (2 379)	151	102	12
1-6/2002	151 (269)	100	67	9	62 (190)	43	9	213 (459)	143	76	9
7-12/2002	282 (463)	76	99	9	48 (405)	41	10	330 (868)	117	109	9
1-6/2003	142 (173)	83	62	11	41 (1 491)	48	6	183 (1 664)	131	68	11
7/2003- 1/2004	176 (163)	45	71	8	41 (2 535)	48	2	217 (2698)	93	73	8
Subtotal (As of 1/30/04)	1939 (4 501)	871	601	107	314 (6 333)	325	60	2253 (10 834)	1196	661	107
Total:	3 518				699			4 217			

(Source: MAFF, 30 January 2004)

**(c) MAFF Registered Certification Organizations in Japan (RCOs)
and in foreign countries (RFCOs)**

Registration requirements for Organic JAS certification organizations are specified in MAFF's Notification No. 806. Both Japanese and foreign certification organizations can register with MAFF under this system. As of 31 March 2004, there are 66 Japanese (RCOs) and foreign (RFCOs) certification organizations registered with MAFF (RCOs).

A foreign certification organization that registers with MAFF under this system is referred to as a registered foreign certification organization or RFCO. As a prerequisite to become a RFCO, the country in which the foreign certification organization operates must be approved so that it is allowed to have a certification system equivalent to that of Japan's Organic JAS standards. It does not mean, however, that all certification organizations in the authorized or so called "equivalent" country automatically become RFCOs, but rather that each organization must apply for registration with MAFF. Furthermore, it does not signify that previous certifications that were granted by the now RFCO become automatically recognized as Organic JAS. Instead, all operators previously certified by this organization must apply for Organic JAS certification once it becomes a RFCO.

Currently, 18 countries are approved as so called "equivalent" countries, and a total of 21 organizations from these countries are registered as RFCOs.

MAFF Approved "Equivalent" Countries with Respect to the Organic JAS Law:

15 EU countries (Ireland, Italy, Austria, Netherlands, Greece, Sweden, Spain, Denmark, Germany, Finland, France, Belgium, Portugal, Luxembourg and United Kingdom),
Australia, Switzerland and United States

(Source: JETRO)

When these RCOs and RFCOs wish to certify outside their own country, for instance in countries that are not approved to be "equivalent," they must first have their intended scope of operational regions approved by and registered with MAFF. At present, the total number of certification organizations that are registered with MAFF to operate in foreign countries is 35, consisting of 21 RFCOs and 14 RCOs. For a list of RCOs and RFCOs, see Table 4.1 in Reference 4.

II-2.3 Exportation of Organic Foods to Japan

According to the revised JAS Law, there exist two possible ways to import organic agricultural products and processed foods into Japan, depending on the status of the exporting country. As explained in the previous section, there are two types of foreign countries: those that are approved to have an "equivalent" organic guarantee system and others that are not. None of the seven Central American countries (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) has been recognized to have an "equivalent" system. Therefore, of the two ways that are explained below, the second option or (b), i.e. Export from a country that is not approved by MAFF to have an equivalent certification system to the Organic JAS Law, is more applicable for Central American operators.

(a) Export From a Country with an "Equivalent" System

(i) Acceptance of Organic Certification by JAS Certified Japanese Importer

One of the options for operators from a country with an "equivalent" system is to have their products certified organic under their own country's certification system.

Once imported into Japan, the product must go through customs. After passing customs clearance without being fumigated, a Japanese Organic JAS certified importer has to verify the organic certificate issued by the exporting country's government along with other required importation documents accompanying the imported product, and then has to affix the Organic JAS mark on the product. Refer to Section II-2.4 below for a list of documents that could be used to verify that the product was not fumigated at the port of entry. The product can then be distributed as JAS certified organic in Japan.

(ii) Certification by a RFCO or RCO in the Exporting Country

Another option for operators from a country with an “equivalent” system is to become Organic JAS certified in their country.

See (b) below for more details about this option.

(b) Certification by a RCO or a RFCO in the Exporting Country

When a country is not yet approved by MAFF to have an equivalent certification system to that in Japan, organic operators in that country must first become Organic JAS certified by a RCO or a RFCO prior to exporting organic products to Japan.

This RCO or RFCO must be one of the certification organizations that are approved by MAFF to operate under the Organic JAS certification programme in that particular country. Refer to Table 4.1, Reference 4, for a list of RCOs and RFCOs registered countries of operation. In other words, if an RCO or an RFCO is not approved to certify in that particular exporting country under the Organic JAS certification programme, its certification in that country is not recognized by MAFF, irrespective of whether this RCO/RFCO is approved to do so under any other authorities, such as the EU regulations and the National Organic Program (NOP) from the United States. For example, in the case of coffee from a Central American country, which is not approved by MAFF to have an equivalent certification system, even if that coffee is certified under the NOP or the EU regulations, it is not recognized by MAFF as organic coffee, unless it is certified specifically under the Organic JAS certification programme. It is therefore sold in Japan as conventional, or at least non-organic, coffee.

Once certified Organic JAS, foreign operators become enabled to affix the Organic JAS mark on their products prior to export.

II-2.4 Plant Quarantine and the Removal of the Organic JAS Label

As described in the previous chapter, all agricultural products are subject to plant quarantine inspection. When an organic product does not pass this inspection at the port of entry, it may be fumigated before allowed entry into Japan. When that happens, according to Article 19-7-2 of the JAS Law⁸, the Organic JAS mark on this product must be removed.

Table II-2.2: Main Central American Products Subject to Import Inspection

Products	Notes
Green coffee bean	
Fresh vegetable (onion, pumpkin, etc.); Frozen vegetable (potato (Bareisho), green soybean, sweet corn, etc.); Dried vegetable	Vegetables are subject to plant quarantine regardless of whether they are fresh, processed, etc.
Fresh fruit (banana, orange, grapefruit, etc.)	
Nut not yet heat processed (almond, walnut, etc.) and dried fruit	Exceptions from the inspection requirement: some dried fruits, including apricot, fig, banana, grape and persimmon.
Spice (hot pepper, pepper, etc.)	Exceptions from the inspection requirement: dried spice that is packed and sealed for retail sales.
Grain (wheat, barley); Pulse (soybean, etc.); Rice	

(Source: Plant Protection Station of MAFF)

⁸ JAS Law (http://www.maff.go.jp/soshiki/syokuhin/hinshitu/organic/eng_yuki_top.htm)

In order for imported products to be distributed in Japan as Organic JAS products, Japanese importers must first verify that the product cleared the plant import quarantine inspection without the need for fumigation. There are several possible documents that should serve as a proof that the product was not fumigated at the port of entry.

Following is a list of documents that may serve for this purpose. Please note that (ii) is most relevant for foreign exporters, when preparing to export to Japan:

(i) Certificate of no-fumigation, issued by the Plant Quarantine Association.

This certificate is not a document issued by the Plant Protection Station of MAFF, but rather, it is issued by a Japanese importer and is completed with a seal of approval from the Japan Plant Quarantine Association (JPQA) (their webpage in Japanese: <http://www.zenshoku-kyo.or.jp/gaiyou.html>). This procedure is not consistent, as not all offices of the Plant Quarantine Association provide this service, and some charge a fee.

(ii) Phytosanitary certificate, issued by the government of exporting country.

This certificate must be attached to the application for import plant inspection, which can be submitted to the Plant Protection Station of MAFF seven days prior to the date of arrival of the shipment.

(iii) Import Clearance Certificate

This certificate indicates all import procedures from the date of import application submission through that of import clearance. By reviewing these procedures, the status of no-fumigation can be indirectly verified. (However, depending on the type of product, it may not be possible to verify all of the procedures.)

II-3. Guidelines for the Labelling of Specially Grown Agricultural Products

In addition to the nationally regulated organic certification programme under the revised JAS Law, there exist other types of voluntary certification systems for products that are produced in socially and/or environmentally responsible manners (e.g. Eco-farmer, various prefecture-level initiatives). Among them, the most representative and established case of voluntary certification is that for specially grown agricultural products, and it is the only one among them that is capable of handling imported agricultural products.

The Guidelines establish certain standards on agricultural products that are grown with reduced pesticides and chemical fertilizers. They are set up primarily to guide producers to practice such farming methods, so as to promote the safety and reliability of food from the production level. The labelling of specially grown agricultural products is intended to provide consumers with sufficient production information, which would enable them to make a conscious decision about the products that they consume.

Although the Guidelines are not a law and therefore not compulsory, they are to be respected by producers, distributors and retailers that handle specially grown agricultural products. Operators are expected to manage and check their own operations voluntarily, in accordance with the production and labelling rules that are specified in the Guidelines. With respect to producers, in particular, and based on the principle to further promote environmentally protective agriculture, they are to use cultivation methods that minimize the burden on the environment as much as possible and which bring about the true production capacity of healthy soil.

Despite its lack of compulsory capability, the Guidelines have provided a significant step forward for legitimate, socially and environmentally responsible products to penetrate into the general market, where they have become accessible to the general consumers

through supermarkets and major restaurants. This is because the Guidelines provided the first set of labelling criteria for non-conventional products in Japan.

II-3.1 Recent Revision of the Guidelines

The Guidelines were revised in May 2003, and they became fully effective as of 1 April 2004, following a transitional period of approximately one year.

Improving the reliability of the labelling system was one of the main motives in the most recent revision of the Guidelines. The labelling classification was simplified as follows: All of the previously defined vague categories (i.e. “no pesticides,” “reduced pesticides,” “no chemical fertilizer,” and “reduced chemical fertilizers”) are now integrated into one category, called “Tokubetsusaibai” (Tokusai, for short) or “specially grown” agricultural products. With this change in place, there exist only two labelling categories for non-conventionally grown agricultural products in Japan today: “organic agricultural products” under the Organic JAS system and “specially grown agricultural products” in accordance with the Guidelines (see Table II-3.1).

Another main reason to revise the Guidelines was to clarify the way in which referential conventional levels of pesticides and chemical fertilizers are determined. The revised Guidelines specify that these values are to be taken from those that are determined by municipal governments, thereby making the categorization of specially grown products more objective. The Guidelines instruct municipal governments to make public these conventional levels of pesticides and chemical fertilizers permitted for conventional farming in the region, and to review them regularly and as needed.

Table II-3.1: Labelling Standards for Organic and Specially Grown Agricultural Products

Label	Standards	
Organic Product	Agricultural products produced on a farm with healthy soil enhanced by manure etc. for a period of more than two years (in case of perennials, more than three years prior to the first harvest) prior to sowing or planting, without the use of chemically synthesized fertilizers or pesticides	Old Labels (until 3/03)
Specially Grown Product	Agricultural products without the use of pesticides during production	No Pesticide Product
	Agricultural products without the use of chemical fertilizers during production	No Chemical Fertilizer Product
	Agricultural products produced with reduced amount of chemically synthesized pesticides (less than half the number of times of conventional use) during production	Reduced Pesticide Product
	Agricultural products produced with reduced amounts of chemically fertilizers (less than half the number of times of conventional use) during production	Reduced Chemical Fertilizer Product

(a) Referential Conventional Levels of Pesticides and Chemical Fertilizers

As indicated in Section (2) in Appendix II, specially grown agricultural products are specified in the Guidelines as those that are produced with less than 50 percent of the conventional amounts of chemically synthesized pesticides and chemical fertilizers.

The conventional levels of use of such substances refer to those that are either specified or confirmed by the local government or one of the public authorities in the

community. Where these levels are not clearly defined in a community, the labelling of specially grown agricultural products is not to be used for products produced in that community.

In the case of imported products, conventional levels that are specified by “an authority equivalent to a Japanese municipal government” of the region in the country where the product was produced are used for this purpose. In other words, a foreign producer must refer to conventional levels of pesticides and chemical fertilizers that are defined by the relevant local authority (e.g. state, province). In accordance with the Guidelines, the producer must grow their products using less than half of these referential levels of pesticides and chemical fertilizers, and keep a cultivation record to verify this practice.

If the relevant authority does not have conventional levels defined, the producer would have to determine these levels that are practiced in their area, and have such figures confirmed by that public entity.

II-3.2 Certification of Specially Grown Agricultural Products

Although certification of specially grown agricultural products is not nearly as well established as that of Organic JAS is, it nonetheless offers an alternative venue to distinguish products, which are produced in environmentally responsible manners, from their conventional counterparts.

The implementation of the Guidelines varies by prefecture. The most common style is for the prefecture to set up a certification system for specially grown agricultural products at the prefecture level and to involve extension services, agricultural cooperatives (JA's) and private organizations in the certification and inspection procedures. However, some prefectures do not implement the Guidelines as a certification system, but rather as a registration system or simply use them as a set of guidelines for reference.

For imported products, foreign producers must consult with their local authority to determine the referential levels of pesticides and chemical fertilizers that they would be permitted to use in order to meet the Guidelines' specifications. Thus far, the Guidelines have not yet been adopted by any foreign government for certification of specially grown agricultural products, and therefore, the option of certifying foreign grown products as specially grown agricultural products is not available as of today. What is possible for foreign producers is to find a Japanese importer who would cooperate with them to market their products as specially grown in Japan. One key factor to make sure when adopting the 'specially grown' label is that the foreign producer must be capable of providing neatly recorded production history, in addition to a verification from their local authority with regard to the referential levels of pesticides and chemical fertilizers that are permitted for conventional farming in that particular region.

II-3.3 Persons Responsible for Cultivation and Verification

A production unit that produces specially grown agricultural products, whether it be an individual or a group, is to have a person responsible for cultivation and another for verification. The person in charge of cultivation is to be in charge of managing and providing guidance to other producers in the relevant unit so that the production and shipping procedures adhere to the Guidelines. In addition, they are responsible for creating cultivation plans (e.g. producers, locations, planned productions, materials expected to be applied, etc.) and keeping a record of cultivation (e.g. dates, production history, materials and their quantities used, production quantity, etc.) and shipping (e.g. harvested area, dates, quantities shipped, buyers, etc.). The person in charge of cultivation could be a producer, a producer association, an agricultural cooperative, or any other appropriate entity.

The person responsible for verification has to verify that the production is managed properly and provided with necessary guidance by the person responsible for cultivation. This person must verify that submitted cultivation plans are in accordance with the Guidelines.

He/she must visit the farm at least once during each cultivation period, in order to verify that the cultivation is properly managed. He/she must also check the fertilizers and pesticides registered in cultivation records and verify that all of the products are grown in accordance with the Guidelines. The person in charge of verification is to sign all submitted documents (i.e. cultivation plan, cultivation record, shipping record) after confirming their accuracy and clarity, and they are to keep them for three years since the date of submission. This person should be knowledgeable about farming in the relevant region and be capable of providing technical guidance. For example, a producer, a producer association, an agricultural cooperative, a certification organization, or a distributor specialized in handling specially grown agricultural products would be eligible for this position.

Although, technically, the same entity cannot assume the role of these positions, provided that these responsibilities are clearly divided within the unit, the group itself or its representative could carry both of these titles for the purpose of labelling. It is also possible for an individual producer to become responsible for cultivation and have one of their family members be in charge of verification.

II-3.4 Import Procedures Related to Specially Grown Agricultural Products

Because no law governs certification of specially grown agricultural products at the national level, special import regulations for this type of products do not exist, either. Therefore, specially grown agricultural products are first imported as conventional products, subject to the same import regulations as any other imported agricultural products.

Labels of imported specially grown products must contain the following information: name of the specially grown agricultural product, information on chemically synthesized pesticides and fertilizers used (including the name of the relevant region whose referential conventional levels are used and the number of times they were applied), names, addresses and telephone numbers of the persons responsible for cultivation and verification and those of the importer in Japan.

Should a specially grown agricultural product becomes subject to disinfection, such as fumigation, at the port of entry, the specially grown product label is removed from such a product.

II-3.5 Challenges

Although the Guidelines for the Labelling of Specially Grown Agricultural Products are not compulsory, they are criticized for having requirements that are extremely difficult for operators to meet.

Despite such high expectations for operators, the categorization of specially grown agricultural products is not yet highly recognized in general (see Graph II-2.1). While the recent revision of the Guidelines is intended to clarify the labelling specification for this type of agricultural products, merits of replacing the more familiar categories (i.e. no or reduced pesticides or chemical fertilizers) with a less familiar category (i.e. specially grown) are yet to be seen. As such, there exists no guarantee that a specially grown agricultural product would be sold with any added value in the Japanese market.

The principal aim of the Guidelines is to encourage domestic producers to reduce their use of pesticides and chemical fertilizers, thereby promoting prefecture-level initiatives to improve the safety and reliability of food supplies. While the Guidelines are applicable to foreign grown, as well as domestic, products, it must be noted that the ways in which they are written and implemented are not very practical for foreign operators to participate in this system. Thus far, perhaps for this reason, examples of imported products that are labelled 'specially grown' are still extremely rare. Nevertheless, the most recent revision of the Guidelines has made them more clarified and objective. It would therefore be advisable for Central American small-scale producers to observe how this market changes with the new improvements, in order to decide whether it would be feasible and potentially profitable for

them to participate in this system. Once again, requirements set by the Guidelines are not easy to be met. Producers would have to specify referential conventional levels in their region, prepare numerous documents and find business partners who handle this type of products in Japan.

II-4. Fair-trade

II-4.1 FLO system

The FLO⁹ system, which is the fair-trade system that is present in Central America, also exists in Japan, and it is the principal fair-trade certification programme. The Fairtrade Label Japan, a non-profit organization, is the Japanese member of FLO. The Fairtrade Label Japan does not import products itself, but controls importers who handle Fairtrade labelled products to ensure that they follow the rules and that nobody misuses the registered FLO Fairtrade mark.

The sales of Fairtrade labelled products are increasing, and they are beginning to be better recognized in Japan. For example, one of the major Japanese newspapers recently published a quarter-page size article on Fairtrade coffee (Asahi Newspaper, 2 February 2004). According to this article, the fair-trade market in Japan is still new but hopeful. Although, until recently, this market consisted of only a small number of products distributed by NGOs, it appears to have begun to expand into a much larger market. Besides coffee, Fairtrade labelled tea is also available in Japan.

II-4.2 Kokusai Sanchoku (International Teikei)

Kokusai Sanchoku is an international version of the Teikei system in which the producer supplies their products to a certain group of consumers based on a production agreement between them.

Alter Trade Japan, Inc. (ATJ) is the pioneer organization of this style of 'fair-trade' in Japan. They distinguish their style of trade from that which is commonly known as fair-trade, such as the FLO system. Rather than calling their transactions fair-trade, they define it as "Kokusai Sanchoku," or International Teikei, making it clear that it is based on Teikei-style agreements between specific Japanese consumers and specific producers from specific countries. This philosophy and methodology of "Kokusai Sanchoku" may offer an alternative venue for small-scale producers in Central America to penetrate into the Japanese market.

⁹ Fairtrade Labelling Organizations International

Alter Trade Japan's Business Principles and Definitions

1. ATJ's 5 Business Principles:
 - (1) To engage in activities that are protective of the environment;
 - (2) To build relationships that are beneficial for all involved, including the producer, the processor and the consumer;
 - (3) To pursue food safety;
 - (4) To maintain clear pricing at all stages from the production to the consumption;
 - (5) To maintain stable transactions at fair prices.

2. What is "eco shrimp"

Eco shrimp must fulfil all of the following conditions:

 - (1) no feeding;
 - (2) no pesticides; and
 - (3) no chemical fertilizers.

Eco shrimp is cultured in ponds, where aquatic plants are grown without chemical fertilizers or pesticides, and are later fermented to feed planktons, which in turn feed the shrimp.

II-4.3 Other Fair-trade Efforts

Besides the FLO system and the Kokusai Sanchoku, numerous other forms of fair-trade efforts are present in Japan. Some organizations have their private fair-trade principles and sell products in accordance with such principles, for instance, by operating their own online shops. Some adopt the fair-trade principles of NGOs or suppliers that they are associated with. (e.g. Press Alternative's The Third World Shop; Peace Winds Japan; Fc Company Program (e.g. Fukuneko-ya)) Yet, some others are registered with international fair-trade organizations, such as the International Federation for Alternative Trade (IFAT)¹⁰ with the IFAT registered FTO mark¹¹ (e.g. Global Village's Fair-trade Company). According to a representative from the Fairtrade Label Japan, the fair-trade movement in Japan is not coordinated across the board. An organization that is reputable for their work in this movement did not even recognize the name of the FLO when inquired.

II-5. Rainforest Alliance

Currently, Rainforest Alliance certified coffee and banana are available in Japan. However, these products are not marketed in association with the RA programme and are often sold without the RA label, and therefore, this programme is not very well recognized by Japanese consumers.

In the coffee sector, three major importers, Kanematsu, Itochu and Volcafe Japan, who distribute RA certified coffee to a number of coffee roasters, including some major companies, such as UCC and Key Coffee. More details on coffee are described in Section VII-1.

Furthermore, because Chiquita's own plantations and most of its suppliers are RA certified through the Better Banana Project, most of Chiquita's bananas available in Japan come from RA certified plantations, primarily in the Philippines. However, because they do not carry the RA label, most consumers, and perhaps also retailers, are not aware that the 'Precious' bananas are RA certified.

¹⁰ IFAT (The International Fair Trade Association) is an international fair-trade network of over 200 fair-trade organizations in more than 55 countries. (<http://www.ifat.org/index.html>)

¹¹ The FTO (Fair Trade Organization) mark is not a product label, but rather, it is used to identify IFAT registered Fair Trade Organizations. (<http://www.ifat.org/theftomark.html>)

Although this certification is not yet well recognized in the Japanese food market, its ideas (i.e. environmentally friendly and/or socially just practices) nonetheless may have potential to appeal to the Japanese society, which is beginning to pay serious attention to environmental, as well as social, concerns.

II-6. Other certifications

II-6.1 JAS Standards for Disclosure of Production Information

On 1 April 2004, along with the implementation of the revised Guidelines for specially grown agricultural products, certification under a new set of JAS standards for disclosure of production information of beef was started. The same system is expected to become applicable for pork and agricultural products within one year.

This new system is intended to ensure the reliability of food labelling through information disclosure. The outline of this system is summarized as follows:

- (i) It is a system designed to indicate production information on the product label. More specifically, it is made to indicate who produced what kind of product, where (e.g. farm, ranch, slaughterhouse), what kinds of material were used (e.g. pesticide, fertilizer, feed, veterinary medicine), and when were these activities carried out.
- (ii) It is a system under which those operators who wish to affix this new JAS label, need to become certified by a third party certification organization approved by and registered with MAFF.
- (iii) A newly designed JAS mark is to be used for this type of label.
- (iv) If all the necessary information does not fit on the product's package, then the name of the informer (i.e. JAS certified operator) and the method to obtain further information (e.g. webpage, fax number) must be indicated.

II-6.2 Prefecture-level Programmes

Most of the 47 prefectures in Japan have some kind of programme for non-conventional agricultural products. The prefecture operates its own certification, registration, or guideline programme, by creating a set of standards and management methods of their own, or by adopting one of the existing systems, such as the Guidelines for specially grown agricultural products. These programmes are aimed to assist local productions within their prefectures, and thus are not applicable for products from outside their prefectures, including those that are imported.

II-6.3 Private Sector Standards

Some retailers, distributors and producer associations have an in-house auditing and certification system set up based on their own voluntary standards. While they often use the Organic JAS standards, the Guidelines and other resources as references, the limited supply of organic products, as well as the earlier-mentioned uncertainties with the Guidelines, have driven many corporations to find alternative venues to secure non-conventional products that would be available in sufficient quantities, rather than adopting these existing systems. They create these standards to match farming conditions in Japan as realistically and practically as possible. Such initiatives are often part of their branding schemes. These Japanese operators expect their suppliers, domestic or foreign, to comply with their standards.

II-6.4 System Certifications

In addition to installing voluntary management systems, as described in Section II-6.3 above, many organizations in the food sector, especially major corporations, are beginning to

incorporate ISO and HACCP into their management and food quality guarantee systems. These system certifications enable third party auditing, which in turn could enhance the social accountability of certified entities.

(a) ISO14001, ISO9001, ISO22000

An increasing number of organizations in the food sector, such as major supermarket chains, convenient stores, food distributors, consumer cooperatives and food processors, are obtaining ISO14001 for environmental management and ISO9001 for food quality management. For the purpose of third party auditing, these operators often expect their business partners and subcontractors to also install management systems that would allow production history to be traced. It is therefore predicted that ISO14001/ISO9001 certifications will quickly spread along the food supply chain.

ISO22000 on food safety management systems is currently being finalized by ISO (Working Group 9 of the Technical Committee 34), and it is expected to be established in the spring of 2005. Food safety management requirements under ISO22000 are intended to enable corporations to publicly disclose their food safety policies and objectives in accordance with the HACCP principles. Furthermore, they are designed to integrate ISO9001, as well as ISO14001 and other management systems, so as to be adopted easily by operators in the food sector. The finalization process of ISO22000 therefore is watched with keen interest in Japan. In the meantime, ISO certification organizations are already preparing to introduce this new system and some are even implementing voluntary certification based on ISO22000's draft international standard or DIS22000.

Among specialized distribution bodies, there is a move toward installing in-house management systems. As such a practice becomes more commonplace, they may also consider adopting existing standardized management systems.

(b) HACCP, Japanese Version of Good Agricultural Practices (GAP)

MAFF has a provisional law set up on the advancement of the management of food processing procedures, or commonly known as the HACCP Support Law, in order to promote the installation of HACCP especially in the food industry.

In the agriculture sector, the Japan Greenhouse Horticulture Association developed a guidebook for the Japanese version of the Good Agricultural Practices (GAP) to promote this system (Japan Greenhouse Horticulture Association, 2003).

III: Market Trends for Organic Agricultural Products and Processed Foods

III-1. Statistical Analysis of Organic JAS Certified Production

The history of certification of organic agricultural products and processed foods dates from only three years, as Organic JAS certification did not start until April 2001 in Japan. Data are therefore very limited. Statistics from 2001 and 2002 are the newest set of data that is available on organic products and processed foods. MAFF publicizes this type of statistical data based on information reported by its registered certification organizations (RCOs and RFCOs). RCOs and RFCOs gather such data from the producers, manufacturers, subdividers and importers, that they certify.

III-1.1 Domestic Organic Production

Table III-1.1: Organic JAS Graded¹² Crops and Processed Foods Produced in Japan

Crops					Processed food #3			
	2001 (t) #1	2002 (t) #2	Growth %	% of total production		2001 (t) #1	2002 (t) #2	Growth %
Vegetables	19 675	27 460	40%	0.16%	Frozen vegetables	1 128	291	-74%
					Canned vegetables	13	169	130%
					Processed vegetable food	802	2 501	212%
Fruits	1 391	1 939	39%	0.05%	Beverages	4 739	5 285	12%
Rice	7 777	12 287	58%	0.14%	Dried Noodles	103	121	18%
Wheat	722	559	- 23%	0.05%				
Soybean	1 162	945	-19%	0.35%	Processed Soybean total	76 050	66 512	- 13%
					- Tofu	44 034	52 520	19%
					- Natto	10 154	10 692	5%
					- Miso	1 887	2 263	20%
					- Soy sauce	19 975 #4	1 037	- 92%
Japanese tea	927	1 246	34%	1.48%	Japanese green tea	1 270	1 987	57%
Other	2 081	2 188	-	-	Other	9 532	19 367	104%
Total	33 734	46 623	38%	0.15%	Total	93 638	96 234	3%

(Source: MAFF, 2003)

- #1 April 2001 through March 2002
 #2 April 2002 through March 2003
 #3 Produced with domestic and imported organic ingredients¹³
 #4 Overstatement due to a mistake; see discussion in the text for more detail

The data presented in Table III-1.1 indicates that the domestic organic production of fresh products increased by approximately 38 percent from 2001 to 2002, and that of organic processed food production by approximately 3 percent. It must be noted that the recorded amount of domestic soy sauce production, 19 975 tonnes, in 2001 is a mistake. IFOAM

¹² The term 'graded' is an official MAFF terminology, used to describe products that are verified of their organic quality and labelled with the Organic JAS mark. See Glossary at the beginning of the report for a more detailed description.

¹³ Imported ingredients for domestic processing are recorded as fresh crops and/or processed foods in Table III-1.2. See Section III-1.2 below for more details.

Japan's independent research discovered that a certain organization had accidentally reported the number in kilograms instead of tonnes, and this mistake was later confirmed by MAFF. Although the accurate quantity of domestically produced soy sauce in 2001 is thus not available, an approximation can be inferred from that in 2002, which is 1 037 tonnes. When disregarding the soy sauce figures from growth rate calculation, the total growth rate of domestic processed food would be 29 percent.

The production of organic agricultural products occupied only 0.1 percent of the total domestic production in 2001 and 0.15 percent in 2002 (see Table III-1.1). Even when considering that many agricultural products that are produced in socially and environmentally responsible manners remain without being certified in Japan, the overall domestic production of organic agricultural products is extremely small. Although this seems almost contradictory to the heightened interest in food safety, one of the reasons for this gap may be the growth of a new trend in the general market to promote safe and reliable foods that are not necessarily organic, as has been described in the preceding chapters. While this trend generally serves to encourage the distribution of products that are produced in socially and environmentally responsible manners, it also offers an easier-way-out for food suppliers to avoid the difficult challenge of meeting the organic requirements. Until some drastic shifts in the organic policies are introduced and/or the understanding of the values of organic production is profoundly improved among Japanese general consumers, Japan's organic production will grow steadily but only slowly, especially in comparison to that experienced in Europe and the United States during the 1980s and 1990s. The current limitation of the domestic organic production implies that it is likely that the organic market will depend increasingly on imported organic foods.

III-1.2 Imported Organic Products and Processed Foods

Table III-1.2: Organic JAS Graded Crops and Processed Foods Produced Outside Japan

Crops#3				Processed food			
	2001 (t) #1	2002 (t) #2	Growth %		2001 (t) #1	2002 (t) #2	Growth %
Vegetables	26 221	23 994	-9%	Frozen vegetables	11 826	11 377	-4%
				Canned vegetables	532	2 498	370%
				Processed vegetable food	1 243	2 848	129%
Fruits	4 085	28 050	587%	Fruit Concentrates#4	64 664	1 215	-98%
Rice	2 672	2 031	-24%	Dried Noodles	823	1 068	30%
Wheat	2 058	1 086	-46%				
Soybean	61 019	44 874	-27%	Processed Soybean total	273	408	49%
				- Miso	273	284	4%
				- Soy sauce	-	124	-
Japanese tea	93	1 224	1 316%	Japanese green tea	-	178	-
Other	58 493	16 331	-72%	Other	18 980	20 269	7%
Total	154 642	117 590	-24%	Total	98 342	39 860	-59%

(Source: MAFF, 2003)

#1 April 2001 through March 2002

#2 April 2002 through March 2003

#3 Some of these foreign graded Organic JAS products are imported fresh for direct retail or as ingredients, while others are processed prior to exporting. They may therefore also be counted in the column of processed food of this table.

#4 The drastic decrease of 63 000 tonnes in the import of fruit concentrates seems puzzling, but MAFF responded to the authors' inquires that, to their knowledge, this number was correct.

With regard to imported Organic JAS graded products, the only data available is on grading of fresh crops and processed foods prior to being exported. While it is assumed that most of these foreign products are exported to Japan, no data is available to verify it. For the

purpose of this study, however, the numbers presented in Table III-1.2 are assumed to reflect the general import trend of foreign Organic JAS graded products.

As shown in Table III-1.2, the overall import of organic fresh products decreased by 24 percent and that of organic processed foods by 59 percent. Although these numbers alone may lead to a conclusion that Japanese consumers prefer domestic organic products, the actual total amount of imported organic fresh crops still largely exceeds that of domestic counterparts, i.e. 4.58 times more in 2001 and 2.52 times more in 2002. Moreover, the majority of ingredients for domestically processed organic foods come from imported organic agricultural products.

Furthermore, the numbers of foreign Organic JAS graded products in 2001 may be inflated, making the figures in 2002 significantly reduced in comparison. Until 31 March 2002 (i.e. the end of the first fiscal year of Organic JAS grading), a grace period was set up for foreign organic products. During this period, foreign products, which were not graded as Organic JAS but were confirmed of their certifiable organic quality by a MAFF registered certification organization, were allowed to be used as ingredients for Organic JAS graded processed foods in Japan. Therefore, shortly before this grace period was to be over, such products rushed into the Japanese market in large quantities. For example, a large quantity of foreign graded soybeans was imported during this period, and because they were used later in 2002, it reduced the amount of soybean import during 2002.

The dependence on imported agricultural fresh products is apparent, especially with respect to soybeans, fruits and vegetables. Soybeans, which serve as an important ingredient for many Japanese traditional foods¹⁴ (e.g. soy sauce, miso, tofu and natto), were imported in great quantities during the two years, although the amount dropped from 61 000 tonnes in 2001 to 45 000 tonnes in 2002. During these same years, only approximately 1 000 tonnes of soybeans were produced domestically. Therefore, tofu, which production is the largest in the domestic organic processed food sector in terms of quantity and growth rate, is made mostly with imported soybeans.

Foreign graded fruit imports rose significantly in 2002 by 587 percent, and are another example of imported ingredients. As noted at the bottom of Table III-1.1 (#3), some portions of 28 050 tonnes were processed prior to being exported. According to IFOAM Japan's estimate, approximately 20 000 tonnes were imported as fresh fruits in 2002, of which about 50 percent were fumigated, leaving approximately 10 000 tonnes sold as Organic JAS fresh fruits in the Japanese market¹⁵. As discussed in more detail in Section VII-2, the total import quantity of organic bananas is estimated roughly to be approximately 18 000 tonnes. The rest of fresh fruits, 2 000 tonnes, are comprised of various fruits, such as organic lemons, grapefruits and oranges. The remaining 8 000 tonnes circa are assumed to have been processed into fruit concentrates prior to being exported, which are to be used as ingredients for fruit juice drinks and cooking. Since fruits reduce in quantity significantly¹⁶ when they are processed, it is assumed that their quantity after processing became approximately 1 215 tonnes, as indicated under the category of "fruit concentrates" in Table III-1.2.

Although the quantity of foreign graded organic vegetables decreased slightly by some 9 percent, this is nevertheless a significant amount of well over 20 000 tonnes annually. Almost all of these fresh vegetables are processed prior to being exported, and are therefore graded once again as processed foods. In 2002, most of 24 000 tonnes of fresh vegetables are believed to have been used to make frozen vegetables (11 377 tonnes), canned vegetables (2 498 tonnes) and processed vegetable foods, such as tomato paste, ketchup and puree (2 848 tonnes). According to these figures, the total quantity of fresh vegetables (24 000 tonnes) was reduced to approximately 70 percent when processed (16 700 tonnes).

¹⁴ Examples of traditional Japanese soybean based processed foods are: soy sauce, miso (soybean paste), tofu (bean curd) and natto (fermented soybeans).

¹⁵ The estimated numbers presented here are based on IFOAM Japan's market surveys and interviews with various importers that were conducted sometime between March and July 2004. Most of 20 000 tonnes are bananas. More detailed discussions on the imports of fresh fruits will be presented in Chapter VII.

¹⁶ For the purpose of calculation, it is assumed to reduce by approximately 84 percent.

It is assumed that this decrease in quantity (ie, 7 300 tonnes) is mostly due to the reduction and extraction of vegetables during processing. The significantly large quantities of these processed vegetable products are believed to have a connection, at least partially, with the risk of fumigation when importing organic fresh products into Japan. Processed foods are not subject to plant quarantine, thus making it easier to import organic products that are already processed.

III-2. Scale of the Organic Retail Market (as of 2002)

As it stands today, MAFF's data on organic grading, which was presented in the previous section, are the sole statistics available on organic foods. Therefore, these data were used to estimate the scale of the Japanese organic consumer market, in accordance with the authors' understanding of distribution channels for this type of food. It is unfortunate that MAFF only gathers data in rather large categories such as those presented in the tables above, instead of breaking them into more details, such as potato and orange. In the authors' inquiry, MAFF explained that they do it lest that fewer organizations start submitting reports, should they demand more detailed breakdowns.

Therefore, in this report, the quantity of domestic organic production for smaller categories is estimated by multiplying 0.15 percent (the share of organic production as of 2002, see Table III-1.1) by the total quantity of each of their domestic productions, which is presented in MAFF's webpage.

Unless otherwise specified, it has been assumed that all foods are eventually purchased by consumers, and thus the retail price has been applied to the quantity of each of the products reported in the data. While retail prices used in calculation are based on the authors' investigation of supermarket prices, they have been crosschecked with those in a household budget survey issued by MIAC. Due to the insufficiency of resource data, it must be emphasized that the authors' calculation is not as statistically reliable as it could be otherwise.

III-2.1 Total Size of the Japanese Organic Market as of 2002

(a) Organic agricultural products:

¥22.5 billion (Domestic) + ¥5.9 billion (Imported) = Total of ¥28.4 billion

(b) Organic processed foods:

¥71.4 billion (Domestic) + ¥14.2 billion (Imported) = Total of ¥85.6 billion

Total size of the organic market in Japan, approximately (a) + (b), is therefore estimated to be ¥110 to 120 billion (see Table III-2.1 in Appendix III for more details)¹⁷.

¹⁷ Note that the Japan Agricultural Newspaper published a very different estimation for this market on 20 May of this year, quoting a value estimated by a research firm called Harvest Research. According to this firm, the market for organic products as of 2002 is estimated to be ¥290 billion, and it is to be equivalent to 0.36 percent of the total domestic food consumption value. While the validity of this estimate will not be discussed here, it should nonetheless be pointed out that the methodology used for this estimation is not clear, and that its calculation includes the food service industry (i.e. dining service, take-out service), which is not included in this report. It should also be noted that the methodology, which was used for market evaluation of foreign graded JAS organic agricultural products and processed foods as well as that of organic foods consumed by the dining service industry, seems highly problematic.

III-2.2 Market Size of Main Products

(a) Organic Agricultural Products

Among organic agricultural products, domestically produced vegetables, with a retail value of ¥11.5 billion, together with domestic rice with ¥9.2 billion, are both the main organic product categories. With regard to fruits, ¥0.8 billion worth of the market is comprised of domestic fruits, while approximately ¥5.9 billion is comprised of imported ones, and most principally imported bananas.

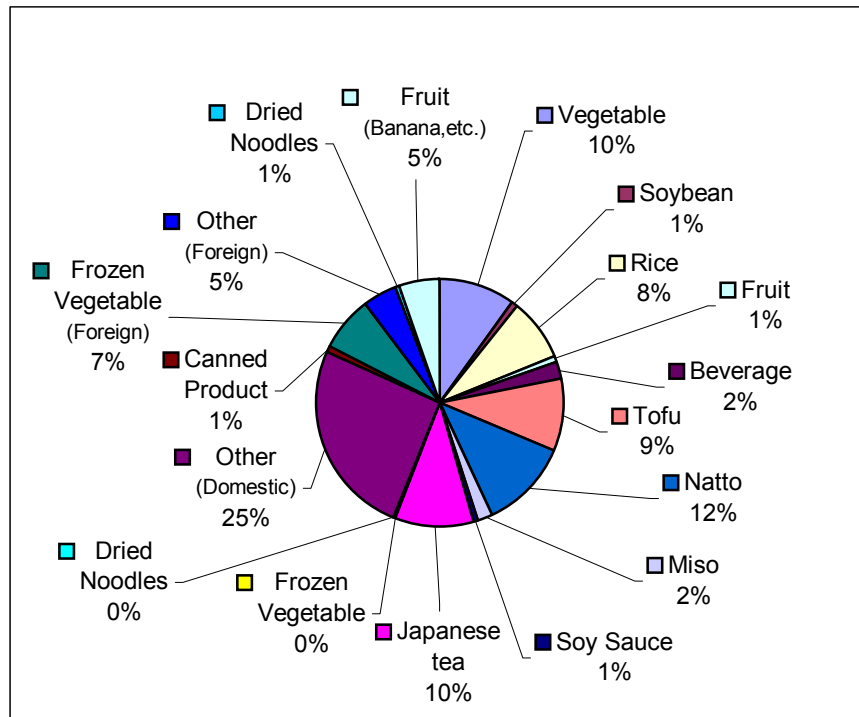
(b) Organic Processed Foods

With regard to domestic organic processed foods, natto is the highest value product with a share of ¥13.5 billion, followed by Japanese tea ¥12.0 billion, tofu ¥10.7 billion¹⁸ and miso ¥2.0 billion.

In Table III-1.1, a large portion of the processed food market consists of items that are grouped in one category under 'other', summing up to 19 367 tonnes together. In MAFF's data, since they are grouped together as 'other', which include konnyaku (jelly made from arum root), seasonings, coffee and black tea, their individual quantities are not known. Thus, assuming that each product's unit price is ¥1.5 million per tonne, their combined retail market size is estimated to be ¥29.0 billion. It must be noted, however, that, since the total quantity of these items is quite substantial, if the authors' estimation of the average unit price were off by ¥0.5 million, the estimation of this market would become significantly different, i.e. by ¥10.0 billion.

¹⁸ IFOAM Japan's supermarket survey found that the actual retail quantity of tofu was significantly less than the grading quantity reported by MAFF. Thus, in the calculation reported in this report, the retail quantity of tofu was estimated to be approximately one half of the graded quantity reported in Table IV-1.2. However, it is possible that a significantly larger quantity of tofu may be distributed outside the supermarket chains, including the sales by medium to small-scale retailers and the consumption by the dining service industry (e.g. restaurants, bars). As such, if MAFF's report is in fact closer to the actual distribution quantity of tofu than the authors' estimation, the estimated market size of tofu would become approximately ¥10.0 billion higher than the authors' calculation.

Graph III-2.1: Market Share of Products in the Organic Market (Monetary Value)



(Source: Compiled by IFOAM Japan)

(c) Foreign JAS Graded Organic Agricultural Products and Processed Foods

As mentioned earlier, MAFF provides statistical data in broad categories only, for instance, by grouping all organic vegetables into one category. According to IFOAM Japan's surveys, however, main Organic JAS fresh vegetables were found to be carrot, pumpkin and corn from New Zealand and broccoli from the United States. In general, imported fresh vegetables tend to be those that are not easily perishable. Main Organic JAS fresh fruits are banana, grapefruit, lemon, orange and kiwi fruit. Organic JAS bananas and kiwi fruits come mostly from the Philippines, while the United States is the principal exporter of citrus to Japan. While these breakdowns of vegetables and fruits are taken into consideration, MAFF's statistical data (2002) with the given broad categories used to analyse the market for imported Organic JAS products.

Organic vegetables that are produced and Organic JAS graded abroad sum up to be 23 994 tonnes (see Table III-1.2). Most of them are graded in China, the United States and New Zealand. Although some agricultural products, such as pumpkins, are imported fresh, most of them are processed into frozen or canned vegetables or processed vegetable foods prior to being imported into Japan. Because the import quantity of fresh vegetable is very small, the market value of these 23 994 tonnes is considered, not as fresh vegetables, but rather as frozen and canned vegetables and processed vegetable foods in the processed food market.

Foreign produced soybeans, green tea and wheat are imported as ingredients for processing in Japan. In other words, their market values are transformed into those of domestic processed foods, such as tofu, natto, soy sauce and green tea. Thus, they are not directly included as part of the consumer market.

With respect to fruits, some, such as banana, kiwi fruit, lemon and grapefruit, are imported as fresh fruits and are consumed directly by Japanese consumers. They are therefore evaluated as part of the consumer market, based on their retail prices observed at supermarkets. Because no data is available on the quantities of organic fresh fruits that were sold as Organic JAS in the end (i.e. did not get fumigated at entry point), they were estimated as follows, based on market surveys and interviews with importers. As described in Section

III-1.2, 28 050 tonnes of foreign produced fruits are recorded as Organic JAS graded (see Table III-1.2), of which approximately 20 000 tonnes are assumed to have been imported as fresh fruits and approximately 8 000 tonnes processed prior to being exported. Assuming that about 50 percent of imported fresh fruits are fumigated, approximately 10 000 tonnes were presumably sold as Organic JAS fresh fruits in the Japanese market in 2002. The rest of foreign Organic JAS graded fruits are counted as fruit concentrates for the quantity of 1 215 tonnes. Once imported, these products, such as processed grapes and oranges, are processed into beverage, wine, sauce and so on, which in the end are sold as Organic JAS processed foods. Therefore, because these processed products are transformed into domestically produced processed foods, their values are not directly included in the market evaluation.

Similarly, although the “other” category includes coffee green beans, black tea and so on, since they are also processed once imported, their values are not included in the calculation.

Many organic processed foods that are Organic JAS graded abroad are sold as they are to Japanese consumers. Frozen vegetables and dried noodles are sold at the same retail price as their domestic counterparts. Individual quantities of European items, such as pasta, olive oil, dried fruits and nuts, are not known. Therefore, an average retail price of ¥0.8 million per tonne was used to calculate their values in the consumer market.

III-2.3 Sales Coverage of Organic Foods

Supermarkets in the Tokyo area that carry some organic foods were surveyed to study the retail status of organic foods in the general market. More specifically, this survey targeted approximately 80 large and medium-size supermarket stores, as well as 12 to 15 department stores and independent retailers that carry organic foods. Product prices were compared in each store by observation. Interviews on pricing strategies were conducted with staff from the purchasing department of the major supermarkets.

Among these retailers, approximately 30 percent carried 5 organic items, while another 30 percent or more carried 6 to 10 items. Of the rest, over 10 percent of the stores sold between 11 to 15 items, 15 percent between 16 to 20 items and the last 10 percent more than 21 items. Note, however, that this survey was carried out during a season when only a small number of domestic agricultural products were available, and therefore, their sales coverage was extremely low. This is because summer vegetables end around October and winter vegetables that are stored also run out around April and May. Despite this general seasonality of organic vegetables, retailers often try to carry some of the main products (i.e. potatoes, onions, carrots, spinach, brassica rapa, cabbage and lettuce) all year around by buying them from various regions throughout the country at different times of the year, taking advantage of Japan’s geography that stretches from north to south. Nonetheless, during higher harvest months, it is assumed that the number of organic fresh products will increase by 5 to 10 items.

The most principal organic products that were sold by these surveyed supermarkets were traditional Japanese processed foods, such as natto, tofu, soy sauce, miso and green tea. More precisely, organic natto was carried by 57 percent of the stores, while miso was carried by 48 percent, soy sauce by 46 percent, green tea by 36 percent and tofu by 28 percent. Organic ketchup and roasted coffee were also available at a fair number of the stores, 26 percent and 23 percent respectively. Other organic products that were sold relatively widely (i.e. carried by 15 to 17 percent of the stores) include konnyaku, roasted sesame seeds, peanuts, soymilk, raisons, rice vinegar and imported bananas. Sales coverage of the rest of the organic products was not substantial.

With respect to foreign produced organic foods, besides banana that was mentioned earlier, frozen vegetables and raisins were carried by 10 percent of the retailers, while jams, dried prune and pasta were available at fewer stores. Imported organic products that are pre-packaged for consumption, such as pasta, olive oil, instant coffee and crackers, were available only at large, relatively high-class luxurious stores that carried more than 15 organic

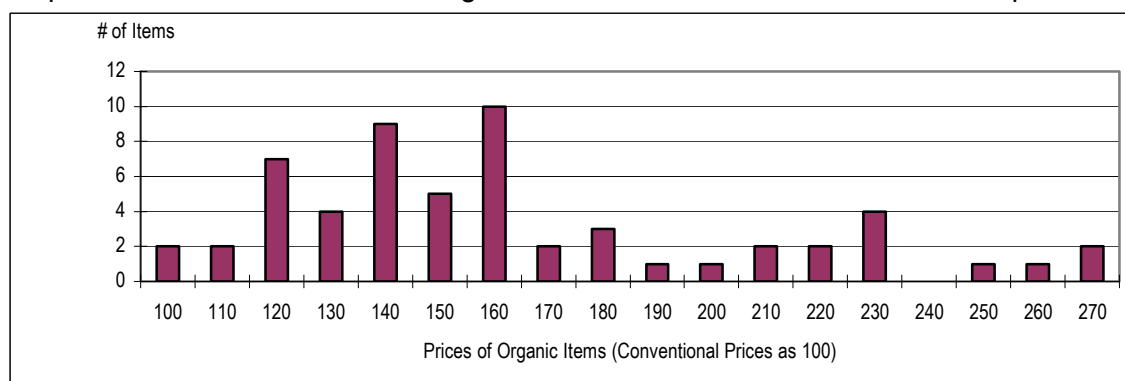
items. Such a low coverage of these European food items suggests that they may not be consumed as frequently or as widely as they are often believed.

The calculation presented here used the data that was gathered primarily from large and medium-size supermarkets. Nonetheless, it should be kept in mind that there also exist convenient stores that carry organic products. For instance, a few of the major convenient store chains carry organic natto and konnyaku on a regular basis. This convenient store market is believed to play an increasingly important role in expanding the organic market, especially since it targets young generations.

III-2.4 Comparison of Organic and Conventional Prices

Organic and conventional prices of 64 product items from the surveyed supermarkets were compared. On average, the price of an organic product was 1.65 times higher than that of its conventional counterpart. However, as shown in Graph III-2.2 (see Tables III-2.1 and III-2.2 in Appendix III for more detail), there is a wide range in the pricing of organic products, although most fall somewhere between 1.1 to 1.7 times higher than their non-organic counterparts. Items that were more than 1.8 times higher were very few. Assuming that these higher premium prices are unusual, only those that ranged up to 1.7 times (70 percent premium) were included in the calculation. Accordingly, the average organic premium of these surveyed items was calculated to be 37 percent. More detailed price comparisons of organic and conventional products that are relevant to Central America will be presented in Section V-2.

Graph III-2.2: Price Premiums of Organic Products over Conventional Counterparts



(Source: Compiled by IFOAM Japan)

III-3. Consumer Trends for Organic Agricultural Products and Processed Foods

III-3.1 Consumer Market for Organic Foods

IFOAM Japan, et. al. recently conducted a study on organic food consumers in Japan (2003). The study surveyed housewives through three representative distribution routes of organic food, i.e. supermarkets, direct sales shops¹⁹ and distributors specialized in organic products. Prior to the said study, no study had been conducted to provide sufficient statistical data on Japanese consumer trends of organic foods.

¹⁹ A 'direct sales shop' refers to a place where producers sell their products directly to consumers. This category of retail includes farmer's markets, shops in Michi-no-Eki (road stations), roadside vending, etc.

The sampling study targeted three groups of housewives to represent differing trends and awareness levels among organic consumers: (1) general consumers (i.e. supermarket customers), (2) consumers who seek out direct contracts with producers of increasingly popular 'safe and reliable' agricultural products (i.e. direct sales shop customers), and (3) consumers with the highest level of interest in organic agricultural products (i.e. members of distributors specialized in organic products).

The study found that 16 percent of Group (1) or the supermarket customers consumed organic foods on a regular basis²⁰ (see Table III-3.1). While two-thirds of this group indicated that they had consumed organic agricultural products at some point in the past, they did not consume them repeatedly or continuously. According to surveyed distributors, this unstable tendency of consumption is an accurate reflection of the current Japanese organic market in general.

Table III-3.1: Consumption of Organic Foods N = # of subjects

Group	Consume on a regular basis	Have consumed before	Have not consumed	Do not know	n
(3) Specialized Distributor Members	144 (72.7%)	40 (20.2%)	0 (0.0%)	14 (7.1%)	198 (100%)
(2) Direct Sales Shop Customers	37 (36.6%)	53 (52.5%)	4 (4.0%)	7 (6.9%)	101 (100%)
(1) Supermarket Customers	16 (16.0%)	66 (66.0%)	10 (10.0%)	8 (8.0%)	100 (100%)

(Source: IFOAM Japan, et. al., 2003)

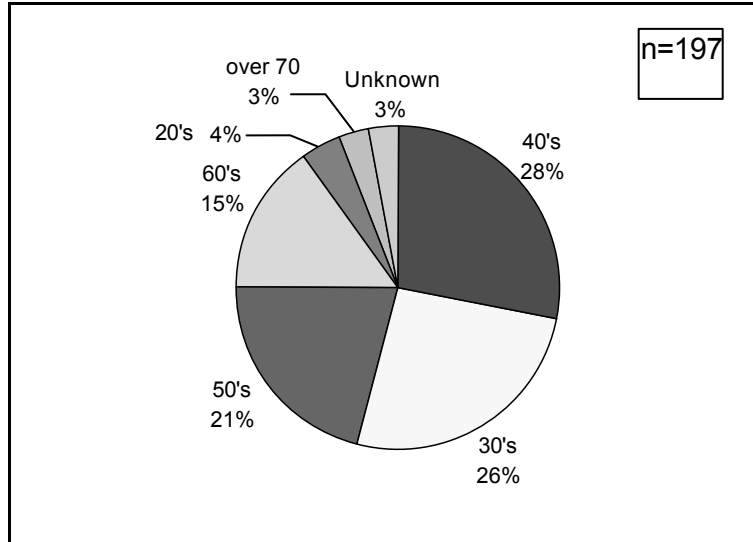
III-3.2 Characteristics of Organic Food Consumers

In order to further examine the characteristics of the market for organic foods, certain consumers' attributes were analysed. Among the subjects who responded that they "consume [organic foods] on a regular basis", nearly 30 percent of them were in their 40's, followed by the 30's at 26 percent and the 50's at 21 percent (see Graph III-3.1). As for household types, the salary man²¹ household occupied the highest share at 55 percent, followed by that of civil servants at 10 percent and those of free-lancers, company executives and self-employed, each at 6 percent (see Graph III-3.2).

²⁰ Consumption of organic foods on a 'regular basis' implies that organic foods are consumed daily and that they are the assumed and prioritized choice of alimentation whenever food is purchased.

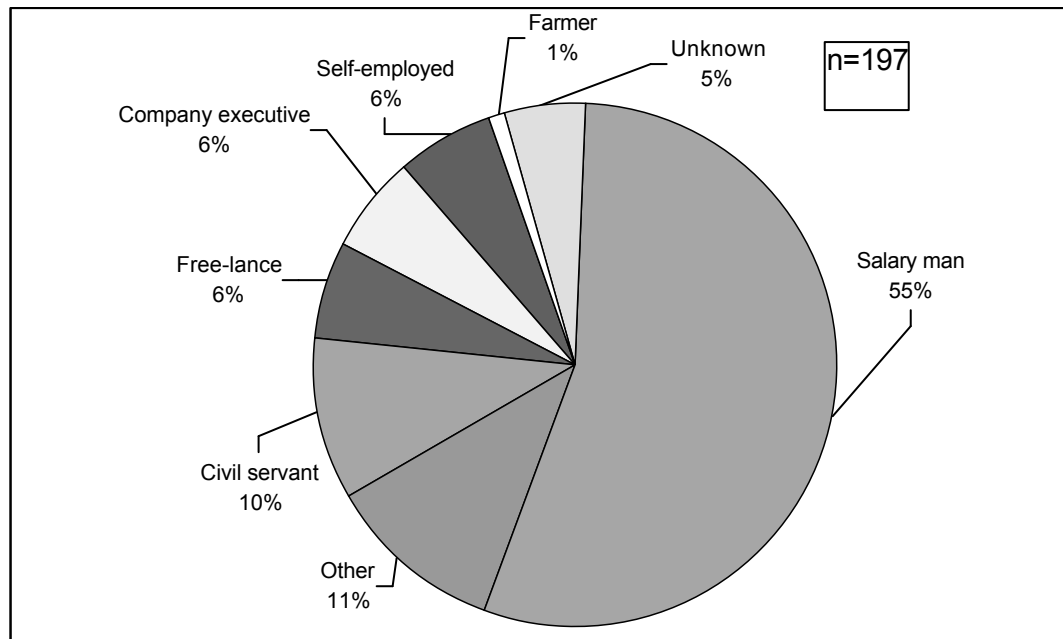
²¹ A 'salary man' refers a "middle-class citizen (who) is guaranteed in the form of a regular salary" (Vogel, E. F. (1971)). While civil servants and company executives also receive guaranteed salaries, they are considered to be upper-middle to upper class.

Graph III-3.1: Age Distribution of Organic Consumers



(Source: IFOAM Japan, et. al., 2003)

Graph III-3.2: Household Types of Organic Consumers



(Source: IFOAM Japan, et. al., 2003)

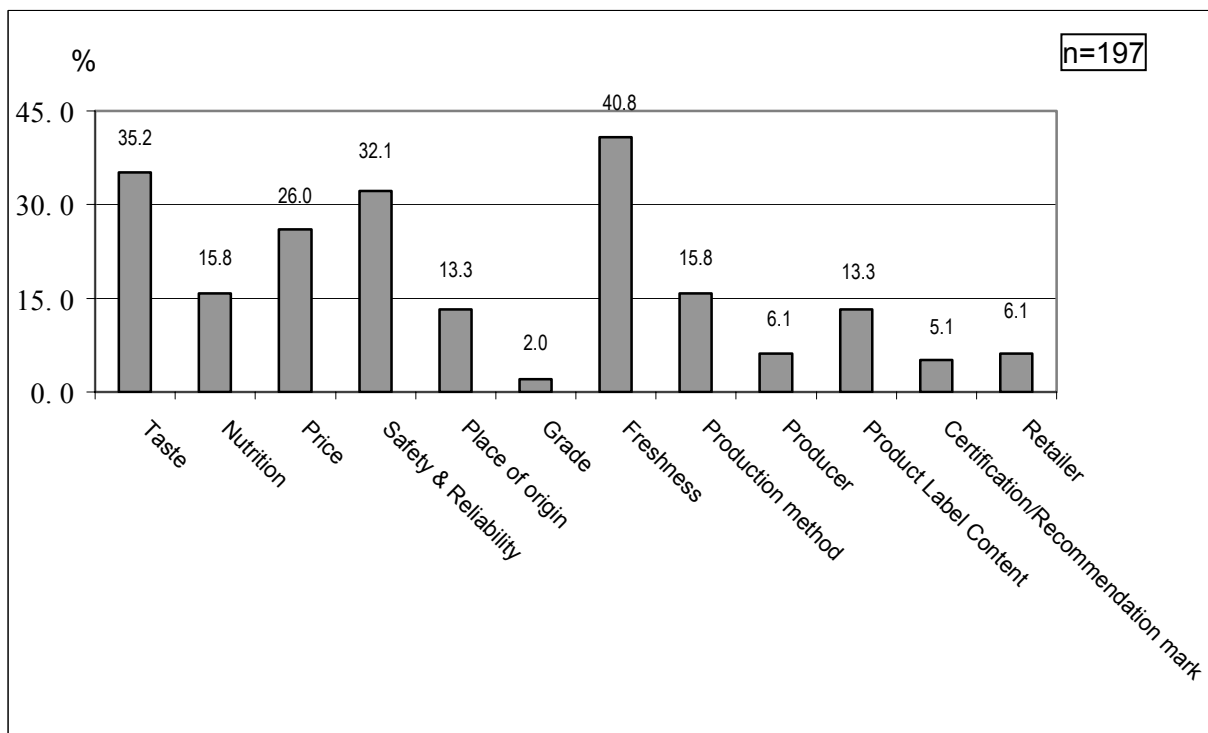
From these data, it can be assumed that this market consists mostly of middle to senior aged middle-class salary man households. This group is characterized by relatively high and stable income (see Table III-3.2 in Appendix III) and by their key role in Japan's matured consumer market. They tend to pursue steady and reliable life styles, and especially in the context of recent economic difficulties, they are capable of making choices in their spending. Consequently, they tend to choose commodities that 'satisfy certain standards of quality while also cheap,' rather than simply 'cheap' but poor quality items.

III-3.3 Organic Food Consumer Trends

(a) Selection Criteria for Organic Agricultural Products and Processed Foods at the Time of Purchase

The most emphasized criterion by organic consumers when selecting *fresh* organic products at the time of purchase was “freshness” at over 40 percent. This was followed by “taste” at 35 percent and “safety and reliability” at 32 percent (see Graph III-3.3). For organic *processed* foods, the most concerning criteria were “food additives” at 44 percent, “safety and reliability” at 41 percent and “taste” at 36 percent (see Graph III-3.4). These numbers support recent preoccupations among Japanese consumers regarding mixed-in substances in organic processed foods.

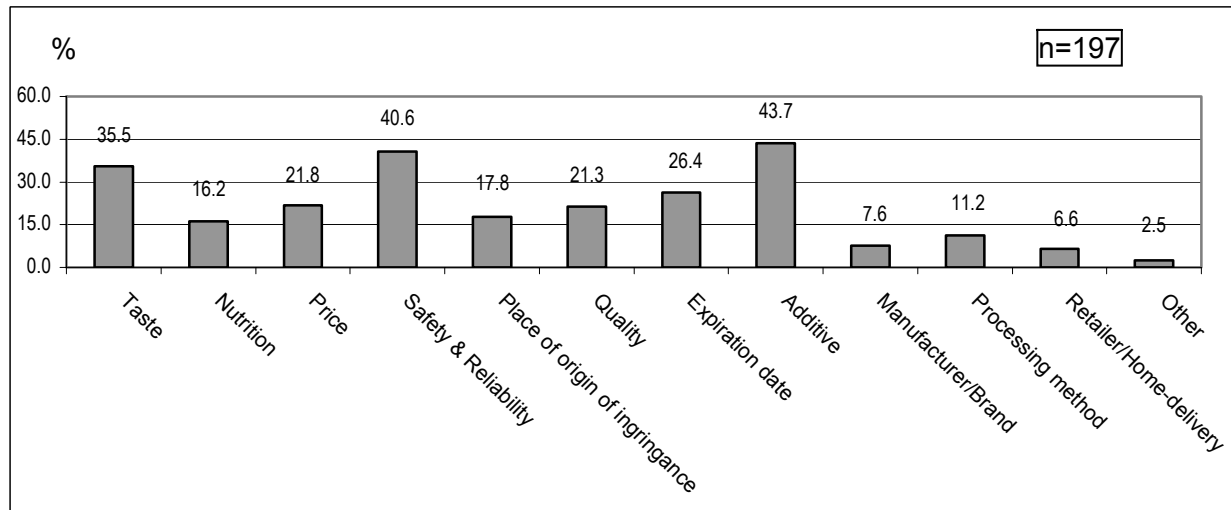
Graph III-3.3: Selection Criteria for Organic Fresh Products at the Time of Purchase



Note: Respondents could select multiple answers

(Source: IFOAM Japan, et. al., 2003)

Graph III-3.4: Selection Criteria for Organic Processed Foods at the Time of Purchase



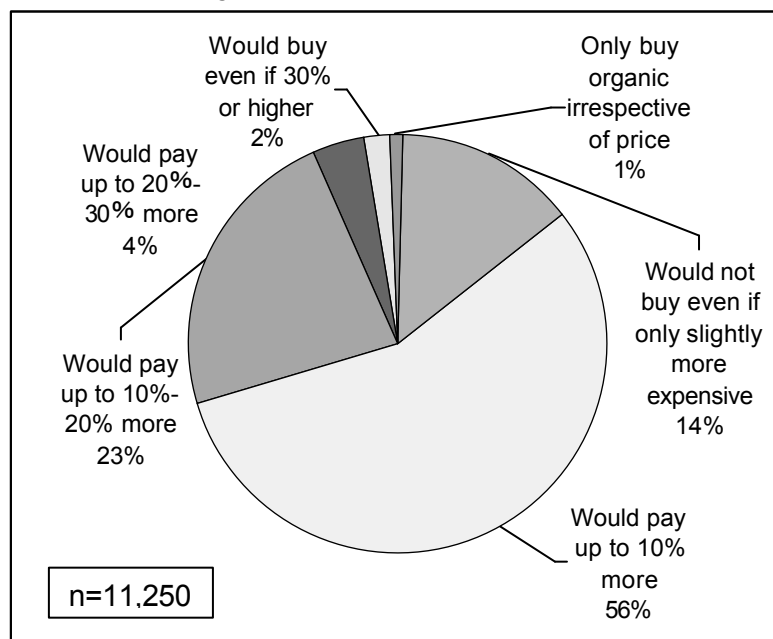
Note: Respondents could select multiple answers

(Source: IFOAM Japan, et. al., 2003)

In both cases, 'safety and reliability' was not listed as the top priority in these surveys. While this finding may seem contradictory at first to the general consumer tendency that was described earlier in this report, it must be noted that these surveys targeted organic food consumers, who tend to expect safety and reliability as default characteristics of organic products.

With regard to 'price', 26 percent and 21.8 percent of the consumers rated 'price' as important when purchasing fresh organic products and processed organic foods, respectively. A recent study (May 2003) found that 56 percent of surveyed consumers indicated that they would be willing to buy organic products with premiums of up to 10 percent, followed by another 23 percent who would pay premiums that are up to 10 to 20 percent (see Graph III-3.5) (Harvest Research, 2004).

Graph III-3.5: Organic Premiums that Consumers are Willing to Pay



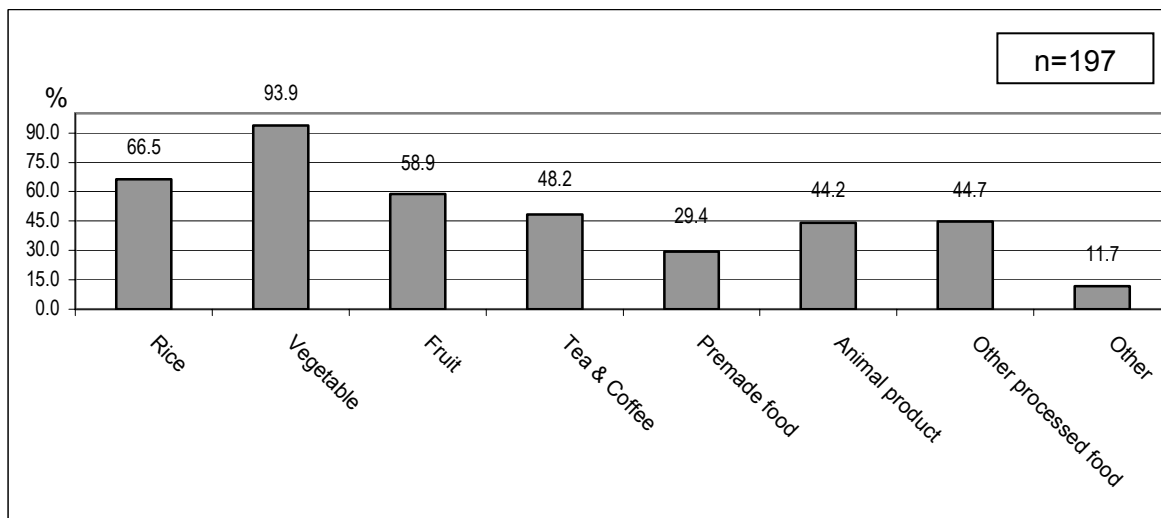
(Harvest Research, 2004)

(b) Categories of Organic Foods that are Purchased

By category, the highest percentage, 93.9 percent, of the consumers of organic foods purchase organic 'vegetables', whereas 66.5 percent of them purchase 'rice', a staple food in the Japanese diet, followed by 'fruits', which are purchased by close to 60 percent. In short, the consumption of organic foods consists mostly of fresh produce in Japan (see Graph III-3.6).

According to an organic distributor²², main organic fresh vegetables that are available at retail stores are potatoes, onions and carrots, followed by cabbage, lettuce, ginger, burdock root and some greens (e.g. spinach, brassica rapa, Chinese chives, etc.). Main organic fruits are domestic citrus, domestic kiwi fruits and imported bananas.

Graph III-3.6: Categories of Organic Foods purchased by Organic Consumers



(Source: IFOAM Japan, et. al., 2003)

(c) Places of Purchase

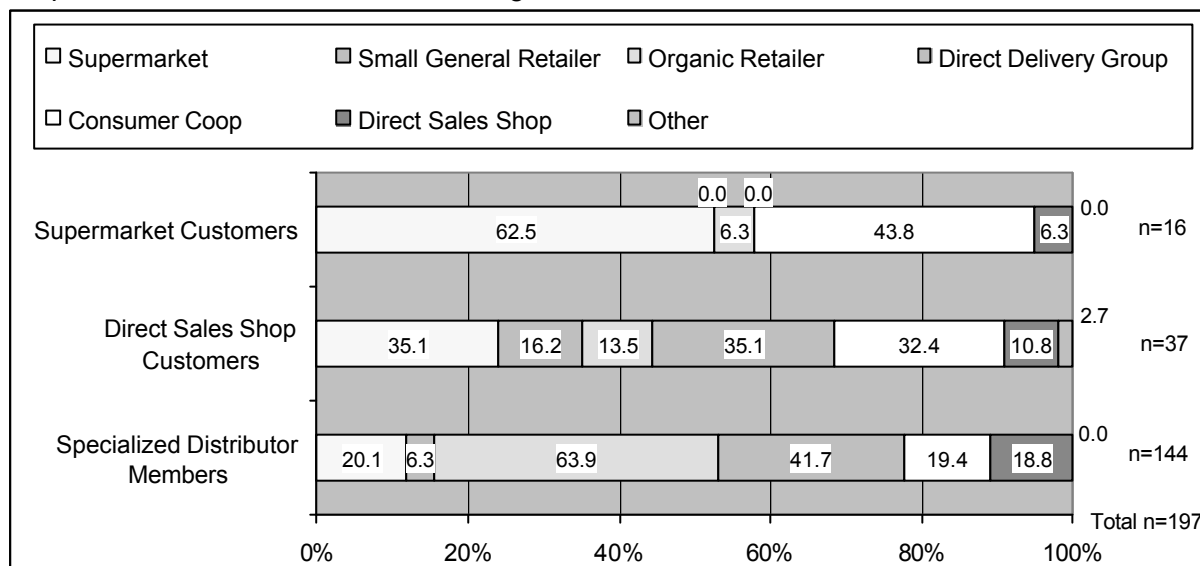
Among the consumers that belonged to organic specialized distributors, Group (3), the most common means of purchase was naturally through their distributors (e.g. specialized stores, direct delivery groups). They nonetheless also indicated that they purchased from other sources, such as supermarkets and consumer cooperatives, suggesting a wide variety of routes through which this group of consumers purchased organic products.

Group (2) consumers, who were surveyed at direct sales shops, were most likely to purchase at either supermarkets or through direct delivery groups, each comprising of 35 percent, followed by consumer cooperatives at 32 percent.

The most general market consumers, or Group (1) supermarket customers, were found most likely to purchase organic products at supermarkets, at a little over 60 percent. It is however suspected that supermarkets probably do not serve as a satisfactory supplier of organic products due to their generally insufficient range of products on offer. Perhaps because of this lack of variety, 44 percent of the supermarket customers also purchased organic foods from consumer cooperatives.

²² Distributor specialized in organic products, personal communication, July 2004

Graph III-3.7: Places of Purchase of Organic Foods

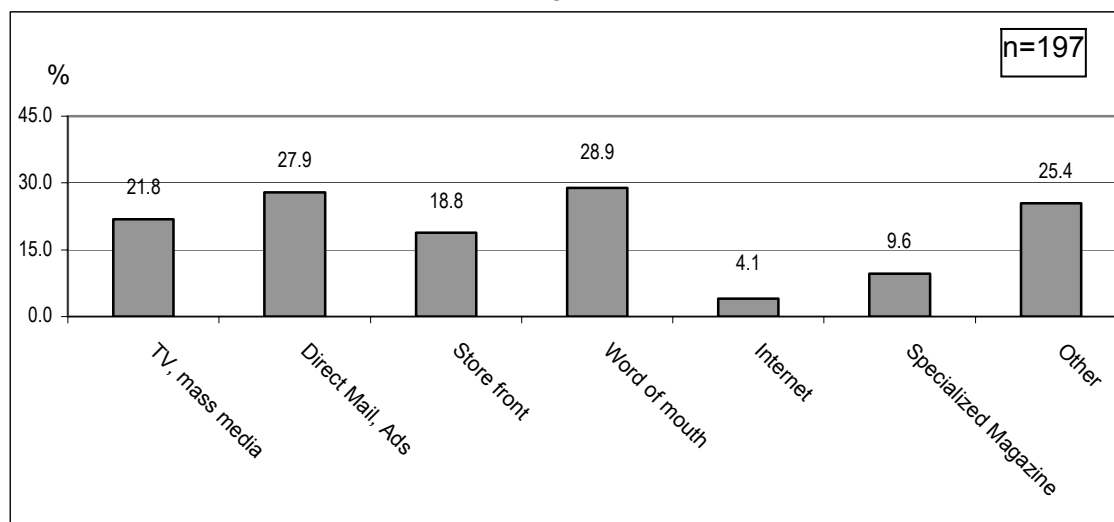


(Source: IFOAM Japan, et. al., 2003)

(d) Sources of Information on Organic Foods

Some 29 percent of organic food consumers mentioned that they obtained information on organic products through “word of mouth,” suggesting the importance of first-hand experience, which then becomes exchanged among consumers. This is followed by “direct mail and advertisements” at 28 percent, “television and mass media” at 22 percent and “store front” at 19 percent (see Graph III-3.8).

Graph III-3.8: Sources of Information on Organic Foods



Note: Respondents could select multiple answers

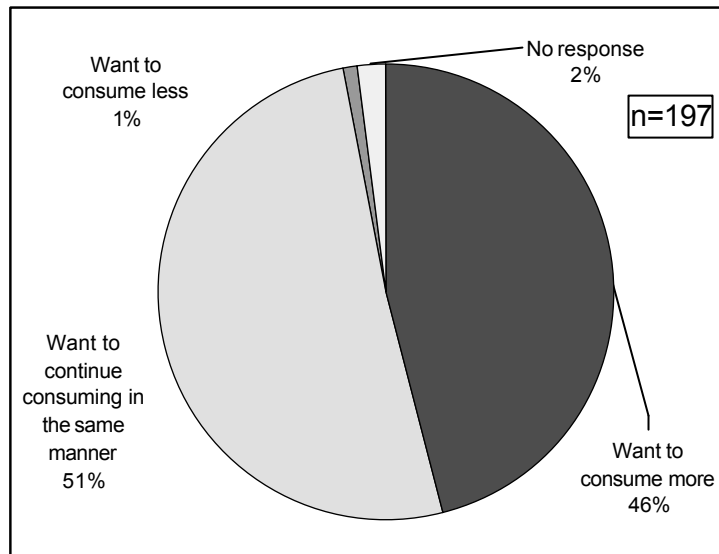
(Source: IFOAM Japan, et. al., 2003)

(e) Future Trends of Organic Food Consumption

The majority of the subjects (51 percent) responded that they intended to continue to purchase organic foods in the same manner. Most notably, however, another 46 percent indicated that they would like to consume more organic foods in the future. When these two

types of intentions are combined, they make up 97 percent of the current organic consumers who suggest an expansion of the organic market (see Graph III-3.9).

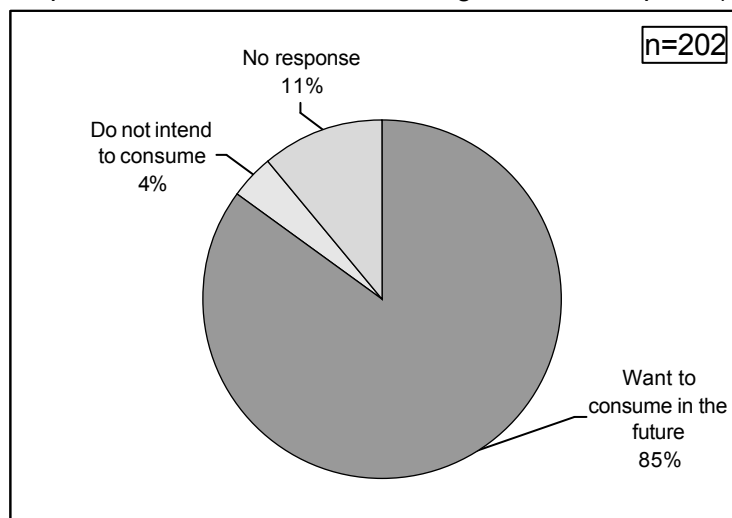
Graph III-3.9: Future Trends of Organic Consumption (Current Consumers)



(Source: IFOAM Japan, et. al., 2003)

Even among the consumers who did not purchase organic foods at the time of the study (Note: This categorization includes those who had purchased organic foods in the past but did not do so regularly, as well as those who had never purchased any organic products), 85 percent of them responded that they would like to purchase organic foods in the future, implying that the organic market in Japan has high potential to grow (see Graph III-3.10).

Graph III-3.10: Future Trends of Organic Consumption (Non-Organic Consumers)

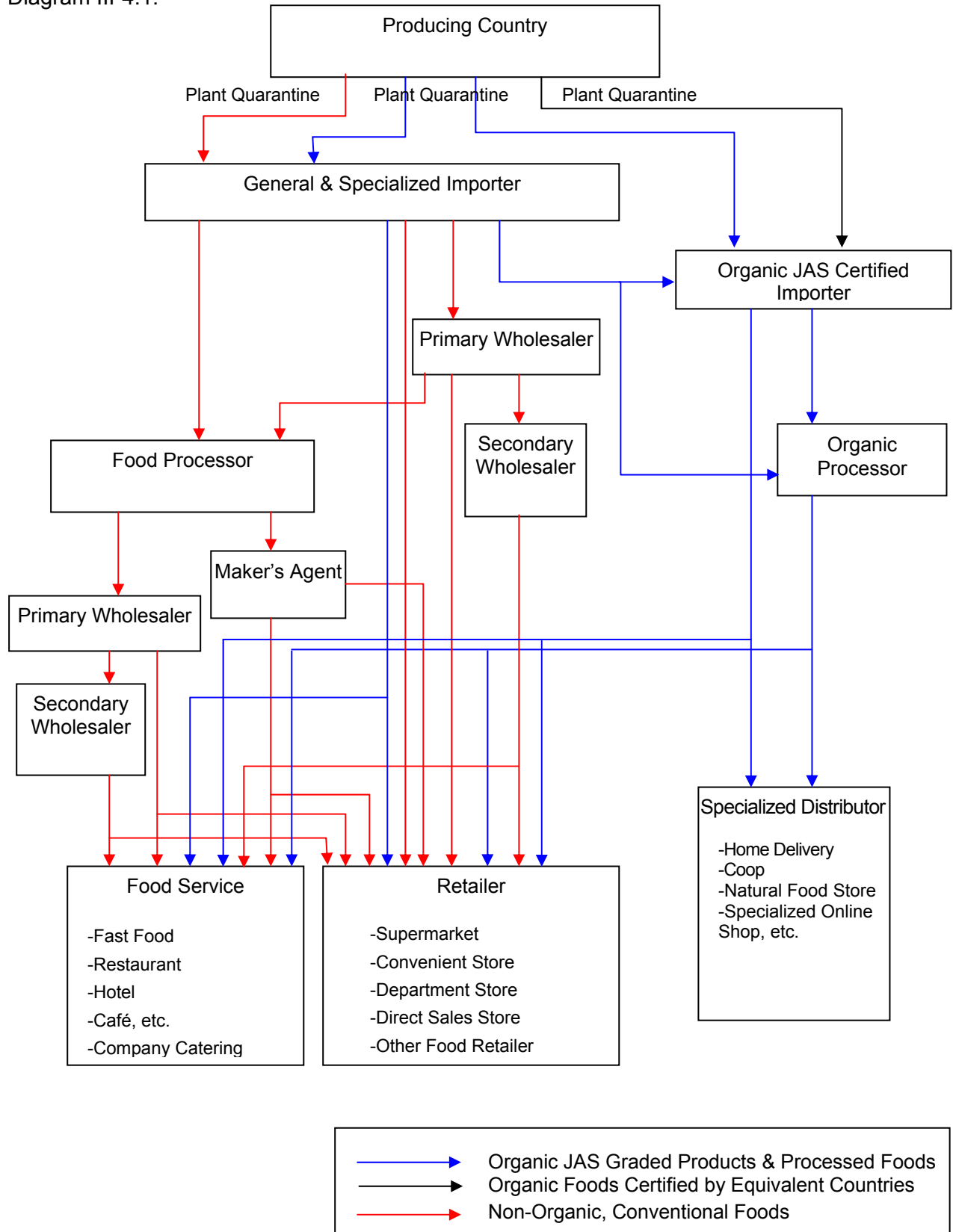


(Source: IFOAM Japan, et. al., 2003)

III-4. Distribution Trends in the Organic Market

III-4.1 Japanese Distribution Structure of Imported Organic Products

Diagram III-4.1:



As shown in Diagram III-4.1, imported products first go through plant quarantine at the port of entry, where they are inspected and treated in accordance with the import regulations (see Section I-3. for more details). Once imported, Organic JAS graded products are handled by either Organic JAS certified importers or non-certified, general or specialized, importers. Note, however, that importers must be Organic JAS certified in order to handle organic products from countries that have an 'equivalent' certification system to the Organic JAS (see Section II-2 for more details). In either case, importers must verify whether organic products were fumigated at entry point, according to the procedures described in Section II-2.4.

If products were fumigated, the Organic JAS label must be removed, or, in the case of organic products from an 'equivalent' country, the Organic JAS label must not be affixed by the importer. Once fumigated, products are not recognized as Organic JAS, and thus, they would be distributed as non-organic products via routes that are marked in red in Diagram III-4.1. On the other hand, once products are verified to not have been fumigated, Organic JAS labelled products are distributed to their various destinations via 'blue' routes, including organic wholesalers, processors, specialized distributors, general retailers, consumer cooperatives and food services. As mentioned in Section II-2, processors and subdividers that handle Organic JAS products must be Organic JAS certified.

More detailed distribution routes inside Japan are summarized in Diagram III-4.2 in Appendix III. As shown in these two diagrams, specialized distributors, whose operation is based on Japan's unique marketing system, Teikei, play a significant role in the Japanese distribution structure of domestically produced organic agricultural products. Thus, their presence cannot be ignored when accessing this market, whether handling products, developing products, or marketing.

As described in Section III-3.3, consumers tend to purchase organic foods from supermarkets, consumer cooperatives, organic retailers, specialized delivery services, direct sales shops and small general retailers. They belong to either the 'specialized distributor' or the 'retailer' category in Diagram III-4.1. In the case of ingredients, the 'food service' category could also be the final buyer of imported supplies. Which final buyer to be targeted depends on the product (i.e. its type, quality, quantity, price, etc.), as well as on how the Japanese partner decides to market the product. In fact, when a foreign supplier sells their products in Japan, it is done through their Japanese business partners. Therefore, in addition to studying how products are distributed once imported into Japan, one of the key factors for Central American small-scale suppliers is to choose a Japanese partner who would be willing to handle relatively costly new products in possibly small and/or unstable quantities. It is therefore advisable to approach Japanese operators who are already engaged in, or are interested in, some form of socially and/or environmentally beneficial practices, such as organic, fair-trade, Teikei-style transactions, Kokusai Sanchoku, Rainforest Alliance and specially grown agricultural products.

III-4.2 Distributors' Outlook on the Market for Organic Products

Distribution trends in the organic market are analysed on the basis of a study conducted by IFOAM Japan et. al. in 2003. As shown in Table III-4.1, this study targeted main operators along the food supply chain, including traders (both importers and domestic traders), wholesalers, processors, dining services and retailers.

Table III-4.1: Study Subjects and Topics

Targeted Operators	Survey Topics	# of Targeted Operators	# of Responses	# of Operators Handling Organic Products
(a) Trader, Wholesaler	- Handling of organic agricultural products since the JAS revision and such products' positions;	8	4	2
(b) Processor		60	22	11
(c) Dining Service		15	7	3
(d) Retailer	- Intention regarding involvement; - Current handlings; - Challenges and issues; - Future prospects of the market	64	44	22

(Source: IFOAM Japan)

(a) Traders and Wholesalers

Traders (including importers and domestic traders) and wholesalers generally believe that imported certified organic agricultural products are relatively easy to deal with, as they are clearly standardized and can be acquired in consistent quantities. At the same time, they are also concerned about heavy difficulties related to imports, such as the regulation and management in the use of pesticides, as the case would be with Chinese vegetables that were imported as organic products.

Sumitomo Corporation, one of the major distributors in this category, handles some imported organic products, including sugar, plant oil and grapefruit juice, as ingredients for organic processors. This company participates in this market with clearly defined strategies.

This segment of the supply chain therefore seems open to handling imported organic products, provided that they come in consistent quantity and quality.

(b) Processors

There exists a general tendency among processors to gather efforts toward ensuring the safety and reliability of their ingredients and their finished products. For instance, many companies are beginning to install their own voluntary standards to manage the quality of their supplies, which are not covered by the Organic JAS system. Some of them handle non-conventional products, including organic, as part of their efforts to ensure the quality and safety (e.g. non or reduced pesticides, authentic quality, seasonal, etc.) of their products, while others tend to approach them as a part of their line of brand commodities. As mentioned in (a) of Section I-2.3, many of these processors/manufacturers are beginning to take special measures that would allow them to secure the supply of safe and reliable ingredients, while at the same time, controlling the cost of such supplies. For instance, some processors/manufacturers take advantage of the earlier mentioned governmental measures, which allow any company that meets certain criteria to become a farming corporation and participate in the entire production process of their ingredients. Some others choose to increase their relationship with their ingredient producers by means of contract-based production.

Nonetheless, these efforts do not necessarily involve organic practices or products. In fact, at present, these suppliers generally are not as enthusiastic about organic as they are about other non-conventional supplies, such as reduced or pesticides-free and/or chemical fertilizers. This is primarily because they are concerned about the higher costs of organic ingredients, as well as their difficulty to satisfy the quantity necessary for processing. Some also mentioned that the flavour of organic ingredients is not consistent year after year and that it is not necessarily superior to that of other types of ingredients.

Furthermore, they believe that organic processed foods are not necessarily better evaluated or demanded by their buyers (e.g. retailer, food service), and most important, by consumers, than are other non-conventional products. Thus, because they cannot price such products sufficiently high to cover the higher expense on organic ingredients, and because they do not foresee the quantity of organic supplies to increase rapidly enough to suffice their needs, many of them predicted that their handling of organic ingredients would likely remain unchanged in the near future.

(c) Dining Services

The dining service category is characterized by two types of trends: one that pursues organic products as part of their differentiation strategy, and another that participates in this market because of its safety and reliability aspects. The latter type is usually not as deeply involved as the former, due to their reservations about issues related to handling organic products, such as the steadiness and quality of supplies and the costs of such products.

As formerly mentioned in (b), public supported measures to encourage these corporations to participate in agriculture are expected to promote this category of suppliers as well. Watami, a restaurant chain, is an example of their efforts to convert the acquisition of their supplies into one of their core activities. In some cases, such as with Chiba prefecture and Watami, the company's initiative is reinforced by the prefecture, through the combined cooperation with the prefecture's public project to promote local production and local consumption. Many others that are not so involved as Watami adopt the style of contract-based production to ensure their supply quality.

Specifically with regard to imported products, suppliers tend to be cautious, and are especially concerned with issues such as the residual pesticides in Chinese vegetables. An increasing number of companies are beginning to install their own standards for purchasing supplies, using national standards as a reference. The basic attitude among the dining service companies is that they prefer domestically produced ingredients and supplies. Although this category of operators could be supplied with tropical fruits and juices from Central America, no one among those surveyed was particularly interested in organic supplies of such products. This lack of enthusiasm perhaps derives from their general reservation about imported products. Central American suppliers would need to take active measures to build these operators' confidence in their products and persuade them to consider new types of ingredients (i.e. Central American products, such as tropical fruit juice, cocoa, etc.) to enrich their services.

(d) Retailers

Written surveys and telephone interviews were carried out to investigate retailer trends in the handling of organic products. The written surveys were collected from 18 general retailers (i.e. department store, supermarket) and 16 specialized distributors (i.e. home-delivery service, specialized retail shops, consumer coops and metropolitan coops). The telephone interviews were conducted with direct sales shops at 30 Michi-no-Eki or road stations in the Kanto area. (Note: These road stations are located along the major roads throughout Japan, and they have come to function as local tourist centres in recent years.)

Most of the general retailers and specialized distributors agreed that the consumer demand for organic products would continue to increase. However, their plans to handle such products were not necessarily in line with this optimistic outlook on the demand side of the market.

The general retailers tended to express rather careful outlooks on their handling of organic products in the future. This is because the quantity of such products is extremely small at present, and therefore, it does not suffice the size that is expected in the general market.

The specialized distributors were divided in their views on the future of their handling of organic products. One of the factors for this disagreement is that they are currently going

through a transitional period. In addition to their traditional forms of membership-based businesses (e.g. depot delivery, home delivery), some are beginning to diversify in style, such as by opening a store in a department store in the metropolitan area. These latter type of specialized distributors tended to have a positive outlook on the future of their type of business, while others were less optimistic.

With regard to the direct sales shops, only four of them indicated that they carried organic products, although nearly half of these shops carried vegetables that meet some type of voluntary standards. While these shops seem potentially capable to provide of safe and reliable foods, they have not yet become an established medium through which organic and specially grown vegetables could be distributed.

III-5. Future Prospects of the Organic Market

As discussed earlier, the rate at which operators obtain Organic JAS certification is not growing steadily, and the quantity of organic grading dropped in 2002 from the previous year (especially in the case of foreign grading). From these phenomena, the Japanese organic market seems to be staggering. The authors' view on the future of this ¥110-120 billion market is built upon the following analysis of the past and current trends.

III-5.1 Analysis of Past Statistics

Despite some hindering factors that seem to be working against the growth of Organic JAS certification among domestic organic PPMDs, as discussed in (b) of Section II-2.2, the 'potential' consumer demand for organic foods is higher than the actual supply of domestic organic products. Should obstacles, such as the hesitation and the lack of confidence among some non-certified producers about the merits of Organic JAS certification and the lack of governmental measures to support organic efforts, be resolved, the domestic production of organic foods would increase.

As described in Section III-2 of this chapter, the authors estimate the scale of the organic market in Japan as of 2002 to be approximately ¥110 to 120 billion.

III-5.2 Hindering Factors to the Growth of the Organic Market

Today's Japanese food culture shows two strong tendencies, i.e. pursuits for safer foods and hunting for gourmet foods from all over the world. The common element between these attitudes is Japanese consumers' desire to purchase food from reliable sources. In the wake of recent food safety and labelling scandals, it was anticipated that organic food would become better appreciated for its traceability of production and transparent distribution, as well as for its environmentally sustainable production methods. It was therefore expected that the organic market in Japan would grow, following the lead of those in the United States and Europe. In fact, the implementation of the Organic JAS system in 2001 was supposed to mark the beginning of a rapid expansion of the Japanese organic market. In reality, however, while the organic market has been growing in the last three years, its growth is slow.

One of the reasons for this phenomenon is Japan's recent economic depression. Since the bubble broke in the 1990s, Japan's economy has suffered from depression and deflation, drawing consumers away from relatively pricy organic products. Spending on food per household dropped by 7 percent, from ¥82 381 in 1992 to ¥76 590 in 1999 (Yazaki, 2003), and the economic situation since 2000 has worsened. Many consumers seem to be choosing to compromise the safety of foods for cost and convenience, by selecting non-conventional products that are not organic, such as specially grown, or domestically produced products that are not genetically modified. This is supported by the fact that the number of consumer coop members has risen, where such types of products are available.

Another hindering factor to consider is the culture of the organic market in Japan, which does not align with that of the general market. Japan's organic agricultural movement

developed, supported by the commitment and collaboration of producers and consumers, who value the importance of growing seasonal products on healthy soil. The organic market has grown as the antithesis of the general market, which eagerly has responded to and promoted consumer demands for all-year-around supplies of handsome-looking products, as well as modern agriculture, which has depended on excessive pesticides, chemical fertilizers and fossil materials in order to respond to such demands in the general market. However, since the introduction of organic products into the general market upon the implementation of the Organic JAS system in 2001, organic operators have been faced with the demand for constant supply of products all year around, coupled with the challenge of having to compete with conventional products, which are produced massively and selected and graded meticulously.

In order to respond to the need to supply all year around, some organic operators have begun to purchase the same product from various regions, relaying from north to south by taking advantage of Japan's long latitudinal stretch. Nonetheless, this purchasing strategy is not yet well established, and thus hindering the expansion of organic supplies. High prices of organic products, which reflect the inefficiency of the collection and transportation of such products, as well as high production costs and low production levels, also seem to be another obstacle to the growth of this market.

However, the most important reason for the current stagnation of the organic market in Japan is the general lack of awareness about organic products among Japanese consumers, as has been mentioned repeatedly in this report. According to MAFF's monitor survey in 2002, 50 percent of the surveyed consumers in their 20's and 30 percent in their 30's did not recognize the Organic JAS mark (Yazaki, 2003). MIAC's study (2002) also indicates that more than 60 percent of the surveyed consumers believed that pesticide-free vegetables were safer than organic vegetables. Although a more recent study by IFOAM Japan (2003) (see Graph II-2.1) indicates that 63 percent of consumers are at least more or less aware of the term 'organic', those who are familiar with the concept of organic products remains 15 percent. In other words, while the term 'organic' is becoming better recognized, consumers who are aware of the Organic JAS system or of the fact that organic agriculture is environmentally sustainable are still very few.

III-5.3 Predicted Future Trends

Predictions of future trends are difficult to make on the basis of data collected for two years only. However, the slow but continuing increase in the number of Organic JAS certification, combined with organic operators' insights based on their first-hand experience in this market, and the authors' survey findings on various distributors indicate that the distribution of organic foods is continuing to expand since the implementation of the Organic JAS system.

As indicated by the consumer survey findings, the interest in food safety and reliability continues to be strong among Japanese consumers. The 'potential' consumer demand for organic foods is therefore quite high, implying that the demand for such products by retailers (e.g. supermarkets, consumer coops) will continue to increase. However, the demand is not yet real, but rather remains to be potential, since the purchasing power²³ of Japanese consumers is currently low due to Japan's economic depression. Should the economy recover, consumers would hopefully become able to afford rather expensive organic products, thus turning the potential demand to reality.

²³ According to a study on expenditures on commodities per household in 2003 by the Statistics Bureau of MIAC, an average Japanese's living expenditure is ¥3 342 762 (a), of which ¥813 349 (b) is spent on food. Thus, (b)/(a) = 24.33 percent of the total spending is allocated for food by an average Japanese. In this calculation, expenditure for alcohol is included (¥40 326), but those for tobacco and dining out (including school catering) (¥171 908) are excluded.

On the other hand, as discussed in above Section III-5.2, the same interest in food safety, which has intensified through the series of food-related incidents (see Section I-2), is ironically driving consumers to focus more on non-organic foods, which are either conventional or non-conventional, rather than on organic ones. This is due to the fact that the government's efforts have not fully conveyed the importance of environmental preservation and ecological diversity, and therefore that of organic production, with the concept of food safety. In order to bring consumer's attention toward organic foods, it would be necessary to help them realize that organic products are socially and environmentally more responsible than their conventional counterparts, although they may have an appearance of being better than organic because of their labels under the government's new food safety related policies.

With regard to the types of products, it is clear from the Organic JAS grading²⁴ data and the authors' retailer observation study that organic foods are limited in variety, although they are expanding, primarily from those closely associated with traditional Japanese foods. The potential demand, on the other hand, is assumed to include more diverse types of products, since today's Japanese diet includes a much wider variety of cuisines, such as Chinese, other Asian and Western. This market is therefore expected to expand the moment more varieties of organic products are developed and their sales effectively promoted.

III-5.4 Implications for Central American Suppliers

While Japanese organic consumers seem to be generally receptive to JAS certified organic products, their acceptance must not be assumed as automatic. Japan's highly advanced commercial society has cultivated critical eyes in its consumers, with which they judge the reasonableness of the correlation between product quality and price. In addition, they also pay close attention to any added values that may be associated with the branding of commodities. In other words, they do not rely solely on the organic label per se, but instead tend to trust other factors, such as freshness, taste and the trust-worthiness of brands. This consumer culture is quite complex and yet crucial to understand in order to further develop the organic market in Japan.

Moreover, as discussed in Section I-2, general consumers are very critical of the safety and quality aspects of imported products. Since organic food consumers tend to be even more critical of such matters, both foreign and domestic suppliers of organic foods must take the safety and quality aspects of imported organic foods into serious consideration.

It is also important to select and promote products strategically. Foreign suppliers who wish to export organic produce to Japan are advised to select products that are not produced or those that are difficult to produce in Japan. Some examples of such foods are processed tropical fruit products and processing ingredients for domestic processors. Obtaining organic certification under the revised JAS law is the first step for any operator who wishes to supply organic products to Japan. In addition, other practical aspects, such as freshness, taste and reasonable pricing are also important to take into account, as well as selecting and promoting products strategically.

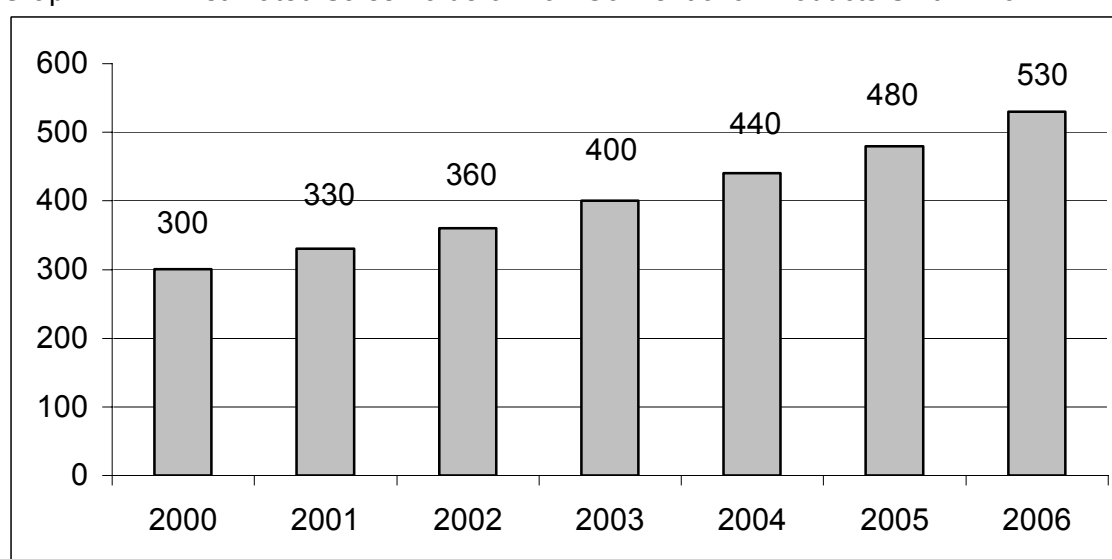
²⁴ See Glossary for its definition.

IV: Market Trends for Specially Grown Agricultural Products

IV-1. Estimated Size of the Market for Special Grown Agricultural Products

No data exist that would indicate the exact value of the current sales of specially grown agricultural products and other products produced by sustainable farming methods. However, some estimates are available; for instance, those by the General Marketing Institute based on Tokyo Prefecture's survey studies on organic and other types of sustainable farming (GMI, 1999) and another by the Japan Research Institute based on MAFF's study on sustainable development, which began in 1997 (Japan Research Institute, 1998). On the basis of these estimates, the sales value of this market as of 2000 is estimated to be approximately ¥300 billion (see Graph IV-1.1). With respect to more recent years, while both of the above mentioned research entities predicted that this market would grow at a rate of 15 to 20 percent up until 2000, it is expected that the growth should have slowed down since 2000, primarily due to the implementation of the revised JAS Law that has made the labelling requirements more stringent. Therefore, using a growth rate that is slightly lower than that estimated for the period since 2000, i.e. 10 percent, and based on the already estimated market scale from 2000 (i.e. ¥300 billion), it is calculated that the sales value of non-conventional products, including organic (which is estimated to be ¥110 to 120 billion), should have grown to be approximately ¥440 billion by 2004.

Graph IV-1.1: Estimated Sales Value of Non-Conventional Products Unit: Billion ¥



(Sources: General Market Research Institute and The Japan Research Institute)

IV-2. Prefecture-level Initiatives and the Scale of Certificated Production

According to a study (2002), 39 of the 47 prefectures have some kind of a established system to implement certification for specially grown agricultural products and other types of non-conventional products (Harvest Research, 2004). Among them, 27 prefectures have adopted the Guidelines (Note: This is a version prior to the most recent revision.), whereas the other 12 have their own standards installed. Based on the information obtained from 29 of the 39 prefectures on the scope of certified production (in area), and by comparing it with a

set of data on planted area from 2000, this study estimates that a total area of production of specially grown agricultural products is approximately 43 805 hectares. Using this number along with other sets of data on the production levels of sustainable practices, the quantity of this type of production should be approximately 700 000 tonnes or more. The production of specially grown agricultural products is therefore a significantly large-scale initiative, especially when compared to the small size of JAS certified domestic organic production, which was around 46 623 tonnes in 2002 (see Table III-1.1).

Data on foreign produced specially grown agricultural products is not available, since such products are extremely limited at present.

IV-3. Future Prospects of the Market for Specially Grown Agricultural Products

According to IFOAM Japan's recent study (2003), the market for specially grown agricultural products is predicted to continue to expand. Survey results in this report show that nearly 42 percent of the wholesalers and 48 percent of the retailers intend to expand their dealings of specially grown products (see Tables IV-3.1 and IV-3.2). Although the sample sizes are small, and thus this finding should not be generalized, these high percentages nonetheless suggest that distributors are enthusiastic about their involvement in this market, which scale is significantly larger than that of certified organic products.

IV-3.1: Wholesaler's Interest in the Specially Grown Agricultural Product Market

Response	Number of Responses	Percentage (%)
Intend to expand	13	41.9
Remain the same	8	27.6
Plan to reduce	2	6.9
Do not handle	4	13.8
No response	4	13.8

(Source: IFOAM Japan, 2003: Survey with the Central Wholesale Market)

IV-3.2: Retailer's Interest in the Specially Grown Agricultural Product Market

	Total # of Responses	Intend to expand	Remain the same	Plan to reduce	Do not handle	Unknown	Not applicable
Total	21 (100.0)	10 (47.6)	8 (38.1)	0 (0.0)	1 (4.8)	1 (4.8)	1 (4.8)
Supermarket, etc.	10 (100.0)	4 (40.0)	6 (60.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Specialized Distributor	11 (100.0)	6 (54.5)	2 (18.2)	0 (0.0)	1 (9.1)	1 (9.1)	1 (9.1)

() in %

(Source: IFOAM Japan, 2003: Survey with Retailers)

On the other hand, the fact that the Guidelines are implemented differently from one prefecture to another could prevent the Guidelines from becoming more widely established. For instance, as mentioned earlier, one of the recent trends among suppliers (e.g. processor, food service and retailer) is to install a voluntary standardizing system for non-conventional products that are not included in the Organic JAS system. While the Guidelines could potentially be applicable for this purpose, because of the said hindering factor, many of such companies, and especially those that operate nationwide, choose to set their own standards, rather than adopting the Guidelines. In addition, because labelling specifications defined by the Guidelines are vague and are thus not very well trusted by consumers, suppliers often find it difficult to add any value to the products with such a label.

Therefore, some of the crucial challenges for the Guidelines are to make their implementation more consistent from one prefecture to another and to make their labelling specifications more clarified. Should such shortcomings be improved, the Guidelines have great potential to offer suppliers with a nationally consistent categorization for non-conventional products that are not covered by the Organic JAS system. Furthermore, particularly with respect to foreign grown products, the Guidelines would have to become significantly improved in order to accommodate needs and conditions that are specific to the production and handling of specially grown agricultural products outside Japan.

In the meantime, no certification or registration system exists in Japan for foreign producers of specially grown agricultural products. Should foreign operators choose to participate in this programme, they would have to inquire about conventional levels of pesticides and chemical fertilizers that are determined by their own local authority, voluntarily adhere to such referential levels, and find Japanese importers to help market their products accordingly. When they already participate in other environmental certification systems, it may be easier for them to demonstrate the 50 percent or more reductions of pesticides and chemical fertilizers, which are required by the Guidelines. Rainforest Alliance certification, however, would not serve for this purpose, because its standards do not set specific targets for reductions in chemical input use.

As case is with domestically produced specially grown products, due to the Guidelines' fragmented implementation, premiums or any other marketing advantages are not at all certain. In addition, imported specially grown agricultural products also face the risk of fumigation, and therefore the removal of the label, at the port of entry.

V: Value Chain Analysis

The mechanism of food distribution (i.e. agricultural products and processed foods) has altered dramatically over the last 30 years. Centralization of the population into cities and the development of supermarkets have contributed to this change. As people moved to bigger cities and changed their life styles, small vegetable shops and food stores began to disappear from street corners, quickly replaced by large-scale supermarket chains. At the same time, as the simplification of the distribution structure opened the door for these large scale retailers to purchase supplies directly from the producer, the quantity of agricultural products that passed through the wholesale market also began to decline. The role of the wholesaler, and along with it, their control over the distribution system, has thus diminished greatly. This is not to say, however, that the supermarket has come to assume an absolute control over the distribution system, either. Wholesalers (and their subsequent small-scale secondary wholesalers) of processed foods, as well as wholesale markets and middlemen for fresh products still play an important role in the Japanese food market (see Diagrams III-4.1 and III-4.2 (Appendix III)).

First, taking the supermarket as an example, a basic cost mechanism of distribution is introduced, after which value chains of various products are analysed.

V-1. Basic Cost Mechanism of Distribution

V-1.1 Retailers

(a) Supermarket Margins

Supermarkets, which have come to play a major role in the general market, generally follow the following rules on gross margins:

(i) Fresh agricultural products (i.e. vegetable, fruit), Refrigerated and Frozen foods

The supermarket opens negotiations with an aim to make a gross margin that is approximately 40 percent of the estimated sales price. In other words, they try to buy a product for a price that is 60 percent of their planned sales price.

(ii) Processed foods

(a) National brand foods, basic staple grains (e.g. rice): 25 percent margin

(b) Less reputable products, new products: 28-30 percent margin

The supermarket places a high margin (i.e. 40 percent) for the (i) products because of various costs that are involved in preparing such products prior to displaying them at storefront (e.g. sorting by size, cutting, individual packaging, etc.), as well as to compensate for some portions that may not be sold. Some supermarkets subcontract these preparatory tasks, but they pay for this cost from their margin.

Depending on the quality of the (ii)-(b) items, they are sold either at a cheaper or higher price than their national brand counterpart. In general, however, supermarkets tend to place a higher margin on such products because of their lower turnover rate than that of national brand products (see Table V-1.1 below).

(b) Supermarket Costs

Supermarkets organize promotional campaigns whenever necessary, for instance to improve their sales or to compete against other stores. Arrangements for such promotional costs are negotiated as part of a business contract between the supermarket and their

supplier (i.e. wholesaler or product maker). However, it is often the case that the supplier pays for such expenses entirely, or at least partially.

An increasing number of supermarkets are beginning to collect supplies at their own collection centre(s), from which they distribute to their branch stores. Supermarkets tend to make their suppliers pay a certain amount for the operation of such centres.

V-1.2 Wholesalers

The wholesaler negotiates with producers or processors to ensure an approximately 12 to 15 percent gross margin of their sales price to the supermarket.

Table V-1.1: Model Value Chains (Conventional Products)

(i) Fresh product

		Supermarket Retail Price	Wholesale Price	Producer/ Processor Price
Vegetable / Fruit	Price Ratio	100%	60-62%	47-50%
	Margin	38-40% (Supermarket)		12-15% (Wholesaler)

(ii) Processed Food

		Supermarket Retail Price	Wholesale Price	Producer/ Processor Price
(a) National Brand	Price Ratio	100%	75%	60%
(b) Less Reputable / New	Price Ratio	100%	70-72%	55-60%
	Margin	28-30% (Supermarket)		12-15% (Wholesaler)

V-2. Organic vs. Conventional Value Chain Analysis

V-2.1 Value Chain Analysis

(a) Domestic Products

Specifically with regard to the handling of organic products, individual stores have varying policies. However, their pricing strategies are believed to be similar to those for conventional products, as described above. They often determine the pricing of organic products based on the concept that they are safer, more reliable, and higher priced than their conventional counterparts.

Tables V-2.1 and V-2.2 summarize value chains for several individual product items, which were carried by surveyed supermarkets. While the prices presented in these tables originate from a specific distribution route, their basic value structure is the same as that described in the preceding section. It must be noted that these prices are to be considered as a reference, since actual prices alter greatly based on various factors, including retailers' business policies, store size, location, consumer trends, special bargains and competitions with other stores. Moreover, prices that are presented in different sections throughout this report may vary, as they were gathered from multiple sources. Some figures are missing from the table, as retracing the value chain for each product was extremely difficult, and at times, it was not possible.

Table V-2.1: Supermarket Commodity Value Chains

	Organic				Conventional			
	Value Chain	Price Ratio	Price	Organic Premium (Reference)	Retail Price	Price Ratio	Value Chain	Notes
Fresh Vegetable / Grain								
Tomato 1kg (Domestic)	Retail Wholesale Shipper Producer	100.0 62.5 52.5	800 500 420	1.6	500 243	 100.0 70.0 60.0 53.0 48.5	Retail Middleman Wholesale JA network Producer	Domestic
Daikon Radish 1 (Domestic)	Retail Wholesale Shipper Producer	100.0 65.4 55.8	260 170 145	1.3	200 97			
White Rice 5kg (Domestic)	Retail Wholesale Shipper Producer	100.0 84.7 78.6 54.2	4,150 3,513 3,260 2,250	1.3	3,200 1,747	100.0 78.8 65.4 54.6	Retail Wholesale Shipper Producer	Domestic Regional Rice
Soybean 1kg (Domestic)	Retail Wholesale Shipper Producer	100.0 70.0 60.0 45.0	1 000 700 600 450	2.86	350	100.0 65.0 45.0	Retail Wholesale Shipper Producer	Imported Soybean
Processed Food								
Tofu 300g (Ingredient: Domestic Organic)	Retail Wholesale Processor	100.0 70.0 60.0	210 147 126	3	70	100.0 54.2 45.8	Retail Wholesale Processor	Ingredient: Imported Conventional Soybean
Miso 500g (Ingredient: Domestic Organic)	Retail Wholesale Processor	100.0 75.0 62.6	880 660 550	1.29	630	100.0 75.0 65.0	Retail Wholesale Processor	Ingredient: Imported Conventional Soybean
Soy Sauce 900ml (Ingredient: Domestic Organic)	Retail Wholesale Processor	100.0 72.5 60.0	800 580 480	1.86	430	100.0 75.0 65.0	Retail Wholesale Processor	Ingredient: Imported Conventional Soybean
Green Tea 100g	Retail Wholesale Processor	100.0 70.0 60.0	800 560 480	1.38	580	100.0 70.0 60.0	Retail Wholesale Processor	Domestic Conventional Tea
Udon Noodles 400g	Retail Wholesale Processor	100.0 70.0 60.0	500 350 300	2.5	200	100.0 68.0 50.0	Retail Wholesale Processor	Ingredient: Domestic Conventional Wheat

(Source: Compiled by IFOAM Japan)

Organic fresh vegetables are distributed mostly outside the system of the wholesale market, whereas most of their conventional counterparts go through the market or the Japan Agricultural Cooperatives (JA) trade network. The retailer's margin of organic vegetables ranges between 30 percent to close to 40 percent, which is slightly lower than that with conventional vegetables. The wholesaler's margin, which is usually 12 to 15 percent with conventional vegetables, is only around 10 percent with organics. The producer's price for organic vegetables, on the other hand, is generally maintained at over 50 percent of the final retail price, which is higher than their conventional counterpart, i.e. 47-50 percent. This higher share of the organic producer is a reflection of recognized added values that are

attached to such products. As explained earlier, the supermarket tends to maintain a gross margin of 40 percent, especially in the case of conventional fresh products. However, the actual margin depends largely on which one of the supermarket and the wholesaler assumes the cost of distribution and processing. Most of the national-level and regional-level chain supermarkets handle these procedures (i.e. distribution and processing) as part of their operation or by subcontracting them out. Thus, they inevitably need to secure a sufficiently high gross margin in order to cover such expenses.

Grains, both organic and conventional, are distributed outside the wholesale market channel. Organic soybean processed products, such as miso and soy sauce, do not differ from their conventional counterparts in their value chain ratios. The retailer of such products usually gets a margin of 25 to 30 percent, the wholesaler between 8 to 13 percent, and the processor charges approximately 60 to 65 percent of the final retail price.

(b) Imported Products

Some imported products that are likely to be associated with Central America are presented in Table V-2.2. The market for some of these products will be discussed in Chapter VII, but their value chains are analysed here.

In all of the cases with coffee, banana and cocoa, organic value chains are very similar to those of their conventional counterparts. With respect to coffee, the retailer's margin is around 30 percent and the wholesaler's is 10 percent. The roaster charges approximately 60 percent of the retail price. The roaster's price in this example is assumed to include the importer's fee in addition to the price of green coffee beans. In the case of fair-trade coffee that is also certified organic (e.g. retail price = ¥2 900/kg), the retailer's margin is between 20 to 25 percent, and the roaster's fee is 18 to 20 percent. With an organic premium added, the import price is 15 percent of the final retail price, and the price that the foreign producer sells it for is approximately 10.5 percent (i.e. ¥305). (Note: Exchange rates used: GBP1 = 126 cents; US\$1 = ¥110)

Margins with bananas are 30 percent for the retailer and 10 percent for the wholesaler. The importer charges around 60 percent of the final retail price. In the case of cocoa, organic cocoa is imported as a processed product, while conventional cocoa is processed domestically. The retailer's margin of imported organic cocoa is 30 percent and the wholesaler's 20 percent. The importer sells it for 50 percent of the final retail price. The retailer's gross margins of domestically processed organic cocoa range from 20 to 30 percent, depending on the buying power of the retailer. Some retailers even bypass the wholesaler to purchase products directly from the processor.

Table V-2.2: Supermarket Value Chains of Imported Products

	Organic				Conventional			Fair-trade
	Value Chain	Price Ratio	Price	Organic Premium (Reference)	Retail Price	Price Ratio	Value Chain	
Banana 1kg	Retail Wholesale Importer Producer	100.0 70.0 60.0	600 420 360	1.20	500	100.0 70.0 60.0	Retail Wholesale Importer Producer	
Peanuts 100g	Retail Wholesale Processor	100.0 69.2 53.8	130 90 70	1.16	112		Retail Wholesale Processor	
Cocoa 360g	Retail Wholesale Importer	100.0 70.0 50.0	580 560 480	2.40	241	100.0 70-75 60.0	Retail Wholesale Importer	
Roasted coffee 1kg	Retail Wholesale Roaster	100.0 69.4 59.0	2,100 1,457 1,290	1.30	1,600	100.0 70.0 60.0	Retail Wholesale Roaster Import Price Foreign Producer	100.0 75-80 50.0 15.0 10.0

(Source: Compiled by IFOAM Japan)

V-2.2 Organic Premium

(a) Domestic Products

It is difficult to compare organic and conventional prices, and in particular, to discuss organic premiums. Prices of conventional products alter daily in relation to the balance between demand and supply. Organic prices, on the other hand, are most often pre-determined as part of the contract between the producer and the distributor, especially in the case of domestic production. When the supply of conventional fresh vegetables and fruits is low, organic prices of such products could become cheaper than their conventional counterparts. With respect to grains (e.g. rice, pulse), the government first purchases conventional products, after which, their sales prices are determined by adding a certain amount of premium to that which the government paid to purchase them. Such calculation varies by the product's quality and/or brand, and thus it cannot be explained in simple terms. Well known brand conventional rice, for instance, are at times more expensive than average organic rice.

Table V-2.3: Organic Premium (Producer's Sales Price) of Domestic Products Unit: ¥

	Daikon Radish	Tomato	White Rice
Organic	145	420	2 250
Conventional	97	243	1 747
Organic Premium	1.50	1.73	1.28

(Source: IFOAM Japan)

Table V-2.3, which is an extraction of data from Table V-2.1, shows that domestically produced organic daikon radish, tomato and white rice have certain levels of premium attached to their producer's sale price. In the case of rice, because of the government's intervention to support conventional rice producers, its organic premium is rather low, at 28 percent.

When considering organic premiums, various difficulties that come with organic farming must be taken into account. The risk of pests and diseases by not applying pesticides or chemical fertilizers and the reduction in planting density in order to lessen such risks are some of the examples. When these factors are considered, it is questionable whether the organic premiums as presented above are sufficient to cover demerits of organic production costs.

(b) Imported Products

Specifically with respect to imported organic and conventional products that are relevant to Central America, their prices at the retail level are compared in Table V-2.4, which are extracted from Table III-2.2 in Appendix III. Organic premiums of these imported products range from 16.2 percent to 58 percent.

Table V-2.4: Organic Premium (Retail Level) of Imported Products

Product	Imported Organic Retail Price in ¥/kg	Imported Conventional Retail Price ¥/kg	Premium (%)
Banana	587	505	16.2
Roasted sesame	2 070	1 545	34
Roasted coffee	2 709	1 973	37.3
Fruit juice (apple, orange) (200ml)	620	465	33.3
Lemon juice	1 320	834	58

(Source: IFOAM Japan)

Organic bananas were available at 10 stores, ranging from ¥40 to 76 per 100 g. The average price of organic bananas was ¥587 per kg, compared to ¥505 for conventional bananas. The organic premium of bananas in this study was therefore 16.2 percent. Organic sesame was carried by 10 retailers, 5 of which sold it for ¥207 per 100 g and 2 for ¥189. The average price for organic sesame²⁵ was ¥2 070 per kg, or 34 percent higher than ¥1 545 for conventional sesame. Organic coffee was also priced with an organic premium of 37.3 percent on average. Twenty-two kinds of organic coffee were available at 14 stores, mostly packaged to contain 200 to 240 g. Excluding a very pricy coffee, which was sold at ¥218 for 32 g, the average price of organic regular roasted coffee was ¥2 709 per kg, compared to ¥1 973 for conventional coffee. Organic fruit juice was available at only a few stores, and thus, it is difficult to generalize its organic premium. At the only store that carried organic canned apple and orange juices, they were both sold for ¥620 for 200 ml, compared to ¥465 for their conventional counterparts. Thus, in this particular case, the organic premium was 33.3 percent. Lemon juice was available at two stores, at an organic premium of 58 percent (¥1 320 for organic versus ¥834 for conventional lemon juice).

Generally, items with relatively low organic premiums are more widely available and more frequently purchased than those with higher premiums. As a reference, it is worth noting that the organic premiums for relatively widely distributed processed foods with imported organic soybeans, such as tofu and natto, were found to be approximately 10 percent (see Table III-2.2 in Appendix III). In most of these cases, importers are involved in the trading process, and, although surveyed importers did not share information on their fees, costs, or import prices, they sell products to wholesalers or retailers at a price that is 50 to 60 percent of the final retail price.

V-2.3 Conclusions and Implications for Central American small-scale Suppliers

This section is based on a single instant study, which does not encompass longitudinal fluctuations of prices and product availability. The values presented here therefore must be considered as referential.

Overall, the ratios of gross margins of organic products are similar to those of conventional counterparts, although margins are generally higher for organic producers and processors (i.e. over 50 percent compared to 47-50 percent for conventional producers)

²⁵ Note that, although one store sold domestic organic sesame for ¥1 000 per 100 g, this was excluded from calculation of the average organic price for its extremity.

while ratios are slightly lower for wholesalers (i.e. 10 percent compared to 12-15 percent for conventional) and retailers (i.e. 30-40 percent compared to 40 percent).

Thus, the profitability of organic products depends on absolute values, in calculation of which organic premiums become an important factor. In general, smaller retailers, such as health food stores, tend to offer higher premiums to producers than large-scale supermarkets do. This is because supermarkets generally carry lower price products than small specialized stores do, and thus, their organic products also tend to be priced relatively lower in order to maintain them comparable to their conventional and non-organic counterparts.

For Central American suppliers, small-scale specialized stores may therefore be more appealing, due to the higher organic premiums that they offer and manageable quantities that they handle. Nevertheless, these stores tend to specialize in high quality products, such as taste and health benefits. In order to supply these retailers and have their products priced with sufficiently high organic premiums, Central American suppliers must offer competitive and differentiable products that would stand out from other 'tasty' and 'healthy' items.

VI: Imported Products from Central America

In order to evaluate the possibilities for Central American agricultural products and processed foods to access the Japanese market, their current trade status must first be examined. Export trends from Central America to the rest of the world, import trends from the world into Japan, and most specifically, export trends from Central America to Japan are diagrammatically summarized into four diagrams in Section VI-1 (Diagrams VI-1.1 through VI-1.4). The feasibility of Central American exports to Japan is further analysed from the perspective of Central American supplies of certified products, which is discussed in Section VI-2. Furthermore, interviews were conducted with relevant authorities, such as Central American embassies in Japan, JETRO and FOODEX, in order to compensate for the lack of statistics on the imports of organic and other certified products.

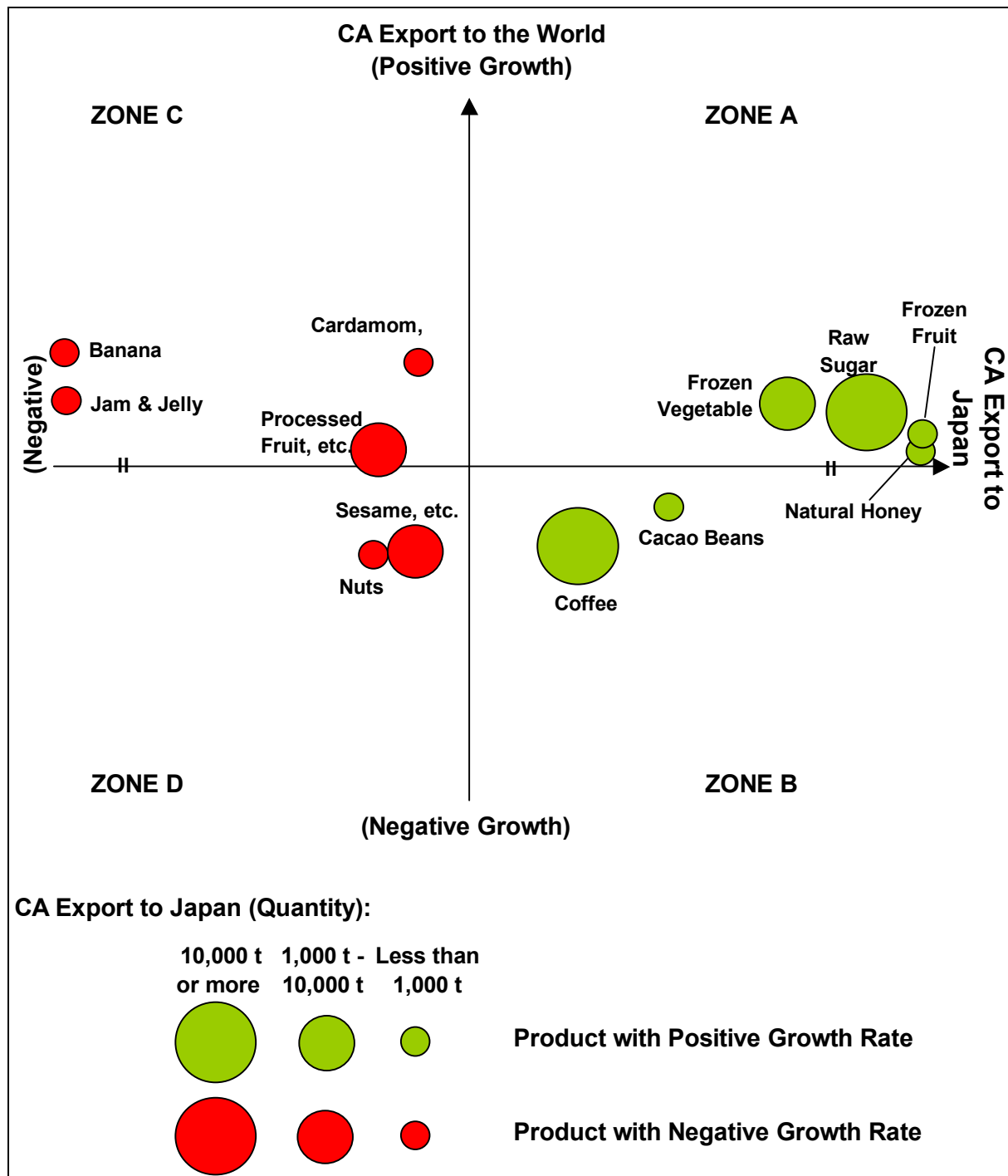
VI-1. Import Trends of Central American Agricultural Products and Processed Foods

Diagram VI-1.1 below represents trends of Central America's exports to Japan in terms of quantity, and it is compared to Diagram VI-1.2, which shows how much of the same products are imported into Japan from the world, as well as what other products Japan imports from worldwide. Similarly, Diagrams VI-1.3 and VI-1.4 compare Central America's exports to Japan and Japan's total imports from worldwide in terms of monetary value. In all of these diagrams, the vertical scale is that of growth rates of Central American exports to the world (based on data from 2000 to 2002). Growth rates used for the horizontal scales, i.e. Central America's exports to Japan (Diagrams VI-1.1 and VI-1.3) and Japan's total imports from the world (Diagrams VI-1.2 and VI-1.4), are based on statistical data from 1998 to 2003. The time periods for the vertical and horizontal scales are different due to distinct sets of data available for compilation. In addition, it must be noted that these sets of data trace back only a few years, and therefore, this limitation must be kept in mind when studying these diagrams. In other words, any trend observed in these diagrams should be considered as a reference, which must be verified by further research before any conclusion is drawn about the growth potential of any product.

Product items plotted in these diagrams were selected based on multiple sets of statistical data. More specifically, main agricultural products and processed foods that are exported from Central America were selected by using the first two digit categories of the Harmonized System (HS) commodity classification. Whenever necessary, two or four more HS digits were also used in selecting items. In addition, products that were identified by the Central American component of this market study (see Section VI-2) as having potential to grow in the Japanese market were also included in the analysis.

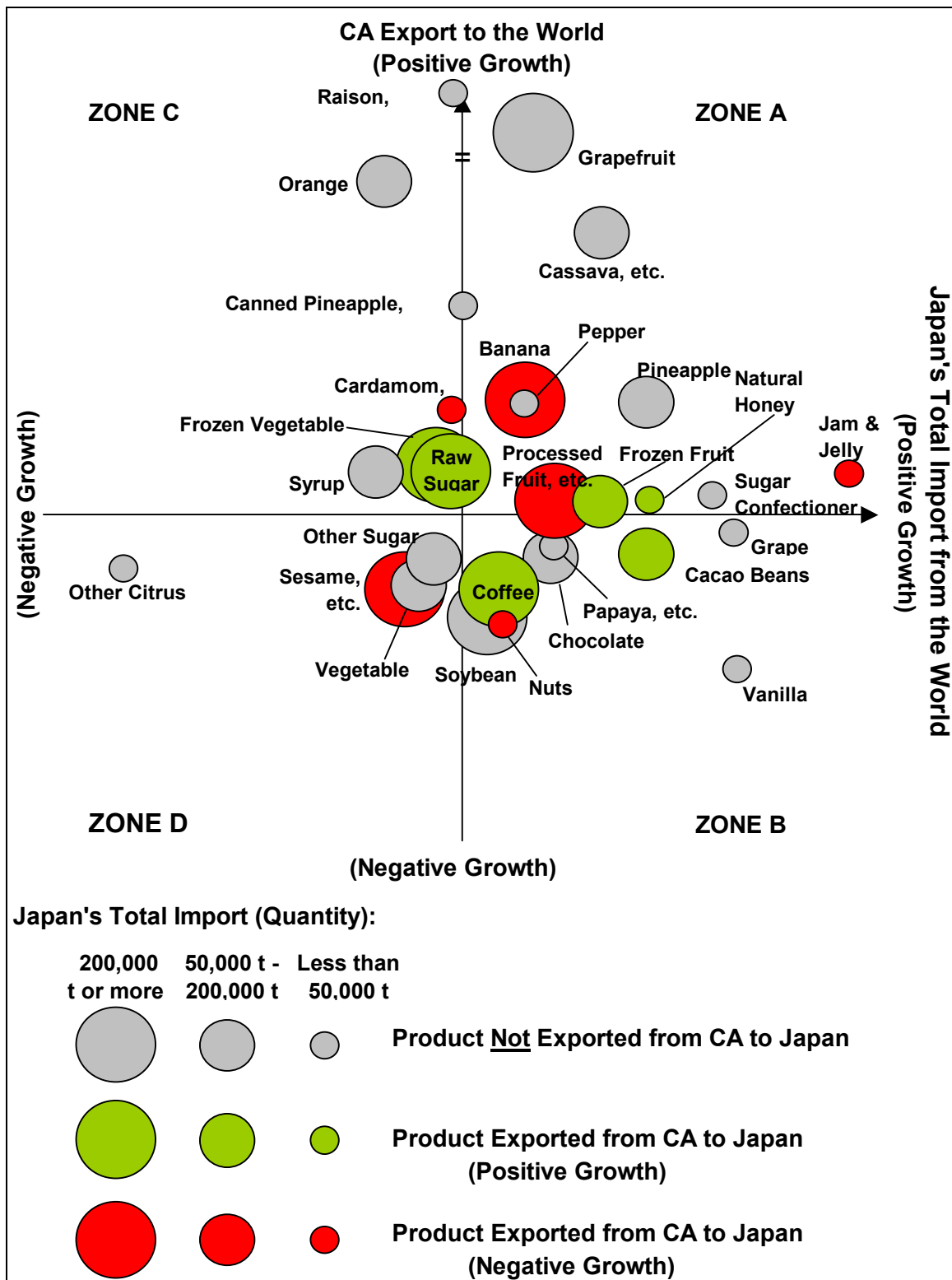
The items are colour-coded, depending on whether they are currently exported from Central America to Japan, and if so, whether the trade is increasing or decreasing. For example, "Grey" is used for those products that are currently imported to Japan from various countries in the world, but are not exported from Central America. The monetary value and the quantity of each product are indicated by the size of their circles. Note that, because the sizes of the circles are based on roughly divided ranges of monetary value or quantity, it should not be assumed that the same size circles necessarily imply comparable quantities or monetary values. Each diagram is divided into four zones: Products that are plotted in "Zone A" are most hopeful to succeed in Japan, in that their exports from Central America to the world are growing while their imports into Japan from Central America (Diagrams VI-1.1 and VI-1.3) or the world (Diagrams VI-1.2 and VI-1.4) are also growing. Those plotted in "Zone B" are also with some growth potential after those in Zone A, since their imports into Japan from Central America or the world are increasing, although their exports from Central America to the world are on a decline.

Diagram VI-1.1: Central America Export Products in terms of Quantity



(Source: Compiled from the JETRO World Atlas Data)

Diagram VI-1.2: Japan's Imports in terms of Quantity



(Source: Compiled from the JETRO World Atlas Data)

According to Diagram VI-1.1 (quantity), Central American exports of raw sugar, frozen fruits and natural honey to Japan show the highest growth rates by far, followed by those of frozen vegetables, cocoa beans and coffee (all shown in "Green"). Central American exports of raw sugar and coffee to Japan seem to be well established, trading in large quantities (i.e. "Large" circle = 10 000 tonnes or more). Although Central America's exports of coffee to the

world is on a decline (plotted in Zone B), Japan's overall imports of both of these items, i.e. raw sugar and coffee, seem to be relatively stable and significant in size (see Diagram VI-1.2).

With regard to frozen fruit and natural honey, their apparent extreme increases in quantity must be interpreted carefully (see Diagram VI-1.1). According to JETRO's World Atlas data, on which these diagrams are based, these two items were not exported from Central America to Japan in 1998. Therefore, their initial absences in 1998, compared to the small quantities traded in 2003 (i.e. less than 1 000 tonnes), make these products appear to have grown significantly. Nonetheless, Diagram VI-1.2 also supports that their future trades seem optimistic, in that Japan's overall demands for these items are increasing. In terms of the actual size of demands in Japan, the total quantity of natural honey imported into Japan is small (= less than 50 000 tonnes), but that of frozen fruits is more substantial (= between 50 000 and 200 000 tonnes) (see Diagram VI-1.2).

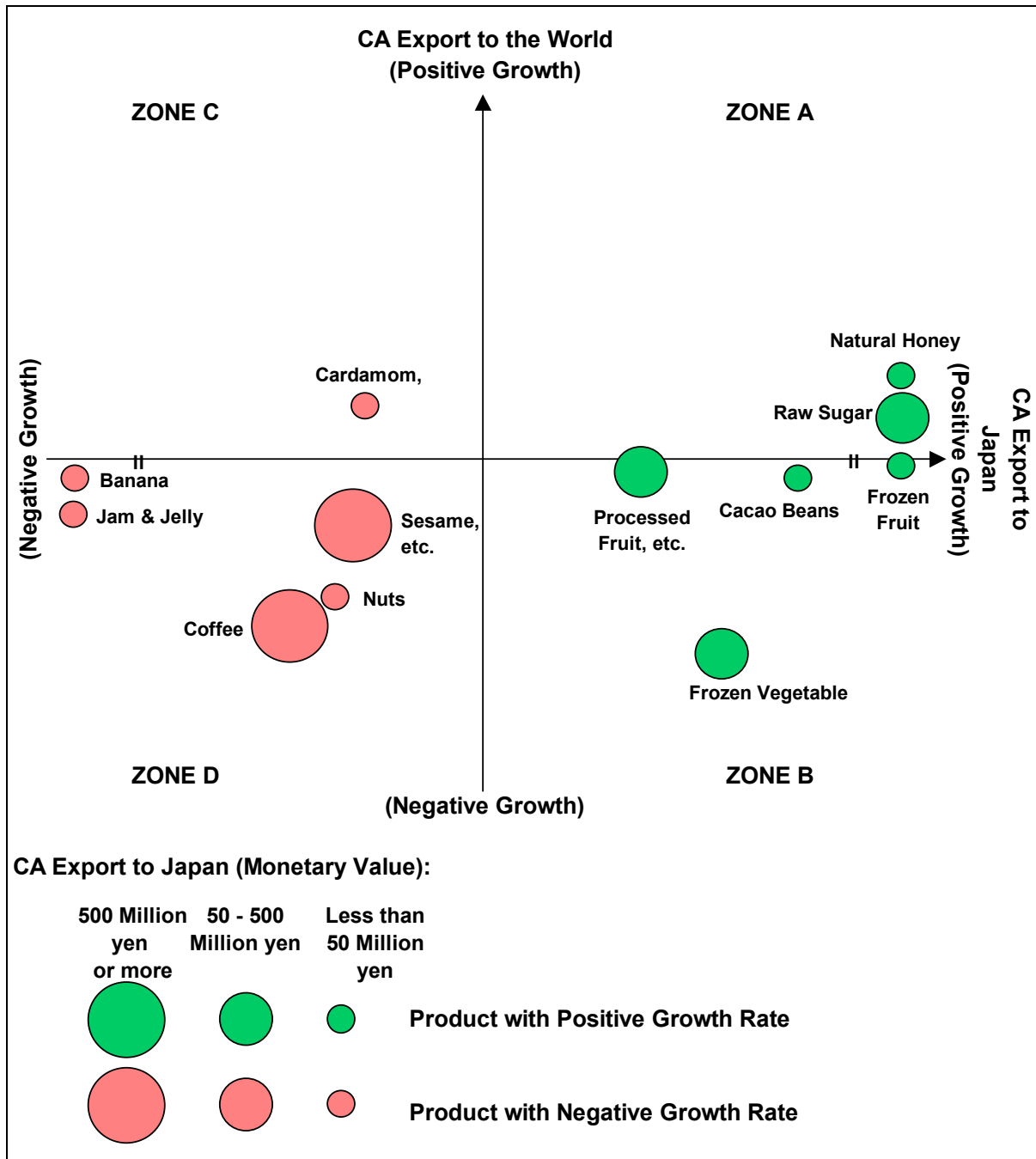
Central American exports of frozen vegetables also seem to be growing in general (i.e. plotted in Zone A in Diagram VI-1.1). However, the size of its trade from Central America to Japan remains small (i.e. a little over 1 000 tonnes = "Medium" circle, in Diagram VI-1.1), especially in comparison to Japan's large total import of frozen vegetables (i.e. 200 000 tonnes or more, in Diagram VI-1.2). Moreover, Japan's overall import of frozen vegetables is on a decline (see Diagram VI-1.2), which is most likely related to the recent incidents of residual pesticides in frozen vegetables from China, the most dominant exporter of this product category to Japan (see Section 1-2 of Chapter I).

Another item whose exports from Central America to Japan is expanding is cocoa beans, although declining slightly in its overall exports to the world (i.e. plotted in Zone B in Diagram VI-1.1). The current size of its trade from Central America to Japan is very small (i.e. less than 1 000 tonnes), compared to a total of over 50 000 tonnes of cocoa beans that are imported into Japan from worldwide, suggesting that there may be room for Central America to expand its share in this specific market.

On the left side of Diagram VI-1.1, cardamom, etc., processed fruits, etc., sesame, etc. and nuts are shown to have decreased in their exports from Central America to Japan by somewhere between 15 to 25 percent (i.e. "Red"). In terms of Japan's overall demands for these products, processed fruits, etc. and nuts are on an increase, while sesame, etc. and cardamom, etc. are declining slightly (Diagram VI-1.2). Note, furthermore, that Central America's total exports of sesame, etc. and nuts to the world are also on a decline (i.e. plotted in the bottom half of the diagrams).

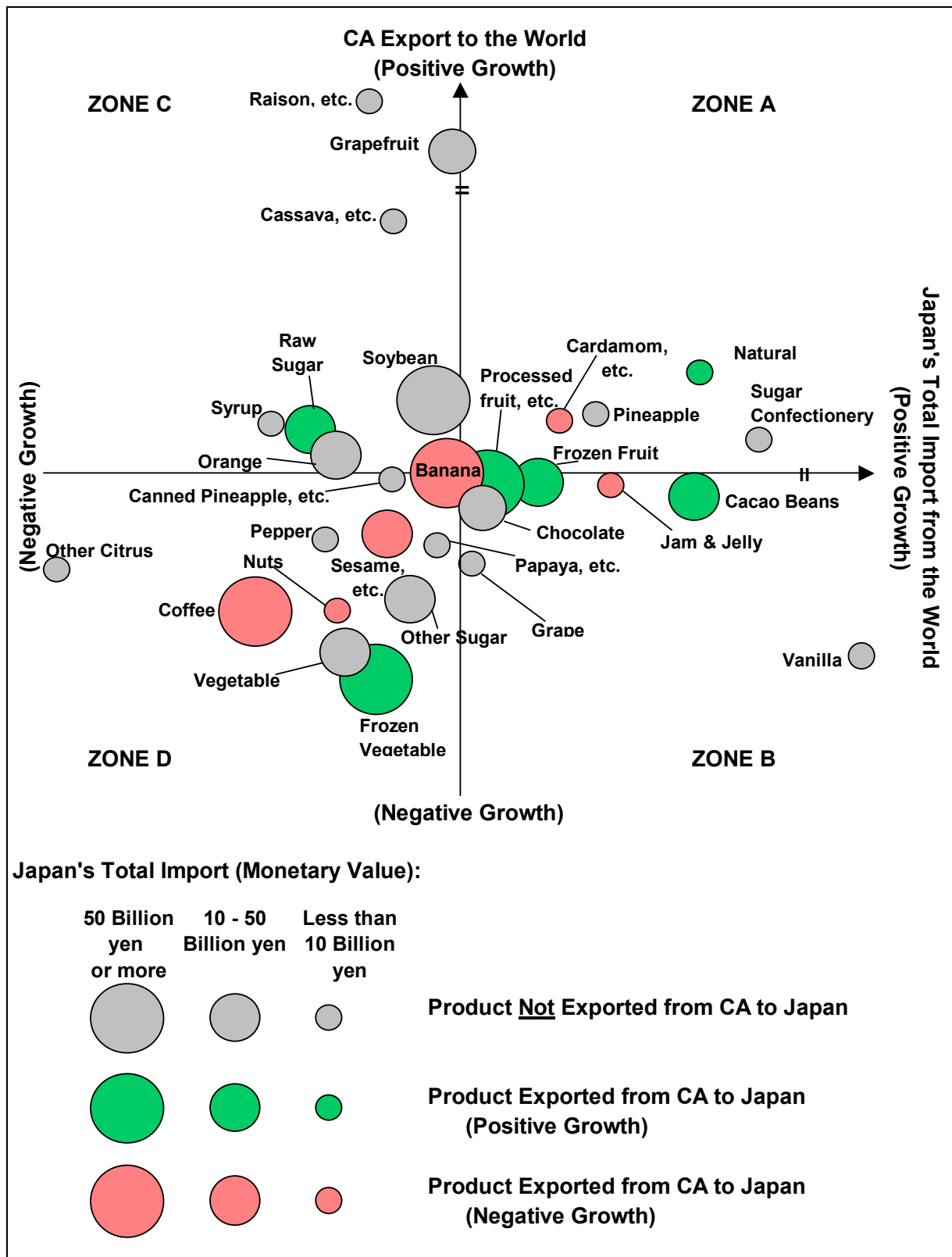
With regard to bananas and jam and jelly, JETRO's World Atlas data indicates that their exports from Central America to Japan dropped to zero in 2003 (see Diagram VI-1.1). Despite these disappearances of trade between Central America and Japan, Japan's overall demands for these items are increasing and so are their exports from Central America to the rest of the world (i.e. plotted in Zone A in Diagram VI-1.2).

Diagram VI-1.3: Central America Export Products in terms of Monetary Value



(Source: Compiled from the JETRO World Atlas Data)

Diagram VI-1.4: Japan's Imports in terms of Monetary Value



(Source: Compiled from the JETRO World Atlas Data)

In addition to evaluating Central American exports in terms of quantity, Diagrams VI-1.3 and VI-1.4 provide data with respect to the monetary values of trade. According to

Diagram VI-1.3, the values of Central America's exports of raw sugar, natural honey and frozen fruits to Japan show extremely high growth rates, similarly to their performances in terms of quantity in Diagram VI-1.1. Japan's total imports of natural honey and frozen fruits are also growing, as shown in Diagram VI-1.4, but that of raw sugar is on a decline. Although Central American exports of the former two items to Japan are not well established, unlike that of raw sugar, the current trends seem to indicate that they have potential to grow, both in term of quantity and monetary value.

Central America's exports of cocoa beans, processed fruits, etc. and frozen vegetables to Japan are also increasing in value ("Green" in Diagram VI-1.3). In terms of Japan's imports of these items, cocoa beans and processed fruits, etc., are also on an increase. Cocoa beans in particular seem to have potential for growth, suggested by its growing value of Central America's current export to Japan (Diagram VI-1.3) and Japan's overall demand for the product (Diagram VI-1.4). These encouraging trends are consistent with cocoa beans' positive growth in terms of quantity (see Diagrams VI-1.1 and VI-1.2).

Processed fruits, etc. are another category of products seemingly hopeful for Central American suppliers. Its demand in Japan is increasing both in terms of quantity and value (see Diagrams VI-1.2 and VI-1.4), and its Central American export in value is also on a rise (see Diagram VI-1.3). However, the current decreasing Central American export of processed fruits, etc. to Japan in terms of quantity (see Diagram VI-1.1) requires further research to determine the probability of its success in the Japanese market.

Coffee, despite its increase in terms of quantity (see Diagram VI-1.1), is losing its monetary value (see Diagram VI-1.3). Since the quantity of its export from Central America to Japan is on an increase, coffee is still considered one of the potential items worth pursuing. Nevertheless, its decline in monetary value must be further investigated when considering this market.

With regard to Central American frozen vegetables, its potential for growth is uncertain. At present, Japan's total import for frozen vegetables is showing negative growth (see Diagrams VI-1.2 and VI-1.4), while Central America's export of this category of products is on a rise both in terms of quantity and value (see Diagrams VI-1.1 and VI-1.3). As mentioned earlier in this section (also see Section I-2 of Chapter I), China's recent incidents with residual pesticides have shaken the Japanese import market for frozen vegetables. The future of this market depends largely on China's performance in its attempt to recover from these scandals, and therefore, the future demand for imported frozen vegetables cannot be reliably predicted based on the recent statistics on this category of products presented in this section.

Besides the above mentioned products that are currently exported from Central America to Japan, some other product items available from the region (i.e. marked in "Grey") are also worth examining closer. For example, grapefruit, cassava, pineapple, canned pineapple, sugar confectionery, grape, vanilla, papaya, etc., chocolate and soybean are showing increasing demands in Japan (i.e. plotted in Zone A or B in Diagram VI-1.2).

As noted earlier, in addition to the current trends of various products preliminarily analysed above, their other competitive capacities must also be examined to evaluate their potentials for growth in Japan. For instance, production costs, uniqueness, quality management, supply capacity and delivery punctuality must be considered. Moreover, it would be necessary to study various measures that may exist to help suppliers overcome disadvantageous factors that are particular to Central America (e.g. transportation costs, trade restrictions and the region's insufficient reputation as a place of origin in the Japanese consumer market).

VI-2. Exports from Central America

VI-2.1 Certified Products in Central America

As briefly discussed in Section II-1, there currently exist five major voluntary certification programmes in Central America: organic, fair-trade, Rainforest Alliance/SAN, ISO (9001 and 14001) and SA8000. Certified commodities produced in and exported from Central America are becoming increasingly more diverse, although production volumes of many of the newer products are still quite small and often come from individual or very small groups of producers.

Table VI-2.1 lists products that are certified in one or more of these programmes. Certified coffee is the most important product among them, but relatively large volumes of certified bananas, sugar, cocoa and pineapples are also exported from the region. Products certified organic, fair-trade and Rainforest Alliance are currently exported to Japan, although Europe and North America remain the main export markets for all of the certified products listed here. Furthermore, there are a number of agricultural productions and processing companies who are certified ISO14001 (environmental management standards) and/or SA8000 (workplace standards).

Table VI-2.1: Certified Products Produced in Central America

(**X**: Very significant production, **X**: significant production, **x**: minor production, (**X**) system certification (production facilities, but not actual products, are certified)

Product	Organic	Fair-Trade	SAN	ISO	SAI
Coffee	X	X	X	(x)	(x)
Banana	x	x	X	(X)	(X)
Sugar	X	X			
Cocoa	X	X	X		
Pineapple	X	x		(X)	(X)
Mango	x				
Blackberries	x				
Papaya	x				
Sesame	x				
Honey	x	x			
Red beans	x				
Fresh vegetables	x				
Dried/frozen vegetables	x				
Oil palm	x				
Herbs/spices*	x				
Medicinal herbs	x				
Dehydrated fruits	x				
Cashew/macadamia	x				
Citrus/fruit juices	x		x		
Fruit pulp**	x				

* Basil, mint, ginger, etc.

(Source: RUTA, 2004)

** Guava, mango, pataya, etc.

(a) Organic Production

Statistics on organic production in Central America are poor, as the official statistics for production and export do not distinguish between conventional and organic certified products. However, organic coffee seems to be by far the most significant product, by volume and area, in Central America. Central America produces 60 percent of the organic cocoa that is currently available in the world market. It is exported from Belize, Guatemala, Honduras, Costa Rica and Panama. The production of organic cocoa in the region could gain importance in the future, as the implementation of better pest management techniques has been increasing the production level and the demand for organic cocoa seems to be on a continuous rise²⁶, in particular in the US market.

²⁶ Petchers, S., 2004 (in press). The market for differentiated cocoa: A market assessment for small growers associations. The World Bank.

Other important organic products from Central America sold in the international market are: sesame, indigo colour ingredient, cashew nuts, pineapples, bananas, mangoes, frozen vegetables, black berries and sugar. Some of these products are produced in the whole region, whereas products like sesame are particular to Nicaragua, El Salvador, Honduras and Guatemala. Indigo is produced in El Salvador, where major cashew nut production for export also takes place.

The organic export market in Central America is new and dynamic, and it is evolving rapidly. The worldwide market for organic produce is growing, and its scope is extending to include increasingly higher quality products (e.g. gourmet foods). This market's new and dynamic nature offers interesting opportunities for Central American small-scale producers, although, needless to say, it does not offer guarantee for success.

Currently exported products from the region are shown in Table VI-2.2. These products illustrate the current situation of organic agriculture in Central America, although the list is not exhaustive.

Table VI-2.2: Overview of Organic Products Exported from Central America

	Belize	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama
Coffee		x	x	x		x	
Banana		x	x			x	
Cocoa	x	x	x			x	x
Sesame		x	x	x	x		
Pineapple			x			x	
Cashew				x	x		
Cotton					x		
Cardamom	x	x					
Honey		x		x	x		
Indigo colour							
Sugar		x		x		x	
Mulberry						x	
Med. Herbs		x		x	x	x	x
Orange						x	
Vegetables		x		x			
Ginger			x			x	
Black pepper		x	x				
Other fruits			x			x	

(Source: IICA, 2001, with modifications by RUTA)

Coffee is, as mentioned earlier, the most important certified organic product exported from Central America, and it is one of the primary organic products marketed throughout the world. According to CIMS (2003), a total of 10 121 tonnes were produced for the 2002-3 harvest in Central America, of which approximately 741.5 tonnes were exported to Japan (see Table VI-2.3). Garibay and Zamorro²⁷ report that Nicaragua produced 2 051 tonnes of organic coffee certified by Biolatina in 2002/03 and 692 tonnes certified by OCIA in 2001/02, which more or less confirms the CIMS data.

²⁷ Garibay, S.V. and Zamorro, E. 2003. Producción orgánica en Nicaragua: limitaciones y potencialidades. SIMAS. Managua

Table VI-2.3: Organic Coffee Production and Exports from Central America in 2002

Country	Production (t)	Export (t)		Domestic – Consumption (t)
		Total	To Japan	
Costa Rica	1 045	1 035	0	10
El Salvador	592	503	249.99 (49.7%)	89
Guatemala	4 044	3 964	491.54 (12.4%)	80
Honduras	1 589	1 510	0	79
Nicaragua	2 851	2 851	0	0

(Source: CIMS 2003)

Some producing countries have problems with the quality of their coffee, for example, coffee from low altitude areas. While high quality coffee can be sold as 'specialty' organic coffee, lower quality counterparts are distributed as generic organic coffee, thus creating a wide range of prices. Generic organic coffees are usually sold with a 10-20 percent premium, while specialty organic coffee is up to 100 percent more, although these premiums do not necessarily reflect the situation in Japan. The five coffee producing countries in Central America show very similar characteristics. Their organic coffee production is dominated by small producers who are grouped into cooperatives or producer associations. These cooperatives are in turn grouped into second-tier cooperatives, which process and market the product. Most coffee is exported as green beans, but some companies process their own high quality coffee in order to differentiate their products from the rest.

Organic sesame production in 2000 was 703 tonnes in El Salvador, 1 600 tonnes in Guatemala and 272 tonnes in Nicaragua²⁸ (Garcia, 2002), thus a total of 2 586 tonnes in Central America. Nicaragua is the principal producer of sesame in Central America, although most of its products are bought by Guatemala, from where they are exported. Besides Nicaragua, El Salvador and Honduras are also major producers of conventional sesame. Approximately 6 percent of the sesame produced in Nicaragua is exported to Asia and Japan is its main importer.²⁹ The Japanese market seems to prefer the R198 sesame variety, and, according to interviewed exporters from Guatemala, the Japanese market pays satisfactorily high prices for their products.

According to the Ministry of Agriculture in Nicaragua, sesame production consists mainly of small-scale producers. Producer prices for conventional sesame have dropped considerably in 2001, below the level recorded in 1997 (the last time the prices were low) and remained low in 2002. One of the reasons alleged by exporters for the decline of conventional sesame export from Central America, as well as the producer price for this product, is this region's difficulty in competing with India.

The 'criollo' variety is used (local seed) for organic sesame in Nicaragua and is most often reproduced by producers themselves. Organic sesame obtains a higher market price while production costs are less than for their conventional counterpart.³⁰ According to a sesame manager in Guatemala, all Organic JAS certified sesame from El Salvador, Nicaragua and Guatemala are collected in Guatemala prior to being exported. At present, he believes that approximately 150 tonnes of Organic JAS sesame (raw, cleaned seeds) are exported from Central America (Guatemala) to Japan³¹. This quantity accounts for less than

²⁸ Garibay and Zamorro (2003) reports that various quantities of organic sesame production in Nicaragua are recorded for 2003, 286 tonnes by certifiers, 545 tonnes by exporters (estimate), and 603 tonnes, which is the sum of individual producer reports.

²⁹ Sistema de Información Agrícola, Ministerio Agropecuario y Forestal Nicaragua. 2002 *Ficha de ajonjolí*, Managua. www.sia.net.ni

³⁰ Sistema de Información Agrícola, Ministerio Agropecuario y Forestal Nicaragua. 2002 *Ficha de ajonjolí*, Managua. www.sia.net.ni

³¹ Mr. E. Garanza, personal communication, June 2004, in Guatemala

3 percent of their total exports, although it occupies a larger share in monetary value. With respect to organic sesame, the competition with India is not so severe as in the case of conventional sesame, according to a sesame manager from Guatemala. According to a conventional sesame exporter in Nicaragua who also exports to Japan, he receives demands for organic sesame from all over the world, including Japan.³² The supply of organic sesame from Central America to Japan thus has potential to grow, should more organic sesame producers obtain Organic JAS certification.

According to Garcia (2002), the organic honey production in 2000 was 40 tonnes in Costa Rica, 16 tonnes in Nicaragua, 500 beehives in Belize. Organic honey was also reported to exist in El Salvador and Guatemala. This would bring the total organic honey production in Central America to be more than 60 tonnes in 2000. In 2003, the organic honey production in Nicaragua alone was reported to be around 145 tonnes (Garibay and Zamorro, 2003). The most important market for Central American organic honey is the European Union. Although the Organic JAS system does not include honey for organic certification, when and if it becomes part of the certification programme in the future, it could open new possibilities for Central American organic honey. At present, however, there is not enough supply of organic honey to satisfy demand in other markets, and producer premiums in Nicaragua are reported to be higher for organic (US\$1.85 premium per kg) than for fair-trade (US\$1.65 premium per kg). Garibay and Zamorro (2003) report that producers often face delays in transport, which increases HMF (hydroxy-methyl-furfural) levels. The maximum HMF level accepted in Japan is 5.9 mg/100 g.

(b) Fairtrade

Central America currently exports FLO³³ certified coffee, cocoa, sugar, honey, bananas and pineapples.

The most important Fairtrade product is coffee. In Central America, Fairtrade coffee is produced primarily by small-scale producers who are grouped in producer associations or cooperatives. In Mexico, close to 90 percent of the production is done by producers with properties of less than three hectares. CIMS (2003) estimates that small-scale Fairtrade producers in Latin America received a premium of more than US\$30 million in the 2003/3 harvest. Peru, Guatemala and Mexico export more than 50 percent of the total Fairtrade coffee from the region. In Central America, Guatemala is by far the largest producer of Fairtrade coffee (12 367 tonnes), whereas Costa Rica, Honduras and Nicaragua produce about 4 000 tonnes each (see Table VI-2.4). Despite high production levels, the international market is not large enough for all of the supply to be consumed as 'Fairtrade'. Worldwide, 15 782 tonnes of roasted Fairtrade coffee was consumed in 2002, and only about 30 percent of the Fairtrade certified coffee produced in Latin America was actually sold and marketed as 'Fairtrade', as is also the case with Central American Fairtrade coffee (see Table VI-2.4). The primary markets for Fairtrade are Europe (85 percent), North America (14 percent) and Japan (0.1 percent). An increase of 45 percent was recorded in Japan between 2001 and 2002.

³² Mr. D. Vargas, INVASA, personal communication, June 2004, in Nicaragua

³³ More precisely, coffee is certified by FLO-cert, a certification body that is now independent from FLO.

Table VI-2.4: Fairtrade coffee production and exports from Central America in 2002

Country	Production (t)	Exports (t)
Costa Rica	3 321	1 655
El Salvador	606	472
Guatemala	12 367	3 329
Honduras	4 182	445
Nicaragua	3,868	1,193

(Source: CIMS 2003)

Fairtrade coffee from Latin America is exported to Europe (65 percent), United States (32 percent), Japan (2 percent) and Canada (1 percent). Costa Rica exports mostly to Europe, while El Salvador and Honduras both export mainly to the United States (see Table VI-2.5). Japan imported a total of 53 tonnes of Fairtrade certified coffee in 2001, 90 tonnes in 2003, and it is estimated to increase to 100 tonnes in 2004, although the actual sales figures seems to be some somewhat lower than the imported volumes 34.

In 1999, 31 percent of the Fairtrade coffee exported also carried organic certification, and that percentage increased to 44 percent in 2002. However, in Japan, which had imported 88 percent of Fairtrade coffee also as organic in previous years, the import of Fairtrade coffee with organic certification was reported as zero (FLO) in 2001. This might very well be due to the JAS regulation going into effect that year.

Table VI-2.5: Destination of Fairtrade coffee exports from Central America in 2002 (Unit: %)

Country	Europe	USA	Japan	Canada
Costa Rica	94.4	5.1	0	0
El Salvador	29.7	70.3	0	0
Guatemala	56.0	43.0	1.0	0
Honduras	15.2	69.6	0	15.2
Nicaragua	78.8	21.2	0	0

(Source: CIMS 2003)

FLO has also recorded interest for Fairtrade cocoa in Japan. A small amount of Fairtrade cocoa is produced in Belize, Costa Rica and Nicaragua. They are all small-scale producers, whose total annual supply sums up to be about 2-300 tonnes. It must be noted that the quality of cocoa produced in Asia, such as Indonesia and Papua New Guinea, is higher in quality than Central American or African cocoa.

In respect to fresh fruits, the estimated world sales of Fairtrade bananas in 2003 were 50 977 tonnes of which 45 percent was certified both Fairtrade and organic. As of February 2004, 17 producers are certified Fairtrade, consisting of one in Costa Rica and the rest outside Central America (i.e. Dominican Republic, Windward Islands, Ghana, Colombia, Peru and Ecuador). Costa Rica supplies about 12 percent or 4 800 tonnes of Fairtrade bananas, all of which takes place in one large facility, and all of them are currently sold in Europe. Fairtrade mangoes are not exported from any of the Central American countries, while Ecuador, Mexico, Peru and Brazil are exporters of Fairtrade mangoes. The Fairtrade market for mangoes is still very small and there are currently problems with quality and price. All produce is exported to Europe. The demand for both organic and Fairtrade pineapple is very high. A pineapple plantation in Costa Rica exported 420 tonnes of Fairtrade pineapples in 2003, and a group of pineapple producers has recently been certified Fairtrade, although they have still not exported any Fairtrade certified products³⁵. All of the Fairtrade certified pineapples (1 600 tonnes in 2003) are currently exported to Europe.

There are no FLO certified citrus producers in Central America. Orange is a new Fairtrade fruit with some potential demand in Europe. FLO estimates that the main market

³⁴ Fairtrade Label Japan, personal communication, May 2004

³⁵ Ms. E. Dardaine, FLO Fresh Fruit Product Manager, personal communication, June 2004

opportunities in the future are in the British and US markets. There are four FLO certified sugar producers in Costa Rica, with an annual supply capacity of about 40 000 tonnes. Other Fairtrade productions are located in Ecuador, Malawi, Paraguay, Peru and the Philippines. Fairtrade sugar is exported to Japan through the Fairtrade Label Japan (formerly known as Transfair Japan). Fairtrade honey is mainly produced in Mexico and Chile, but there are four producers in Guatemala and two in Nicaragua. These Central American supply capacities are, respectively, approximately 330 tonnes (Guatemala) and 150 tonnes (Nicaragua). Although there are difficulties in supplying Fairtrade honey and the prices are very high (US\$3 000 per tonne), FLO is considering introducing the product to the Japanese market in 2005³⁶.

(c) Rainforest Alliance

The Rainforest Alliance (RA) started certifying large banana plantations in Costa Rica and other countries in the region. Later, other commodities such as coffee, citrus and cocoa came into the programme, although banana still accounts for 65 percent of the certified Rainforest Alliance production area. Approximately 27 000 hectares of banana plantations are certified in Central America, with the majority in Costa Rica, Guatemala and Honduras. One large multinational banana corporation has all of their own farms, as well as most of their suppliers, certified by the Rainforest Alliance. Because this company's association with the RA certification is strong in the banana market, it may hinder others from participating in the programme.

Table VI-2.6: Rainforest Alliance Certified Area in Central America (as of January 2004)

Country	Coffee	Bananas	Cocoa	Citrus	Foliage	Total (ha)	% of the Total
Costa Rica	2 583	16 546		7 050	315	26 494	30%
El Salvador	2 472					2 472	3%
Guatemala	4 591	6 087				10 679	12%
Honduras		4 708				4 708	5%
Nicaragua	1 197					1 197	1%
Panama	1 534	12 782				13 820	16%
CA total	12 377	40 123		7 050	315	59 865	67%
Other countries outside CA #1	11 216	17 813	314			28 889	33%
Total (ha)	23 594	57 936	314	7 050	315	88 259	
% of the Total	27%	65%	0%	8%	0%		100%

#1 Brazil, Colombia, Ecuador, Mexico and the Philippines

(Source: Rainforest Alliance, January 2004)

In recent years, the importance of the Rainforest Alliance coffee programme has gained ground in the United States, Europe and Japan. Rainforest Alliance certified coffee is considered to be a main growth area, and has in fact been expanding significantly in Brazil and Colombia during the last few months. According to the Rainforest Alliance, the international demand for "Rainforest Alliance certified" coffee has grown five times during the course of 2002, and is expected to double in the upcoming two years. One of the reasons for this rapid growth is that the Rainforest Alliance recently accomplished business alliances with major coffee corporations (e.g. Kraft, Nestle, Volcafe, Boyd Coffee, etc.). In January 2004, 4 591 hectares were RA certified in Guatemala, 2 583 hectares in Costa Rica, 2 472 hectares in El Salvador, 1 534 hectares in Panama and 1 197 hectares in Nicaragua (see

³⁶ FLO, personal communication, 2004

Table VI-2.6). (Note: Not all of these areas are dedicated to the production of coffee, as the programme also includes conservation or reforestation areas on the farms.) Rainforest Alliance certified areas for cocoa, citrus and foliage are relatively small compared to those for banana and coffee productions.

Many of the coffee producers that are certified by the Rainforest Alliance are private companies, whose land is on average larger than that owned by an average Fairtrade or organic certified producer. Another difference is that the average productivity is estimated to be much higher (0.92 MT/ha) among the Rainforest Alliance certified producers, than yields from the organic (0.38 MT/ha) or FLO (0.36 MT/ha) certified producers (CIMS, 2003). This is most likely due to more sophisticated agricultural practices and the controlled use of agrochemicals in the RA certified production.

The United States is the primary market for Rainforest Alliance coffee, followed by Japan and Europe. The strong presence of Japan calls for attention, as the Japanese market takes the third place for the other types of certified coffee. Japan's Rainforest Alliance certified coffee imports originate from El Salvador (64 percent), Guatemala (16 percent), Costa Rica (15 percent) and Nicaragua (5 percent). There are three companies in Japan importing the Rainforest Alliance certified coffee (Kanematsu, Itochu and Volcafe).

According to the Rainforest Alliance, RA certified coffee imports by Japan in 2002 were 245 tonnes, and are forecast at 248 tonnes in 2003 and 289 tonnes in 2004, exceeding the Fairtrade volumes. Only a small number of producers export RA certified coffee in relatively large volumes to Japan (100-200 tonnes)³⁷.

The Rainforest Alliance programme also has small production areas of certified cocoa in Brazil (314 hectares) and citrus (orange juice) in Costa Rica (7 050), and there exists a possibility to involve small-scale cocoa producers in Costa Rica, Honduras, Panama and Belize in the programme. For citrus, currently, only a single large corporation is certified in Costa Rica and Belize, but it has difficulties in competing with producers in Brazil whose production costs are lower. Of the 7 050 hectares RA certified citrus in Costa Rica, approximately 550 hectares are also certified organic. Their main markets are Europe and the United States.

VI-2.2 Perceptions of Opportunities and Constraints in Central America about the Japanese Market for Certified Products

Central America's experience in exporting certified products to Japan is still limited, and the majority of such exports take place from Costa Rica, Guatemala, El Salvador, Nicaragua and Honduras. Very few producers in Central America export directly to Japan, but instead, they sell their products to exporters, who take care of all the paperwork, or via brokers (commercial agents).

The Japanese market is generally perceived as a very lucrative market because of the high prices it offers to suppliers. At the same time, it is also known for its very restricted quality standards regarding freshness, taste and residue levels. Some believe that the quality level that is demanded in Japan is comparable to that in Europe. Central American producers note that competing with producers in Asia is difficult, especially in terms of freshness. Probably for these reasons, the current main Central American commodity that is exported to Japan is green coffee beans, which do not have to compete on freshness and have less import obstacles than do fresh fruits.

Some producers have been exporting organic coffee to Japan for several years, although Europe and the United States remain to be the principal markets in all cases. Some interviewed individuals mentioned that an increasing number of producers are becoming interested in exporting to Japan. These newcomers often already export to the United States and the European markets, but have become attracted to the Japanese market by its good

³⁷ Central American producers, personal communication, May 2004

prices. Some are of the opinion that the new Organic JAS regulation has made the export to Japan more costly and complicated.

In general, Central American suppliers do not seem to have any specific difficulty in fulfilling the Organic JAS requirements. The Organic JAS regulation is perceived as having very clear requirements, which are in line with the requirements of the European and the US regulations. Nevertheless, a common concern among Central American suppliers is the large amount of resources necessary to obtain several different types of certification. Since the Organic JAS certification gives access only to the Japanese market, and especially considering that relatively small volumes are exported to Japan from Central America, Central American suppliers seem to perceive the administrative burden and costs of conforming to yet another certification system as the main constraint in accessing the Japanese organic market. In fact, all of the interviewed JAS certified producers and processors had at least two other certifications besides Organic JAS. In other words, from the Central American producer's perspective, it would be ideal to have one organic certification system that would give access to all main export markets.

As an additional constraint, the producers mentioned the large distance between Central America and Japan, especially in relation to extra transport costs and various difficulties associated with working in different time zones. Some reported that they at times had to wait until the middle of the night in order to communicate with their Japanese partners. Cultural differences were also noted as another obstacle, as the Latin's cultural tendency to promise more than possible and the flexibility shown about deadlines often conflict with the Japanese business culture, which, according to Central American suppliers, is more strict. Some producers reported that they have pulled out from the Japanese market due to excessively high transactions costs, while others stated that they were maintaining their position with the prospect of future market expansion. The interviewed producers and exporters were all satisfied by the price they receive in their business with Japan.

In general fair-trade coffee suppliers in Central America believe that organic certification will be demanded increasingly more often along with FLO certification. Many suppliers therefore predict that their fair-trade exports to Japan may increase if they become Organic JAS certified.

Most producers and exporters in Central America seems to predict a steady but relatively slow growth in their trade with Japan, and thus expect an expansion of their sales to Japan over the coming years. Their expectations are mainly based on their experiences in the United States and the European Union.

VI-3. Selected Product Items for the Feasibility Study to Promote Central American Export to Japan

Based on statistical analyses, the interviews conducted in Japan and the analysis of the supply situation in Central America, a short list of Central American agricultural products and processed foods with the most likely potential to grow in the Japanese market were selected.

Table VI-3.1: Selected Agricultural Products and Processed Foods with Potential for Growth in the Japanese Market

Product Item	Selection Criteria				
	Current CA Export to Japan (Diagrams VI-1.1, VI-1.3)	Quantity Analysis (Diagrams VI-1.1, VI-1.2)	Monetary Value Analysis (Diagrams VI-1.3, VI-1.4)	Interviews with CA Embassies in Japan, JETRO, FOODEX, etc. #1	CA Supply of Certified Products
Coffee	○	○		○	○
Banana		○		○	○
Pineapple		○	○	○	○
Other fresh fruits (Mango, grapefruit, etc.)		○		○	○
Processed fruits (frozen, juice, pulp, Jam, Jelly, etc.)	○	○	○	○	○
Cocoa beans	○	○	○	○	○
Sugar	○	○	○	○	○
Natural honey	○	○	○	○	○
Spices (Cardamom, Sesame, etc.)	○			○	○

#1 See Table VI-3.2 in Appendix VI for more details.

VII: Market Trends of Selected Imported Products

Although the focus of this report is on socially and/or environmentally certified products, each of the following sections on selected imported products begins with an overview of the general market. This is because the market share of certified products is generally very limited in Japan, and discussing the general market is necessary to help comprehend the overall tendency of how each of these products is distributed and consumed in Japan.

Specifically with regard to accessing the Japanese market from Central America, as mentioned in Section VI-2.2, Central American suppliers face the challenges of long distance and high transportation costs. The transportation cost has risen especially due to rising surface shipping costs related to the booming Chinese economy.

VII-1. Coffee

VII-1.1 General Coffee Market in Japan

The coffee market in Japan consists entirely of imported coffee products. The most dominant product in this market is green coffee beans, although some processed coffee products are also imported.

(a) Types of Imported Coffee

(i) Green Beans

Japan imports coffee from all over the world, mainly in the form of green beans. Imported green beans are used to make processed coffee products in Japan. The amount of imported green coffee beans in 2002 exceeded 400 000 tonnes, the highest in the recent history. In terms of market share in quantity, South and North America (Note: North America includes Mexico) have the highest share at 49.0 percent, followed by Asia at 24 percent, Central America (CA) at 14.7 percent and Africa at 10.4 percent (see Table VII-1.1 in Appendix VII). Among the CA countries, Guatemala stands out, both in terms of monetary value and quantity, followed at a distance by Honduras, Costa Rica, El Salvador, Nicaragua and Panama, respectively. Especially Nicaragua, Guatemala and Costa Rica showed outstanding growth rates over a five-year period between 1998 and 2002.

While the overall import of coffee indicates growth in terms of quantity, its monetary value (FOB price) has gone down since 1998, when it peaked at ¥133.5 billion. It has lowered to less than half, ¥66 billion, by 2002. As a consequence, coffee's unit price has also dropped drastically, from ¥408 per kg in 1998 to ¥165 per kg in 2002.

Based on the data from the past 20 years (least square method), the overall import of coffee is expected to remain relatively flat over the next three years, at 416 000 tonnes in 2005 and 434 000 tonnes in 2007 (see Table VII-1.2).

(ii) Processed Coffee Products

Besides green beans, there are other coffee products that are also imported into Japan. Among them, the amount of imported instant coffee is the highest, at ¥7 770 million in 2002, accounting for 45 percent of the market in value. It is followed by coffee extract at ¥5 144 million or 30 percent and roasted coffee at ¥4 294 million or 25 percent. In terms of quantity, that of coffee extract is the highest at 53.4 percent or 14 380 tonnes³⁸, followed by instant coffee at 31.5 percent or 8 465 tonnes and roasted coffee at 15.1 percent or 4 070 tonnes (see Table VII-1.3 in Appendix VII). With respect to exporting regions, all of these three top products come mostly from South and North America, at over 70 percent of market

³⁸ 23 515 tonnes in 2002 according to FAOSTAT

share, combined. The share of Central America is small, not reaching 5 percent even when combining these three products (see Table VII-1.3 in Appendix VII).

Estimating the future prospects of import for these products, it is predicted that approximately 18 500 tonnes of coffee extract will be imported in 2005, 19 000 tonnes in 2007, whereas approximately 7 000 tonnes is expected for instant coffee in 2005 and 7 050 tonnes in 2007 and 3 800 tonnes of roasted coffee in 2005 and 4 100 tonnes in 2007. All are based on calculations using the least square method (see Table VII-1.4 in Appendix VII).

(b) Distribution Trends

According to the annual consumption record of coffee from 2002, that of roasted coffee (either as whole beans or ground) was double that of instant coffee. Over the past 10 years, the consumption of roasted coffee increased, while that of instant coffee declined slightly (see Table VII-1.5 in Appendix VII). Thus, roasted coffee plays a dominant role in the coffee consumption market. Distribution of this type of coffee for home consumption (i.e. retail) is the highest at 36.9 percent, followed by its sales for canned coffee at 26.1 percent, and both that for bottled liquid and snack products and for café/cafeteria/restaurant, each at 13.3 percent (see Table VII-1.6 in Appendix VII). These three forms of roasted coffee sales also show the highest growth indices over the last 10 years since 1993, i.e. bottled liquid coffee and snacks at 174.4, canned coffee at 160.7 and retail for home consumption at 143.9.

On the other hand, instant coffee is distributed mostly by retail stores for home consumption, at 82.6 percent. In terms of growth, despite the overall decline in the instant coffee sector in the past decade, retail for home consumption has increased, though only slightly with a growth rate of 5.4 percent. Another distribution form of instant coffee that has grown is café/cafeteria/restaurant, at a rate of 28.6 percent, but it should be considered within its very small market share of 0.4 percent.

Based on these trends, the most noteworthy segments in the general coffee market are roasted coffee for home consumption (retail), canned coffee and liquid bottle/snacks etc., as well as instant coffee for home consumption.

VII-1.2 Coffee Market Structure

It is important for foreign coffee exporters to understand the basic structure of the coffee market in Japan. As indicated in Diagram VII-1.1, there exist various possible distribution channels. Operators that are involved along the supply chain of coffee products are roughly grouped into five categories (see Diagram VII-1.1):

(i) Coffee Importer

Included in this category are major general trading companies (e.g. Mitsubishi Corporation, Sumitomo Corporation, Mitsui & Co., Ltd., Kanematsu, Marubeni, Nissho Iwai, etc.) and independent (or specialized) importers (e.g. Ishimitsu & Co., Ltd., Muso Co., Ltd., etc.). In addition, some cafes specialized in coffee also import coffee beans directly from producing countries.

(ii) Roaster

This category consists of roasters that carry their own brand and/or produce subcontracted brand products for retailers. Some examples of those that are relatively well known for their own brand are: AGF, Art Coffee, Hayama Coffee, Key Coffee, MJB, Ogawa Coffee and UCC. Examples of those that focus more on subcontracted production are: Kansai Allied Coffee, Tokyo Allied Coffee and Union-Coffee Roasters.

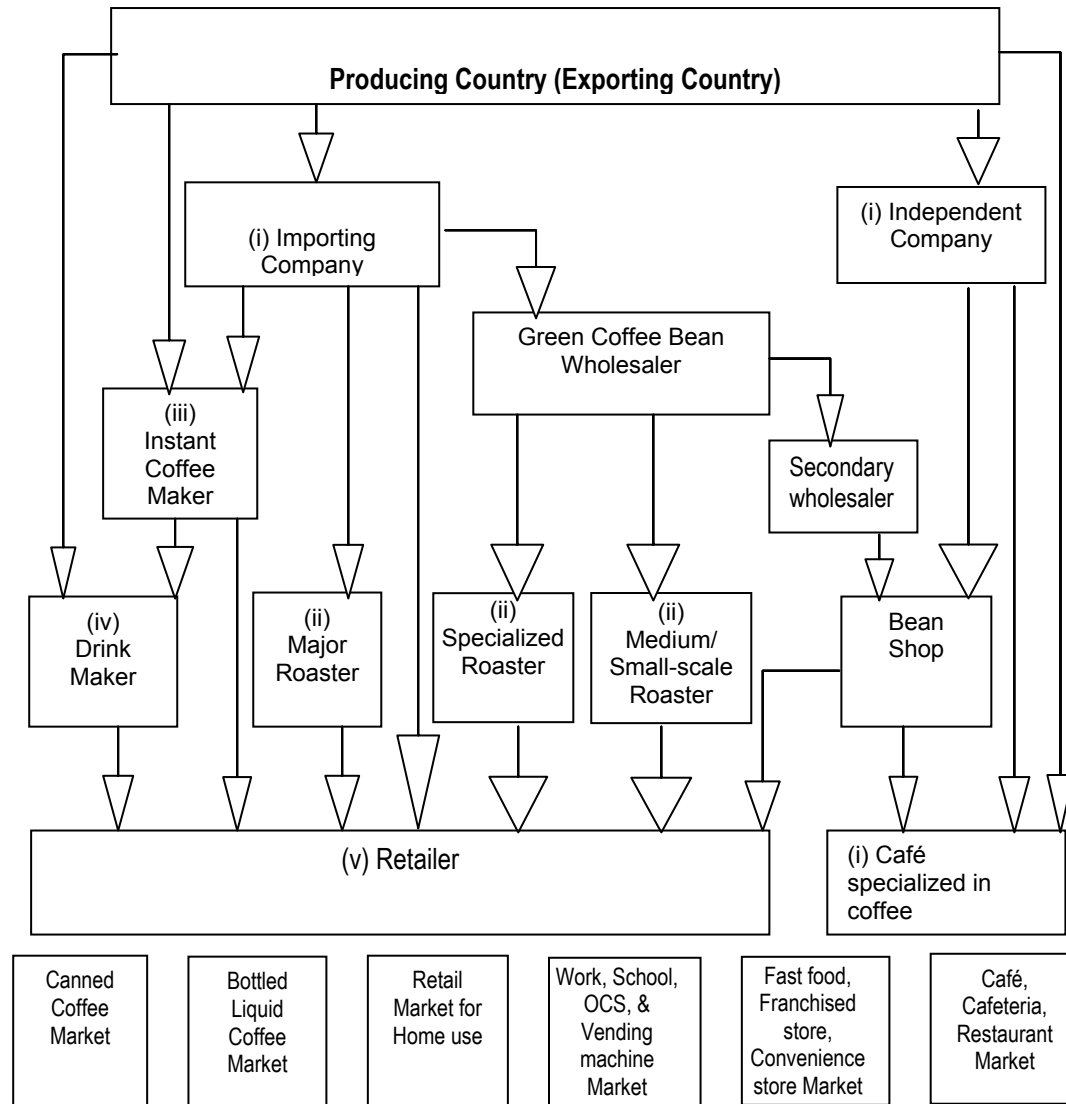
(iii) Instant Coffee Maker (e.g. AGF, UCC, Nestle, etc.)

(iv) Drink Maker (e.g. Kirin, Suntory, Coca Cola, Asahi, JT, Pokka, etc.)

(v) Retailer

Coffee retailers usually purchase roasted coffee from roasters (ii), although some retailers are beginning to engage in importing as well. Besides coffee beans, retailers also purchase processed coffee products from (iii) instant coffee makers and (iv) drink makers.

Diagram VII-1.1: Distribution Routes of Import Coffee



Importers (i), including major trading companies, have a strong knowledge base in international trade as well as practical experiences in overseas negotiation. They usually have a local company or a representative to negotiate and make contracts with foreign producers and exporters abroad. The importer functions as a delegate of the final buyer, and assumes the responsibility for all procedures until the product is safely handed over to the buyer in Japan.

Roasters (ii) and major retailers (v) have more control over the determination of product quality and price. They order green coffee beans to the importers, in accordance with their specifications. Some of the major roasters visit their production sites abroad several times a year. They should be considered as coffee experts. Although the retailers used to simply purchase roasted coffee from these roasters, in recent years, some are also beginning to play an increasingly important role in the import decision-making. Along with the development of chain coffee shops, a few of these retailers have begun to import beans with their own specifications.

VII-1.3 Organic Coffee

(a) Size of the Organic Coffee Market

According to CIMS, for the 2002-3 harvest, Japan imported about 4 984 tonnes of green organic coffee beans from Latin America, of which approximately 741.5 tonnes came from Central America. Given that Japan imports organic coffee from other countries as well, the total of supposedly over 5 000 tonnes of organic coffee import makes Japan the second-largest market for organic coffees after the United States (Giovannucci, 2003). These data, however, could not be confirmed in Japan.

Although the exact data is not available in Japan, the quantity of imported Organic JAS certified coffee is estimated at 1 600 tonnes in 2002 and 1 800 tonnes in 2003³⁹, according to an anonymous source in the Japanese coffee sector⁴⁰. Giovannucci (2003) reports a similarly large gap between the total import of all 'organic' coffee into Japan, which was estimated to be 4 000-5 000 tonnes in 2001, and that of 'Organic JAS certified' coffee, estimated to be approximately 1 320 tonnes that year.

While it cannot be assumed that this distinction of Organic JAS certified versus non certified could also explain the entirety of the discrepancy between the two sets of data from 2003 (i.e. CIMS and Japan), there exist multiple reasons for why the quantity of sales of Organic JAS coffee could be lower than that of import. Firstly, although many roasters bought Organic JAS coffee when this certification system began a few years ago, the sales of organic coffee turned out to be disappointing. Much of the imported organic coffee was therefore left over, and its quality reduced while in storage for over a year. Many roasters sold such coffee as conventional, although its quantity is not known.

Another plausible explanation for the seemingly low estimation of Organic JAS coffee is that 1 800 tonnes may only include sales by major retailers, such as supermarkets. In other words, specialized distribution routes, such as large-scale café chains, may be excluded, which could possibly add a significant quantity to this estimation.

Furthermore, CIMS could have overestimated Latin America's export to Japan, especially that from Brazil.⁴¹

Assuming that approximately 1 800 tonnes of Organic JAS coffee was sold in 2003, this accounts for approximately 0.4 percent⁴² of the total import of green coffee beans into Japan. The value of sales is estimated at around ¥4.5 billion in 2002 and ¥5.0 billion in 2003.

(b) Handling of Organic Coffee

The surveyed corporations, such as those mentioned in Section VII-1.2, were aware of Organic JAS certification of coffee operators. However, most of them, with the exception of a small number of roasters, indicated that they were not enthusiastic about organic products and that they handle them only experimentally, if any. Among 6 Organic JAS certified coffee companies, with an exception of one that carries a small amount of only organic coffee, sales of organic coffee comprise of at most only 2-3 percent of the total sales. These companies generally thought that the organic coffee market would grow, but only slightly. As mentioned in (a) above, Organic JAS coffee has not proven to sell as much as it had been hoped. Some companies mentioned their disappointment with the flavour of organic coffee, while others indicated that demand is still very much limited to a small circle of organic coffee enthusiasts.

³⁹ Anonymous coffee specialist, Personal communication, May 2004.

⁴⁰ ITC estimates that the market share of organic coffee in 2002 is no more than 0.5 percent or 33 000-35 000 bags. Assuming that 1 bag = 60 kg, the total quantity estimated would be 1 980 – 2 100 tonnes. International Trade Centre (ITC) UNCTAD/WTO. 2002. *Coffee: An exporter's guide*. Special print of Chapter 3: Niche markets, environment and social aspects. Geneva.

⁴¹ In CIMS's methodology section, they explain that they had relatively little response to inquiries in Brazil, while Brazil occupies a large share in their estimate of the total Latin American export to Japan.

⁴² The market share of organic coffee would be more than 1.2 percent if CIMS data is correct.

Organic JAS certified coffee operators' sales of organic coffee and their market outlooks are summarized in Tables VII-1.7 and VII-1.8 in Appendix VII.

Importers tend to determine their involvement in accordance with the interest of their buyers, i.e. roasters, and as such, because of the general lack of enthusiasm among roasters, importers do not seem to have any particular investment plans in this area, either. Our observation study of several major retailers (i.e. department store, luxurious supermarket) in Tokyo also found a similar tendency, in that they did not carry a substantial number of organic coffee products (see VII-(a) in Appendix VII).

Nonetheless, while not being very optimistic that this market would grow dramatically, many of the companies that handle organic coffee indicated that they intended to continue to take part in this market for various reasons, for instance, as part of their CSR⁴³ efforts, their contribution to environmental protection, and/or in response to small but steady demand by organic food fans.

(c) Organic Premium

The retail price of organic coffee is 37 percent higher than that of conventional coffee. This comparison should not be considered independently of the fact that organic coffee tends to be made from higher quality and more expensive coffee beans than does an average roasted coffee, for which cheaper coffee beans, such as Robusta, are used. According to some roasters that actively handle organic coffee, they do not sell organic for a higher price simply because of it being organic. If the quality were equal to its conventional counterparts, they would sell it for the same price as the conventional ones. In fact, when the quality of organic coffee diminishes after a long duration in storage, some roasters sell it as conventional coffee, at a conventional price. These roasters carry organic and fair-trade products in their efforts to support their philosophies, rather than as a sales strategy (i.e. for higher profits).

The majority of operators in this market, however, do not think this way. Instead, major corporations, such as those that were surveyed (see VII-(b) in Appendix VII), tend to view certification as a mere marketing tactic, and believe that certified products have low market potential in the coffee sector.

VII-1.4 Fair-trade and Other Certified Coffee

(a) Fair-trade Coffee

As explained in Section II-4, fair-trade certification is voluntary in Japan. In 2003, approximately 90 tonnes of FLO Fairtrade labelled coffee was imported, and imports are rising. Major exporting countries of Fairtrade coffee are: Mexico (46 percent of Japan's fair-trade coffee imports), Peru (22 percent), Colombia (20 percent), Bolivia (8 percent) and Guatemala (3 percent)⁴⁴. Of the total amount of this type of coffee, about one half is also certified Organic JAS. The domestic sales of Fairtrade coffee products are also growing rapidly although volumes are still small, i.e. from 17.5 tonnes in 2002 to 21.5 tonnes or ¥1 billion in 2003. While the import (90 tonnes) exceeded the sales (21.5 tonnes) in 2003, growing sales of this year (2004) is expected to make up for this difference. Based on such a positive trend in this market, the Fairtrade Label Japan (formerly known as the Transfair Japan) estimates that imports will rise to 100 tonnes this year.

All of the organic certified corporations that responded to the survey were aware of fair-trade, and some indicated that they were considering participating in this type of trade. Several of them also expressed a positive outlook on the future of fair-trade. In short, the survey found that there was a tendency to be interested in fair-trade among the corporations that already have some dealings in organic.

⁴³ CSR = Corporate Social Responsibility

⁴⁴ This breakdown is based on statistics from 2002 (CIMS, 2003)

In the past few years, some roasters and retailers also began to show strong interest in fair-trade, perhaps more so than in organic. For example, Starbucks Coffee Japan launched the sales of Fairtrade labelled coffee in October 2002. It is called "Fairtrade Coffee," mild blend coffee, which uses beans primarily from Central and South America (Asahi Newspaper, 2 February 2004). According to the company's public relations staff, especially young people seem interested in their Fairtrade product. AEON, a major supermarket corporation in Japan, has begun to carry Fairtrade labelled coffee at their 54 JUSCO stores nationwide. Their motive behind this initiative, which is a part of their corporate social responsibility (CSR) efforts, is to use the concept of fair-trade as a way to connect daily life in Japan to the international society. According to the sole Fairtrade certifier, the Fairtrade Label Japan, the Fairtrade label is especially useful for retailers to promote the concept, and therefore their fair-trade products, to the general consumer.

Besides the FLO system, other types of fair-trade initiatives exist in Japan. Some companies adopt fair-trade standards from existing organizations, such as IFAT, while others have their own set up. Furthermore, although slightly different in nature, some consumer cooperatives sell coffee that meets the FLO Fairtrade standard even though this coffee is not certified by any fair-trade organizations, such as FLO and IFAT. One of such products is called "Minna de Tsukuru Coffee" or Coffee Made Together, which is imported by the Alter Trade Japan (ATJ) from various developing countries, including Timor-Leste, Mexico, Peru and United Republic of Tanzania.

In 2003, their total sales reached ¥210 million. These initiatives may help this market to expand further. This type of trade, or Kokusai Sanchoku (international Teikei), is described in more detail in Section II-4.2.

(b) Rainforest Alliance Coffee

The Rainforest Alliance (RA) market is new and still very small in Japan, although the overall quantity of RA coffee handled by Japanese suppliers has increased in the last three years. According to the Rainforest Alliance, the import of RA certified coffee into Japan in 2002 was 245 tonnes, and it is estimated to reach 248 tonnes in 2003 and 289 tonnes in 2004, which exceeds the current Fairtrade volume of 90 tonnes.

Currently, RA coffee is imported by three major Japanese importers, Itochu, Kanematsu and Volcafe Japan, who distribute it to various roasters and processors. The environmental and social concepts of the Rainforest Alliance match the current general trend toward safer and better quality foods, and therefore, the RA certification is beginning to catch the attention of Japanese suppliers. Most of the organic coffee roasters who responded to the survey indicated that they knew about RA certification even though they did not handle any products with this certification. Despite this high level of awareness, their intentions to participate in this system were slim and their predictions of its future not optimistic. Among 13 surveyed non-organic roasters, only 31 percent were aware of RA certification.

Thus far, processors and retailers who handle RA certified coffee products have not recorded any notable sales increase. Moreover, Japanese consumers do not seem very familiar with RA certification, nor are they very well aware of the importance of sustainability in coffee producing regions⁴⁵.

Due to limited data from only three years since 2002, it is difficult to predict the future of this new RA market in Japan. Nonetheless, in the context of general interest toward safer and better quality foods, the overall sustainable coffee market (i.e. coffee produced in environmentally and/or socially responsible and sustainable manners, such as organic, fair-trade, Rainforest Alliance and eco-friendly) is likely to grow in Japan, suggesting that the RA market also has potential to grow. However, considering that the RA certification must compete with other certified coffees, such as fair-trade, the RA coffee market seems volatile and its future uncertain. The future of this market depends largely on marketing and promotion, in order for Japanese consumers to become more aware of RA certification and

⁴⁵ Source: Importer handling RA certified coffee, personal communication, June 2004

for suppliers to connect the RA's environmental and social concepts with their efforts to promote safe, reliable and socially and environmentally responsible food supplies.

(c) Other Certified Coffee

Only a few of the surveyed organic coffee roasters knew about Bird Friendly certification, and their intentions to participate in this programme or their predictions about such a market were close to null. Besides Organic JAS, fair-trade and Rainforest Alliance, other certifications are not yet very well known in the Japanese coffee market.

If CA suppliers wish to export their products that are certified under any system, but especially those that are not well known, they would need to actively prepare communication materials to persuade Japanese buyers to learn about such systems, their benefits and concepts, and whenever possible, relating them with those environmental and/or social practices that are already familiar and valued in the Japanese market.

VII-1.5 Market Receptivity to CA Small-Scale Coffee Operators

Overall, it appears to be difficult for new participants to penetrate this already mature market, unless, for instance, some specialized added value is attached to the products supplied by CA small-scale producers.

The quantity of imported green coffee beans has remained relatively unchanged in recent years, while their monetary value shows a dramatic drop. In short, the coffee market in Japan is struggling in a highly competitive environment.

Consumer trends indicate that, while sales of roasted coffee are on the rise, sales of instant coffee are decreasing. This implies that the style of coffee consumption in Japan has matured, and that the flavour and quality of the product is becoming increasingly important.

Of the various coffee products, bottled liquid coffee, canned coffee and retail sales for home consumption show extremely high growth rates, suggesting that they can be expected to grow further. While home consumption is becoming more popular, small and independent café and coffee shop businesses are struggling (see Table VII-1.9 in Appendix VII). This is partly due to the fact that young generations are shifting away from this type of consumption, but it is also indicative of an increasing availability of quality coffee for home consumption. In this context, new generational style café businesses, such as Doutor, Veloce and Starbucks, show rapid growth. These new businesses often use organic and fair-trade coffee products as part of their sales strategies, which focus on specialty products, suggesting a new area for certified coffee products to expand.

In the Japanese coffee market, the most competitive factor is the reputability of the roaster. This is followed by product quality and price. In terms of price competition, special sales at supermarkets are most effective, although organic or other certified products are not included in this type of marketing for their lack of reputation. Brands are very important for coffee in Japan, and they highly influence the quality perceptions of consumers. Names of places of origin that are well known and thus are often used for branding are Mocha, Blue Mountain, Colombia and Kilimanjaro. The strategy to emphasize on roasting techniques seems to have passed its peak for the time being.

CA coffee is not well recognized in general beyond a small circle of enthusiasts who consume coffee at small cafes. In order to successfully promote the sales of coffee from CA small-scale producers, it would be necessary to encourage Japanese consumers to have new perspectives with which to appreciate coffee. One of the concrete examples of how CA coffee suppliers could appeal to Japanese buyers is an Internet auction, such as the "Cup of Excellence"⁴⁶. One of the surveyed major Japanese corporations has been participating in this auction annually, and moreover, according to a journal article, 10 out of 13 buyers at one of such auctions were Japanese⁴⁷. More detailed evaluations of the Japanese certified coffee

⁴⁶ <http://www.cupofexcellence.org/>

⁴⁷ Prensa Libre, June 16, 2004

market's receptivity to CA certified products are summarized in Table VIII-1.10 in Appendix VIII.

VII-2. Banana

VII-2.1 General Banana Market in Japan

The general banana market in Japan consists mostly of imported fresh bananas, but some processed banana products are also beginning to appear. Examples of these processed products include: dried banana, banana puree, banana chips, dehydrated banana, sugar-crystallized banana snack and banana jam. Statistical data is available only on the import of dried banana, because all other processed banana products are recorded together with other processed tropical fruits in one category. A rough estimate of the total monetary value of these imports is approximately ¥100 million, which is not substantial. Given these factors, this report focuses primarily on market trends for fresh bananas.

(a) Import of Fresh Bananas

Imports of fresh bananas have been relatively stable since 2000, when they peaked at 1 078 000 tonnes (see Table VII-2.1 in Appendix VII). It is estimated that they will most likely remain flat or drop slightly over the next 4 to 5 years. More specifically, the volumes of import in 2005 and in 2007 are predicted to be more or less the same, at around 900 000 tonnes. Japan's deflation must also be taken into account when considering the monetary value of bananas. For example, the CIF price (unit price per kg) dropped from ¥63.7 in 1999 to ¥55.0 in 2000 and ¥56.5 in 2001.

(b) Exporting Countries

Bananas that are imported from the Philippines, Ecuador and Taiwan Province of China account for almost 100 percent of the total imports into Japan (see Table VII-2.2 in Appendix VII). Among these three exporting countries, the Philippines is the largest exporter, accounting for nearly 80 percent of the total. With regard to the Central American countries, although they were mentioned in trade statistics from 1993, they do not appear in more recent lists of exporting countries since 1998.

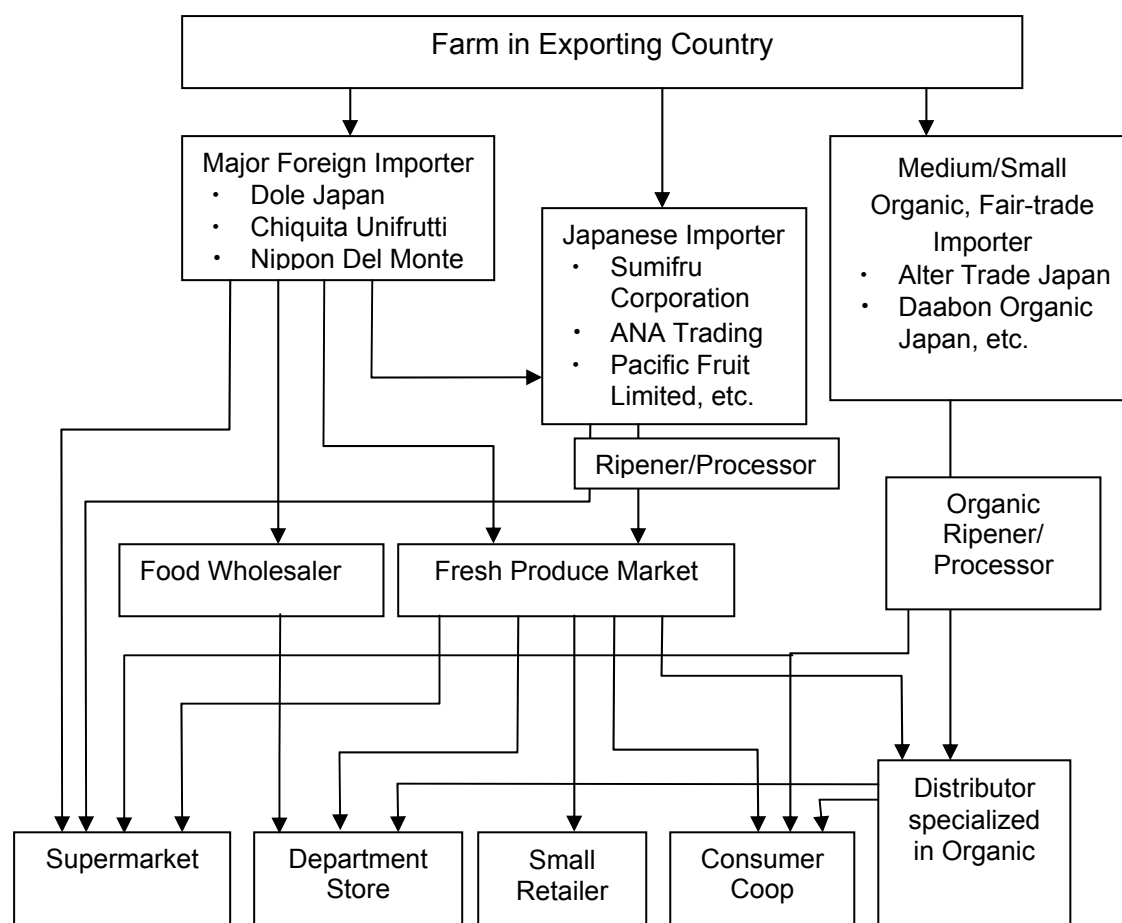
(c) Consumption Trends

Among imported fruits, banana has the largest share in the fresh fruit market in Japan. Its share is slightly over 50 percent, and it grew steadily over 10 years between 1992 and 2002 (see Graph VII-2.2 in Appendix VII). Despite its increase in market share, the quantity of annual consumption has changed little over the years. Over 30 years between 1972 and 2003, the annual individual consumption peaked twice, first in 1972, at 9.9 kg, and again in 2000, at 8.5 kg, but it has not increased overall (see Table VII-2.3 and Graph VII-2.3 in Appendix VII).

(d) Distribution Structure of Fresh Bananas

A few major foreign multinational companies, such as Dole and Chiquita Unifrutti, handle most of the fresh banana imports. They either use their importing branch in Japan or transfer the task of importing to one of Japanese importers, such as ANA Trading, Co. Ltd. From there, the product is distributed to domestic retailers, such as Ito Yokado. The basic distribution structure is shown in Diagram VII-2.1.

Diagram VII-2.1:



VII-2.2 Organic and Other Certified Bananas

(a) Interest in Certified Bananas among Major Corporations

Major foreign and Japanese corporations in the general banana market in Japan are: Dole Japan, Ltd., Chiquita Unifrutti Japan, Ltd., ANA Trading Co, Ltd., Sumifru Corporation and Pacific Fruit Limited. Among them, only Chiquita showed strong interest in handling certified bananas, according to the survey. In fact, all of Chiquita's own plantations and most of its independent suppliers are certified Rainforest Alliance (RA) through the Better Banana Project. Although Chiquita neither uses the RA certification as a marketing tool nor affixes RA label on its products, it markets RA certified bananas under a special brand called the 'Precious'. Furthermore, one of Chiquita's brands, called the "Taiyo no Megumi" or Blessing from the Sun, which includes bananas that are grown with no pesticides on the Mindanao Island in the Philippines bears the Organic JAS label. Chiquita imported 1 456 tonnes of Organic JAS bananas in 2002 and 1 092 tonnes in 2003 for this brand. However, it indicated that nearly all of these Organic JAS bananas were fumigated at the port of entry, thus leaving very little to be sold as Organic JAS. Chiquita seems to consider certification as one of its marketing strategies.

Dole has a large project involving organic bananas from Peru. They experimented with the Japanese organic market in the past, but have since decided that the transaction costs and the risk of fumigation were too high.⁴⁸

⁴⁸ Dole employees, Personal communication, 2003

(b) Japanese Importers and Wholesalers that Handle Organic and Fair-trade Bananas

In retail stores, very few certified bananas, besides organic and “reduced pesticides”, were found. Therefore, interviews with importers and wholesalers focused primarily on organic bananas.

The import market of organic banana is dominated by Hiro International (i), although it is also supplied in a much smaller quantity by Daabon Organic Japan (ii). The interviews were therefore conducted with Hiro International, Daabon Organic Japan and Kyoko Foods (iii). Kyoko Foods is a wholesaler that handles organic bananas through Hiro International. These importers and wholesalers distribute organic bananas to supermarkets, organic specialty retail shops, consumer cooperatives and distributors specialized in organic products.

The interviewed importers and wholesalers mentioned that organic bananas are fumigated at a rate of around 50 percent⁴⁹. All of them seem to agree that fumigation is an issue that needs to be resolved in order to promote organic banana imports. Therefore, their overall outlook on the future of this market is not necessarily optimistic.

(i) Hiro International, Co. Ltd. (Import wholesaler)

Hiro International is the principal importer of Organic JAS bananas, mostly from the Philippines. They import close to 20 000 tonnes annually.

(ii) Daabon Organic Japan, Co. Ltd. (Import wholesaler)

They imported approximately 3 000 tonnes or 250 tonnes per month of organic bananas from Colombia last year (2003), and it has been reduced to approximately 94.2 tonnes per month this year (2004).

(iii) Kyoko Foods (Wholesaler)

Kyoko Foods handles an average of approximately ¥3.5 million (wholesale price to retailers) worth of organic bananas from the Philippines monthly. In terms of quantity, they purchased 10 000 tonnes from Hiro International in 2002, which was more than the preceding years, i.e. 7 410 tonnes in 2001 and 6 760 tonnes in 2000. Unlike Daabon Organic Japan, they estimate a 10 to 20 percent increase in the future.

(iv) Fair-trade banana

Alter Trade Japan (ATJ) and Fairtrade Label Japan were also interviewed to investigate the situation of fair-trade bananas. According to Fairtrade Label Japan, at present no Fairtrade labelled bananas are available in Japan. However, some banana operators are beginning to consider handling such products in the future⁵⁰. ATJ supplies balangon bananas from the Negros Island in the Philippines. These bananas are produced without any pesticides. ATJ aims to help their producers become financially stable (i.e. not completely dependent on subsidies and debts). These bananas are imported through the Kokusai Sanchoku system (international Teikei). ATJ sells nearly ¥ 500 million (wholesale price to the retailer) worth of this type of banana annually, mostly to consumer cooperatives.

(c) Size of the Organic Banana Market

Through the above mentioned interviews, it was found that the majority of imported organic bananas come from the Philippines, and that the overall retail market value of certified organic bananas is estimated very roughly to be around 9 000 tonnes as of 2002. As discussed in Section III-1, the total quantity of imported organic fresh fruits in 2002 is

⁴⁹ Although one importer reported that 99 percent of the organic bananas that they imported were fumigated, several others indicated that the rate at which organic bananas are fumigated is around 50 percent.

⁵⁰ Fairtrade Label Japan, personal communication, May 2004

estimated to be approximately 20 000 tonnes⁵¹, of which approximately 18 000 tonnes are estimated to be organic bananas (see Table VII-2.4). However, the fumigation rate of bananas seems to be around 50 percent, and therefore, the actual retail quantity is estimated to be around one half of the total import quantity, or 9 000 tonnes.

Table VII-2.4: Estimated Import and Retail Quantities of Organic Banana (as of 2002)^a

Exporting Country	Import Quantity (t)	Retail Quantity (t)
The Philippines	10 000	5 000
Colombia	3 000	1 500
Mexico	2 500	2 000
Dominican Republic	1,500	0
Other	1 000	500
Total	18 000	9 000

^aIn some cases, organic bananas from certain countries were not reported by the interviewed importers to be available in the retail market.

(Source: Compiled by IFOAM Japan, 2004)

As discussed in (b) of Section V-2.2, organic banana's price premium over conventional bananas was found to be around 16.2 percent in the Tokyo metropolitan major supermarket sector (see Table V-2.4).

VII-2.3 Market Receptivity to CA Small-Scale Banana Operators

The fresh banana market in Japan is expected to remain unchanged in the near future. If certified suppliers respond quickly to the recent boom of safe and reliable food, as well as to the heightened interest in health issues, the demand for certified bananas could rise, provided that their prices remain moderate. Nonetheless, fumigation seems to be an obstacle, especially in the case of Organic JAS bananas, as more than half and up to all of the shipments could be fumigated, which implies that the products lose the Organic JAS status at the port of entry. Central America is at a disadvantage in terms of distance and transportation costs, especially in competing with the Philippines and Taiwan Province of China. Ecuador, which is the second largest conventional banana exporter to Japan, is able to supply the Japanese market due to its low production costs (cheap labour) that partly compensates for its high transport costs. Production costs in Central America are much higher than they are in Ecuador, and consequently Central America has disappeared as a supplier of bananas to the Japanese market. At present, all Rainforest Alliance certified bananas in the Japanese market are supplied from the Philippines and Ecuador.

With respect to fair-trade, AEON Group is strongly interested in this type of trade, and this may offer an opportunity when Fairtrade Label Japan decides to launch Fairtrade labelled bananas in Japan. If Fairtrade bananas are introduced in the Japanese market, Asian producer groups may be sought for their supplies. However, especially at the beginning, supplies from other origins, such as Central America, may also be able to enter the Fairtrade market.

Overall, however, it seems difficult for CA small-scale producers to supply the Japanese certified banana market. The fact that there are no banana shipments any more from Central America to Japan makes it especially challenging for certified CA bananas to access this market.

⁵¹ Of approximately 28 000 tonnes of foreign Organic JAS graded fresh fruits, approximately 8 000 tonnes are assumed to be used for processing prior to export.

VII-3. Sugar

VII-3.1 General Sugar Market

The Japanese sugar market is comprised of domestic, imported and high fructose syrup. The overall sugar market, including that for high fructose syrup, decreased slightly after it peaked in 1990 at 3 368 000 tonnes, but it recovered in 1997 and has since been stable at above 3 million tonnes (see Table VII-3.1 in Appendix VII). This decrease is presumed to have occurred due to a drastic drop in sugar consumption in the context of a health boom in Japan. Consumptions of domestic, imported and high fructose syrups are therefore all expected to remain flat or to decline, and thus the future prospect of this market is not optimistic in general.

Although many types of sugar, such as beet sugar, are distributed in Japan, most of the market is dominated by refined sugar from cane sugar (see Table VII-3.2 in Appendix VII). Not only for this reason, but also because cane sugar is more relevant to CA, this section focuses on cane sugar.

As shown in Table VII-3.3 (see Appendix VII), the total import quantity of cane sugar in recent years amounts to approximately 1.5 million tonnes, 99.9 percent of which is comprised of raw sugar. Raw sugar is made by squeezing sugar cane to obtain liquid, cooking the extracted liquid, and lastly separating molasses away by centrifugation. Australia occupies the largest share, at over 40 percent, in the Japanese raw sugar import market, followed by Thailand at slightly less than 40 percent and South Africa at 10 percent (see Table VII-3.4 in Appendix VII). During the first half of the year, most sugar is imported from Thailand, which is located in the northern hemisphere, while during the second half of the year, imports switch to southern hemisphere countries, such as Australia, South Africa and Fiji. This market is thus in a state of oligopoly by these countries.

Three major Japanese corporations (i.e. Taito, Shin Mitsui, Fuji Nihon Seito), which were interviewed with regard to CA sugar, indicated that the import from Central America is not stable. This is partially due to high transportation costs, but also because of the fact that the quality (i.e. sugar content) of raw sugar from CA is not consistent. Due to the fluctuating quality, the product is sometimes categorized as refined sugar at the port of entry rather than raw sugar, thus increasing its import tax. Because of these factors, trading raw sugar from CA is inefficient and uncertain. Major refined sugar manufacturers, including those interviewed, place a great importance on the cost, and from this point of view, CA raw sugar does not appear to be an attractive ingredient.

While the import of raw sugar, which dominates the market, has been on a decline for some time, that of other types of sugar products shows a somewhat distinct pattern (see Table VII-3.3 in Appendix VII). Up until 7 or 8 years ago, refined sugar was imported primarily for uses at hotels, foreign cuisine restaurants, as well as for specialized purposes, such as laboratory testing and research of food and medicine. However, most recently, some of these sugar products, such as refined sugar and sugar cubes, are showing unprecedented increases. As will be mentioned in a later section, this trend offers hope for imported organic refined sugar in the market.

(a) Consumption Trends

The consumption of sugar per person peaked in 1992, reaching 20.2 kg per year (see Graph VII-3.1). Henceforth, it has been on a gradual decrease, and it recorded a low of 17.9 kg in 2001, approximately 2 kg less than that at the recent peak. As mentioned earlier, this decrease is believed to be related to rather negative images that have developed in association with sugar, such as it being high in calorie and leading to obesity and other illnesses related to the modern-day lifestyle. Despite the sugar industry's effort to overturn these negative images, it is believed that sugar consumption will continue to be low in the following years.

(b) Distribution Structure

As summarized in Diagram VII-3.1 (see Appendix VII), the domestic production and distribution of refined sugar in Japan rely heavily on foreign countries for its ingredient, which is mostly cane sugar. However, the trading of sugar is restricted under each country's price control regulation. The scale of this free market is thus limited to 15 to 16 million tonnes, which makes it vulnerable to slight changes in quantity, in a scale of 2 or 3 million tonnes. Because of this mechanism, the sugar market goes through cycles of a drastic price jump every 7 to 10 years, during which the forward price falls below the production cost of even the lowest cost countries (i.e. sugar cycles). Due to this highly risky nature of the industry, domestic refined sugar companies are grouped together by affiliation, in their effort to stabilize the distribution system, which makes it very difficult for new players to access the market.

VII-3.2 Organic and Other Certified Sugar

(a) Distribution Trends

(i) Retailers

An observation study was carried out at 10 major retail stores in the Tokyo area to survey the selection of sugar products, including those that are certified. The 10 stores included in this study were: Tamagawa Takashimaya, Natural House, Atago Mother's, Queen's Chef Isetan, Food Express Shiosaito store, My Coop Minamisuna store, AEON Kasai store, Ito Yokado Kiba store, Kinokuni-ya Aoyama store and Daimaru Peacock Aoyama store.

Among these retailers, Atago Mother's was the only store that carried any organic sugar. This product was called the "organic unrefined sugar from Paraguay," emphasizing its place of origin and its being organic on the label. Other certified products were not available at any of the observed stores. Among other sugar products, 'soft white sugar', 'soft yellow sugar' and 'granulated sugar' were the main items that were on display. The surveyed retailers seemed to use these sugars as points of purchase (POP) items (i.e. bargain products to attract customers).

In most of the cases, sugar that contains high fructose syrup was treated equally with oligosaccharide and acerola, and it was advertised as a health food product. 'Kibi sugar' (less refined brown cane sugar) and 'brown lump sugar' from Okinawa and Amami were also advertised as natural health foods.

While only one of the observed retailers carried any organic products, possibilities exist for organic sugar to expand its market share, depending on how it is marketed. For instance, organic sugar may become a more appealing product if sold as a set along with organic coffee or organic cocoa. Especially during the two gift seasons in Japan, which are the mid-summer and the end of the year, retailers allocate special sections for gift sets. These sets usually consist of highly reputable and high quality products. In order to market foods from Central America for this purpose, they would have to be of high quality and come with some characteristics that would appeal to consumers. In addition, it is crucial to find Japanese retailers who would promote such gift sets during such occasions.

(ii) Corporations Handling Organic Sugar

Major corporations are also beginning to engage in organic sugar trade (e.g. Sumitomo Corporation, Mitsubishi, Kanematsu, Nissho Iwai). They import it primarily from Brazil, Paraguay and the United States. Refined sugar makers also import organic sugar for processing from the United States or Cuba through traders specialized in trade with Cuba.

Imported organic sugar is used by organic processors to make various products, including organic candies, cooking sauce, rice crackers, jams and jellies. One sauce maker has begun to import organic sugar directly as an ingredient for their sauce. So far, however,

organic sugar is not used for western confectionery, such as cookies. Besides processing, the product is also sold or used as it is, by retailers for home consumption and by coffee chain businesses.

The quantity of organic sugar still remains small, both in the cases of processing and retail. As the quantity and variety of organic foods increase, the demand for organic sugar is expected to grow further.

(iii) Online Shops, Specialized Distributors

In addition to the single organic imported sugar product that was available at Atago Mother's, online mail order services and distributors that specialize in organic products carried four other such products. All of these organic products, including the one at the retail store, are imported as refined sugar. (Note here that, despite its name as "unrefined sugar," the product from Paraguay (at Atago Mother's) is considered to be refined sugar, since it is imported not as "raw" sugar but rather as refined.)

It was also interesting to note that the products from Paraguay and Costa Rica⁵² contained the places of origin as part of their product name. Besides organic, four non-pesticide products were also available through these online shops and specialized distributors.

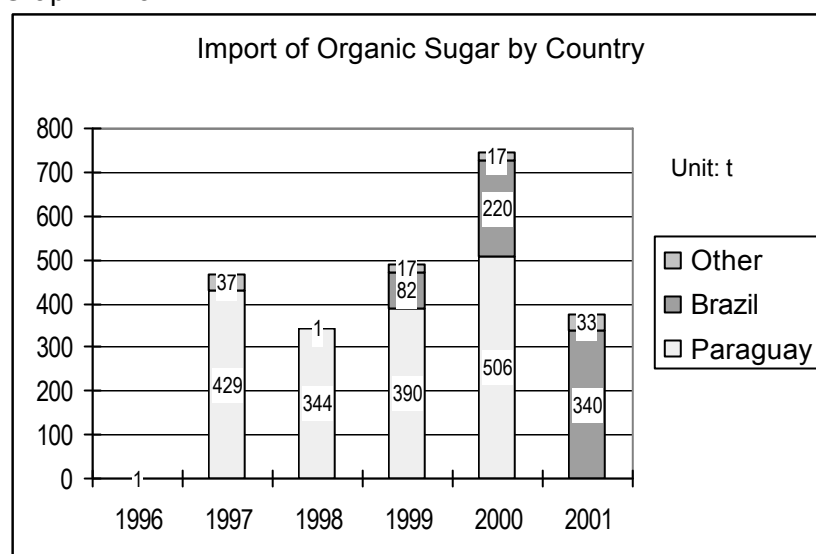
(b) Import Trends of Organic Sugar

Imports of organic refined sugar appear to be increasing in the context of the recent health food boom. This boom, as mentioned earlier, has been pushing up the demand for safer and healthier agricultural products and processed foods in general, and organic sugar is not an exception to this phenomenon. (Note once again that, at present, all organic sugar is imported as refined sugar, rather than raw sugar.)

As shown in Graph VII-3.2, imports of organic sugar reached 450 tonnes in 1997. In 2000, they rose to approximately 750 tonnes. The sudden decrease in 2001, down to approximately 370 tonnes, is probably because of the leftover inventory from 2000, which was imported prior to the implementation of Organic JAS certification in June 2000 under the revised JAS Law. Although the most recent statistical data is not yet available, estimating from the number of foreign sugar operators who have acquired Organic JAS certification since 2001, it is believed that 500 to 1 000 tonnes of organic sugar are imported into Japan today. Although Paraguay's export dropped dramatically due to their delayed reaction to the implementation of this certification system, their products have once again begun to appear in stores and online shops, indicating that they have caught up to a certain extent.

⁵² According to ALIC, 30 tonnes of organic sugar was imported from Costa Rica in 2002, none in 2001, and 20 tonnes in 2000.

Graph VII-3.2:



(Source: Agriculture and Livestock Industries Corporation)

(c) Price Comparison of Organic and Conventional Sugars

As shown in Table VII-3.5, organic sugar is priced approximately 30 percent higher than 'Kibi sugar', which is considered to be healthier than refined white sugar and is known to be similar in quality to organic sugar. A more dramatic difference in price is with the price of 'very-refined sugar', which is used most commonly in Japan. The price of organic sugar in this comparison is more than 5 times higher.

Table VII-3.5: Price Comparison of Organic and Non-organic Sugars

Organic Unrefined Sugar from Paraguay (400 g)	¥441
Kibi Sugar (Health food, but not certified) (400 g)	¥350
Very-Refined Sugar (400 g, converted price)	¥80

Table VII-3.6: Organic Sugar's Value Chain

Trader's Purchase Price (FOB)	⇒	Sales Price to Organic Processor
¥41.8–44.0/kg (US\$1=¥110)	⇒	¥240/kg

VII-3.3 Market Receptivity to CA Small-Scale Sugar Operators

For CA small-scale producers/exporters, accessing the Japanese market for raw sugar (cane sugar) appears to be difficult. As described earlier, the soaring shipping fees, the lack of consistency in the lot size, and the relatively poor evaluation of quality contribute to this challenging situation.

Nonetheless, unlike the declining imports of raw sugar, future prospects for refined sugar, especially for organic sugar, appear to be bright, especially if the number of food manufacturers that are considering using organic sugar were to continue to increase. In fact, organic sugar from Costa Rica has already been introduced, supporting this possibility for Central American suppliers.

Considering the heightened interest in health foods, marketing organic and other certified sugar as a natural food, rather than selling it as sugar per se, seems to have better potential (e.g. sugar with minerals). Another option is to supply organic sugar as an ingredient for organic food processing. This possibility may become more realistic if lots could be prepared for a FOB price of US\$380 to 400 per tonne.

VII-4. Cocoa

VII-4.1 General Cocoa Market in Japan

Japan's general cocoa market consists only of imported products. Cocoa is imported mainly as cocoa beans (63 600 tonnes in 2003)⁵³, but also in the forms of cocoa butter (20 212 tonnes in 2002)⁵⁴ and cocoa powder and cake (10 859 tonnes in 2002)⁵⁵. Japan also imports chocolate products, although it produces more domestically (i.e. 138 018 tonnes⁵⁶ imported and 213 500 tonnes⁵⁷ domestically produced in 2002).

In the last 20 years, the import of cocoa beans peaked once in 1991, exceeding 50 000 tonnes, and another time in 1996, recovering from 36 142 tonnes in 1994 up to nearly 50 000 tonnes. Most recently, it is notable that the imported amount rose to 63 600 tonnes in 2003 after a few years of stagnation at around 49 000's (see Table VII-4.1 and Graph VII-4.1 in Appendix VII). This sudden rise is most likely related to a special programme on cocoa featured by a very popular variety show on TV, which was broadcasted in January of 2003.

Normally, the basic criterion that is used to measure the size of this market is the domestic distribution of cocoa mass, as all cocoa beans are ground to make cocoa mass once imported. The quantity of cocoa beans that were ground over the last 20 years follows more or less a similar pattern to that of imported cocoa beans (see Graph VII-4.2 in Appendix VII).

In terms of place of origin, African countries, such as Côte d'Ivoire, Cameroon and Ghana, have grown significantly over the last five years. Combined, they occupy nearly 80 percent of the market share in Japan and Ghana's share is especially high at nearly 75 percent. With respect to Central America, only Costa Rica is included in a list of top ten exporting countries, and its share is barely 0.2 percent (see Table VII-4.2 in Appendix VII).

(a) Consumption Trends of Chocolate and Cocoa

Cocoa beans are consumed in the forms of chocolate and cocoa. Chocolate is usually consumed as chocolate products (e.g. chocolate bars), chocolate snacks (e.g. biscuits, cookies) and desserts (e.g. pastries). Its demand varies with seasonal events, such as St. Valentine's and Christmas (for cakes). In the last five years (up to 2002), the production of chocolate products was relatively stable at around 200 000 tonnes, although it recorded slightly higher in 2001, 223 600 tonnes. In terms of monetary value, both production price and retail price peaked in 2000. Since then they have been on a slight decline (see Table VII-4.3 in Appendix VII). Overall, its sales have not grown in recent years.

Cocoa consumption in Japan is extremely small. According to MIAC's data on cocoa drinks (2002), an average annual spending per household for cocoa drinks in 2000 was only ¥447, and it decreased further, to ¥367, in the following two years. It must be noted, however, that, ever since the earlier-mentioned TV show introduced cocoa as containing cocoa polyphenol last year (2003), cocoa gained its reputation as a health food product. Helped by this programme in the already encouraging context of a health food boom, cocoa's consumption is expected to have risen in the past year.

(b) Distribution Structure of Cocoa

Japanese importers have the control of the supply chain of cocoa beans, which are handled as an ingredient for chocolate and cocoa. As shown in Diagrams VII-4.1 and VII-4.2 (see Appendix VII), all cocoa beans are imported through these importers, after which they

⁵³ Japan Customs Trade Statistics, 2004

⁵⁴ FAOSTAT, last updated February 2004

⁵⁵ FAOSTAT, last updated February 2004

⁵⁶ FAOSTAT, last updated February 2004

⁵⁷ See Table VIII-4.3 in Appendix VIII

are distributed to ingredient processors and major general confectioners. Business strategies of these importers are apparent from trade statistics, in that they tend to focus primarily on deals with major exporters, such as Ghana and Côte d'Ivoire. Telephone interviews were therefore conducted, not with importers, but rather with a couple of major ingredient processors (e.g. Japan Chocolate Industrial Corporation, Daito Cocoa, Co., Ltd.) in order to hear their points of view.

These ingredient processors did not see any particular demand for CA cocoa beans, since they did not believe that such supplies offered any unique variety. According to them, supplies are purchased by importers, based principally on forward prices determined by the New York Stock Exchange, prioritizing efficiency in terms of cost and quantity.

VII-4.2 Retail of Organic and Other Certified Cocoa

(a) Chocolate

An observation study was carried out at ten major retail stores in the Tokyo area (i.e. Tamagawa Takashimaya store, Natural House Aoyama store, Atago Mother's, Queen's Chef Isetan, Food Express Shiosaito store, My Coop Minamisuna store, AEON Kasai store, Ito Yokado Kiba store, Kinokuni-ya Aoyama store and Daimaru Peacock Aoyama store). Among them, Natural House Aoyama store, Atago Mother's and My Coop Minamisuna store are organic retailers. Besides these retailers, online shops' websites were also visited to compare their products and prices.

The three organic stores did not carry any chocolate products. In the other stores, over 70 percent of conventional chocolate products were major confectioners' brands. These products were mainly chocolate bars, chocolate snacks and truffles. The only place of origin that was explicitly advertised on labels was Ghana, giving an impression to consumers that chocolates come only from Africa. None of the stores carried products that are made from certified ingredients. One of the reasons for this lack of certified chocolates is that most of the domestic confectioners and processors do not make organic or other certified chocolate products. This situation owes at least partly to the fact that the Organic JAS certification system does not include milk, thus preventing processors from making Organic JAS chocolate products containing milk. Nonetheless, since products that contain less than 5 percent of non-organic milk are recognized as Organic JAS, a few processors make bitter chocolate domestically (e.g. Nisshin Kako).

Unlike the general retailers, online shops carried a few imported organic and fair-trade products. The Press Alternative's online shop had two fair-trade chocolates (e.g. Cappuccino Chocolate (¥504 for 100 g), the Global Village Chocolate with Hazelnuts (¥216 (with a 10 percent discount) for 50 g)) and the Ways Shop also carried four types of fair-trade chocolate snacks (e.g. GV chocolate bar (bitter (¥210 for 50 g), milk (¥240 for 50 g), hazelnuts (¥241 for 50 g) and white crispy (¥241 for 50 g), coin shaped chocolate (¥735 for 100 g), cereal bar (rice crispy, coconut and mango (¥262 for 33 g) and chocolate bar with cream (cappuccino, rum, praline (¥504 for 100 g)). The g-chef.com had one organic chocolate from France, which was imported by a Japanese importer, K & Yoshics Co., Ltd. It must be reminded that the Organic JAS certification does not include milk. Therefore, these organic products that contain 'organic' milk are not Organic JAS certified, or contain less than 5 percent of non-organic milk⁵⁸. In Japan, while the use of the 'Organic JAS' label is limited to those that are actually graded under the Organic JAS system, non-certified 'organic' products are also distributed.

These online shops can carry imported organic and fair-trade products anytime of the year, since they are free from inventory risk and are able to advertise in a catalogue-like format with limited sales periods. On the contrary, general retailers tend to carry a large selection of chocolate products only during high seasons, such as Valentine Day.

⁵⁸ As noted in the text, cocoa products that contain less than 5 percent of non-organic milk are recognized as Organic JAS.

(b) Cocoa

All of the stores that were mentioned in (a) above carried one powder cocoa and a few kinds of instant cocoa (e.g. pure cocoa, milk cocoa, with sugar) products. Among these stores, only Atago Mother's (two products) and Tamagawa Takashimaya (one product from Meijiya) had any organic cocoa products available. While these organic products had their places of origin clearly indicated, it did not seem to be intended as a sales point.

The online shops also had a total of three types of organic cocoa (i.e. organic cocoa from the Netherlands (¥580 for 170 g), from Venezuela (¥680 for 220 g) and from France (¥1 260 for 500 g)). These products are all OEM (original equipment manufacturer) products, which are manufactured by European processors.

VII-4.3 Future Prospects of the Certified Cocoa Market and Implications for CA Operators

At present, Japan imports organic cocoa, not as beans, but as cocoa mass. It is used to manufacture bitter chocolate products, but the distribution routes are extremely limited. The fact that Organic JAS certification does not exist for milk is an obstacle to the making of chocolates with organic milk. Therefore, very few processed organic cocoa products are made in Japan, which makes it difficult to evaluate the size or the trend of this market. It is estimated roughly that, at maximum, 20 to 30 tonnes of such products are currently distributed in Japan. Thus, the market for organic or other certified types of cocoa beans is extremely small in size, and no consensus exists among interested parties in the market with regard to its future. However, this market may grow, especially if certain conditions, such as below, are realized. Note that, while the following examples focus on organic cocoa, many of them can be as applicable to other certifications, such as fair-trade and Rainforest Alliance.

- If Organic JAS certification of dairy products is introduced and organic milk becomes available, it will allow for a wider variety of organic chocolate products, thus opening an opportunity for significant changes in the market.
- Although Africa is the principal origin of cocoa at present, cocoa varieties from South America (i.e. Ecuador, Venezuela, etc.) are also highly reputable for their flavour. This factor may offer possibilities for the development of high quality chocolate and cocoa powder products, if CA cocoa beans could also develop a certain reputation in the Japanese market. For example, the criollo variety from Central America, which was appreciated as a 'food for God' by ancient cultures, could be used as an appealing characteristic for marketing.
- Current major exporters to Japan from West Africa are unsteady in terms of quantity and price of cocoa due to unstable conditions in the region. If Central American suppliers can provide stable supplies of high quality cocoa beans and maintain a reasonable price level, it is possible that the import may shift from African cocoa to that from Central America.
- Recently, Japanese consumers are beginning to think about food quality in association with the place of origin. Usually, ingredient processors blend cocoa from various places to make cocoa, which is then sold to consumers. However, lately, some consumers are beginning to seek alternatives to such blended products. Rather, they prefer products with a single place of origin associated with them (e.g. Single Malt Whiskey, Uji Tea, Tsugaru Apple Juice, Kona Coffee). This trend is expected to open new opportunities for chocolate and cocoa powder products that are made from a single variety of cocoa with its quality and place of origin clearly established.

- If processing of cocoa mass with quality control and sanitary management were to exist in Central America, it would greatly enhance their access to Japan. It is however crucial that such a plant is equipped with a stringent management system for residual microorganisms.

Specifically with regard to chocolate, except for Lotte, which uses the place of origin as an advertising factor for one of their products (i.e. Ghana Chocolate), other manufacturers tend to focus more on flavour. It should be noted, however, that this Ghana chocolate is a well-established brand product and is very familiar to Japanese consumers. Probably because of this product, general consumers tend to believe that cocoa beans from Ghana are superior in terms of quality and quantity.

Nonetheless, the fact that the criollo variety originates from Central America and that it was appreciated as 'food for God' by the Mayas may prove to offer attractive images for Japanese consumers who prefer authentic products. If such factors are combined with some type of certification (e.g. Rainforest Alliance for environmental preservation and social welfare), CA chocolate could be marketed as 'authentic chocolate made with fragrant criollo beans that are certified by the Rainforest Alliance'. While such products probably would not be suitable for mass-quantity general retail, they might appeal to certain targeted consumers. For instance, families with young children might show interest in such products, especially if the benefits of such products to their children's health were to be emphasized in marketing. CA suppliers could use this example to develop new marketing strategies in the Japanese market. However, it would be essential for CA cocoa suppliers to first investigate concrete facts, such as statistics and information from relevant entities, prior to deciding on actual marketing strategies.

Japanese consumers are beginning to perceive cocoa as a healthy food item. Therefore, in addition to flavour, safety and reliability factors are also becoming increasingly important. Consequently, the organic aspect of the product tends to be explicitly emphasized for sales, rather than its place of origin. Thus, in addition to using its 'authenticity' as a differentiating factor for CA cocoa, it is recommended that a more holistic sales strategy be applied to promote the entire region of Central America as a producer of high quality and safe organic cocoa products. For example, cocoa from one of the CA countries could be combined with organic sugar from Costa Rica. It could also be promoted as a local specialty product, grown with methods that protect the environment in the region. Entering the Japanese market in such ways could allow CA cocoa and cocoa products to be recognized as unique, which in turn would enhance its possibility to succeed in the market.

VII-5. Sesame

Japan is the largest importer of sesame seeds, with a total of 153 000 tonnes in 2002, followed by the European Union.⁵⁹ A very small amount of approximately 55 tonnes of sesame is produced domestically (i.e. 30 tonnes of black sesame, 22 tonnes of white and 3 tonnes of gold), while around 150 000 tonnes are imported annually (Japanese Customs Trade Statistics, 2001). The sesame market thus consists mostly of imported products. Although the majority of the imports come from China (42 469 tonnes), Nigeria (17 155 tonnes) and Myanmar (15 961 tonnes), Central America also exported 6 124 tonnes, or 4.10 percent, of sesame to Japan in 2003 (see Table VII-5.1).

⁵⁹ FAOSTAT, last updated February 2004

Table VII-5.1: Japan's Sesame Import by Country

Exporting Country		1994	1999	2003	Share	Growth
Total	tonnes	141 460	135 015	149 427	100.00%	5.6%
	Million ¥	9 639	13 531	13 248	100.00%	37.4%
China	tonnes	45 985	44 722	42 469	28.42%	-7.6%
	Million ¥	3 458	4 902	4 269	32.22%	23.5%
Nigeria	tonnes	391	21 771	17 155	11.48%	4387.5%
	Million ¥					
Myanmar	tonnes	38 760	5 221	15 961	10.68%	-58.8%
	Million ¥				-	
Central America	tonnes	8 168	5 673	6 124	4.10%	-25%
	Million ¥	1 208	713	813	6.14%	-32.7%

(Source: JETRO World Atlas)

Total imports increased 2.5-fold in 20 years from 1980, when they amounted to approximately 63 000 tonnes. In recent years, although imports dropped in 1998 and 1999, they have been relatively steady at around 150 000 tonnes (see Table VII-5.2).

Table VII-5.2: Japan's Total Sesame Imports

Year	1980	1990	1995	1996	1997	1998	1999	2000	2001	2002
Import Qty (t)	62 752	123 872	139 566	145 108	152 263	140 860	135 015	164 713	147 563	153 019

(Source: FAOSTAT, updated February 2004)

As shown in Table VII-5.3, approximately 60 percent, or 89 000 tonnes, of the imported sesame is used to make sesame oil, while the remainder is processed into a variety of products, such as roasted sesame, ground sesame, snacks, dressings and sauces. In 2001, estimating the sales from the data available at the processing level⁶⁰, approximately 88 000 tonnes, or ¥26 billion, of sesame were consumed as sesame oil, whereas approximately 70 000 tonnes, or ¥20 billion, were sold as other types of sesame products.

Table VII-5.3: Imported Sesame for Domestic Processing of Sesame Oil (Unit: 1 000 tonnes)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Imported Quantity	65	73	73	78	81	83	82	80	86	84	88	89

(Source: MAFF, from JOPA⁶¹'s webpage)

The use of sesame as an ingredient in the processing sector is growing and diversifying in variety (e.g. snacks, dressings, sauces, sprinkles, bread). The food service sector also uses sesame, for instance, fast food stores for hamburger buns. On the other hand, retail sales of 100 percent sesame products, such as roasted sesame and ground sesame, seem to be on a decline since a boom some years ago. Generally such products are placed in various sections (e.g. dried products, seasoning) in the store, but their selection was not large in the stores observed, and 'whole raw' sesame seeds seem to be available only at specialty stores. Sesame oil, which is the principal segment of processed sesame products, has not shown significant growth in recent years, either (see Table VII-5.4).

⁶⁰ Japan Customs Trade Statistics, 2001⁶¹ Japan Oilseed Processors Association (JOPA) <http://www.oil.or.jp/index.html>

Table VII-5.4: Imported and Domestically Processed Sesame Oil (Unit: 1 000 tonnes)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Imported	2	1	1	2	1	2	2	2	2	2	2	2
Domestically Processed	31	35	35	37	38	40	39	38	41	41	43	44

(Source: MAFF and MOF, from JOPA's webpage)

Organic sesame is imported mostly from China⁶². According to a major sesame processor in Japan, it is estimated that approximately 0.2 percent of the total sesame imports, or 300 tonnes, is organic⁶³. At present, according to the manager of a company exporting sesame in Guatemala, approximately 150 tonnes of Organic JAS sesame (raw, cleaned seeds) is exported from Central America (Guatemala) to Japan. This figure, however, seems very high, especially considering the small total quantity that is estimated by the Japanese company that handles organic sesame.

As is the case with other imported fresh products, the risk of disinfection treatments exists for organic sesame. For instance, one company, which imported 30 tonnes of organic sesame from Paraguay through a large importer in 2003, could not sell any portion of this import as organic due to borer damage during transport.

Among the 12 retailers surveyed, 4 carried organic sesame products. Because all of these stores were retailers that carry high quality and expensive food, these organic products were advertised as being high quality as much as being organic and safe. Their labels did not indicate the country of origin. This type of high quality food supermarkets may be an interesting target for certified sesame from Central America, as it usually implies higher prices. However, it must be taken into account that this small niche market demands specific qualities, such as superior flavour and special health benefits, to differentiate its products from average quality counterparts. Therefore, whether CA organic sesame can penetrate this niche market depends largely on product development and marketing.

Apart from directly exporting sesame from Central America to Japan, it would be possible for organic CA sesame to be exported to the United States as an ingredient for sesame oil, which then could be exported as a NOP (National Organic Program, i.e. the USDA organic standard) certified processed product to Japan. Since the NOP is approved by MAFF to be equivalent to the Organic JAS system, NOP certified products can be imported into Japan as organic without Organic JAS certification prior to export (see Section II-2). It must be noted, however, that the total quantity of imported sesame oil is very limited, as shown in Table VII-5.3. In 2002, imported sesame oil accounted for only 2 percent, or 2 000 tonnes, of the total sesame oil supply in Japan. Considering the limited size of the organic sesame market, it cannot be assumed that the sales of organic sesame oil would be substantial⁶⁴ or that it would grow dramatically in the future.

In summary, the organic sesame market is small, at approximately 0.2 percent of the entire sesame market, and most of this market consists of imported organic sesame from China. Should this market grow in the future, it is plausible to assume that, besides China, other major exporters of conventional sesame, such as Nigeria and Myanmar, would also join the market (although this cannot be confirmed).

Sesame is known for its health benefits, and thus, its demand is assumed to stay stable. However, the ways in which sesame is consumed seems to be changing in recent years, from 100 percent sesame products, such as roasted and ground sesame, to processed products with sesame as an ingredient, such as snacks, ice cream, sauce and dressing.

⁶² Sesame expert, personal communication, June 2004

⁶³ Sesame company, personal communication, June 2004

⁶⁴ For instance, if the proportion of organic sesame oil were to be equal to that of organic sesame as a whole, it would imply that only 0.2 percent of 2 000 tonnes, or 4 tonnes, of organic sesame oil was imported in 2002.

While there may be room for CA organic sesame in the Japanese market, it must come with some outstanding characteristics, such as superior quality or specific health benefits, to differentiate it from the Chinese sesame products that are already available in Japan, especially if its price cannot compete with those from China due to higher transportation costs. With regard to the smaller niche market for high quality products, while this market may be appealing to CA sesame suppliers, its demand is limited and its quality demand high. If sesame from Central America has some unique qualities to make it stand out from the rest, its success in the Japanese organic sesame market would depend on its product development, marketing and the collaboration of Japanese business partners.

VII-6. Other Products

Current trends of other products in the certified food market were evaluated by means of storefront observation and verification of the findings with various importers. The import trends of conventional products in the general market were also taken into account (see Table VII-6.1 in Appendix VII). Included in the observation were 12 retailers in the Tokyo metropolitan area: Department stores (Tamagawa Takashimaya, Queen's Chef Isetan Shinjuku store), Natural food stores (Natural House Aoyama store, Mother's Atago store), Consumer cooperatives (My Coop Minamisuna store) and supermarkets (AEON Kasai Nishi store, Ito Yokado Kiba store, Daiei Yokosuka store, Food Express Shiosaito store, Kinokuniya Aoyama store and Daimaru Peacock Aoyama store).

With regard to fruits, as shown in Table VII-6.2, most of the foreign Organic JAS fruits that are imported fresh are bananas, estimated at around 18 000 tonnes. Of the rest, an estimated amount of 2 000 tonnes mainly consist of kiwi fruits, lemons, grapefruits and oranges, one half of which is assumed to be fumigated at entry point, thus leaving a total of approximately 1 000 tonnes of fresh certified organic fruits (except bananas) to be sold in Japan. Fruits are also imported in the form of fruit concentrates. In 2002, 1 215 tonnes of foreign processed fruits were recorded to have been Organic JAS graded. The types of fruits included in this category of fruit concentrates are unknown. These concentrates are used primarily to make drinks and as processing ingredients.

Table VII-6.2: Organic JAS Graded⁶⁵ Imported Fruits and Fruit Concentrates (as of 2002)

Organic JAS Graded Fruits (t)		Organic JAS Graded Fruit Concentrates (t)	Import Quantity (t) (approx.)		Retail Quantity (t) (approx.)
28 050					
Fresh	Approx. 20 000	-	Banana	18 000	9 000
		-	Other#2	2 000	1 000
For Processing	Approx. 8 000	1 215#1	1 215		1 215

#1 It is assumed that fruits reduce by approximately 84 percent when processed into fruit concentrates.

#2 Includes organic kiwi fruit, lemon, grapefruit and orange.

(Source: Compiled by IFOAM Japan)

VII-6.1 Citrus

The imported citrus market in Japan is dominated mostly by the United States⁶⁶.

Grapefruit is the second most imported fresh fruit (16.7 percent) in Japan after bananas (55.1 percent) (see Graph VII-2.2 in Appendix VII). In 2002, the United States

⁶⁵ See Glossary for its definition.

⁶⁶ Most information on grapefruit, orange, and lemon in this section from the Food Science Information Center (<http://www.fsic.co.jp/>) and the Asociación Tucumana del Citrus (<http://www.atcitrusweb.com.ar>)

supplied 219 500 tonnes of grapefruit to Japan, which accounts for 75-80 percent of the Japanese grapefruit market. Among a few other smaller suppliers, South Africa has raised its market share, while Israel's declined. The total grapefruit imports remain unchanged in volume, but the value is on a decline.

The orange market in Japan is also supplied mostly by the United States, up to around 80 percent. However, the US supply of oranges was significantly lower in 1999 (46 000 tonnes) than in usual years (80 000-130 000 tonnes). Although the reduced supply from the United States was partly replaced mainly by supplies from Australia, Spain and Mexico, the total organic imports into Japan in 1999 was still lower than normal. Chile also joined the other suppliers in 1996, and especially since 1997, its exports have grown steadily, up to 5 000 tonnes in 2002 (market share = 4.7 percent). The overall import quantity of orange, however, has not grown in recent years. Although it returned from the low total of approximately 90 000 tonnes in 1999 back to 136 000 tonnes in 2000, it has not increased further, amounting to some 104 000 tonnes in 2002 (FAOSTAT).

The lemon market is also dominated by the United States, but its supply is on a steady decline since 1997. The US supply as of 2002 was 65 000 tonnes, accounting for 73 percent of the market. Chile entered the market in 1996, and it has already become the second largest supplier, with 15 000 tonnes (17 percent), followed by South Africa and Australia.

Exact quantities of imported Organic JAS citrus are not known. It is however evident that this market is small, given that the total import quantity of all fresh organic fruits except bananas sums up to only 2 000 tonnes prior to fumigation. Lemons, grapefruits and oranges are the main organic citrus products that are imported into Japan, and most of them come from the United States. As for any other imported fresh fruits, citrus fruits are also subject to plant quarantine inspection, and thus to the risk of fumigation at the port of entry. According to surveyed importers, rates at which imported citrus fruits are fumigated seem relatively high⁶⁷, implying that a large percentage of imported organic citrus lose their Organic JAS status before reaching the Japanese market.

Furthermore, many fruits from countries with Mediterranean fruit flies, as in Central America, are prohibited to enter Japan under the Plant Protection Law (MAFF Plant Protection Station, 30 January 2004, <http://www.pps.go.jp/english/law/list2.html>). Some countries, such as Argentina and Chile, have managed to negotiate with Japan to clear this ban, but this process requires tremendous efforts, negotiations and preparations. In order to lift the ban, these countries have had to install a system for cold treatment with strict control by governmental authorities. For example, citrus fruits have to undergo a cold treatment under the temperature of around 2.2 °C for 19 days⁶⁸. This treatment is difficult to manage without quality losses. Furthermore, the country of origin has to certify the beginning date of the cold treatment, among other information to confirm the reliability of their control system.

In sum, the Central American countries must first persuade Japan to lift its ban on imports of their fresh fruits before CA producers can consider exporting such products to Japan. This would be possible only if their production areas became free of Mediterranean fruit flies, through a mass eradication campaign such as that implemented in Mexico or by establishing a strict cold treatment and control system. When and if this difficult step is cleared, CA suppliers would have to compete with already established competitors, such as the United States, Australia, South Africa, Spain, Mexico and Chile.

VII-6.2 Pineapple

Japan is the third largest importer of fresh pineapples in the world, after the European Union and the United States. In 2003, the import quantity was 122 690 tonnes (JETRO World

⁶⁷ One major importer mentioned that up to 70-80 percent of imported organic citrus are fumigated, thus losing the Organic JAS label at entry point.

⁶⁸ Asociación Tucumana del Citrus. *Apertura del mercado japonés para los cítricos argentinos* <http://www.atcitrusweb.com.ar/atcitrus/japonoficial.htm>

Atlas). Pineapple is the third most imported fruit in volume [7.2 percent of fruit imports, after banana (55.1 percent) and grapefruit (16.7 percent)] (see Graph VII-2.2 in Appendix VII). Most of them are imported from the Philippines (120 482 tonnes), accounting for 98.2 percent of total imports (see Table VII-6.1 in Appendix VII). Following them, though at a distance, are Taiwan Province of China (860 tonnes) and China (596 tonnes). At present, pineapples are not imported from Central America.

Besides fresh pineapples, approximately 8 tonnes of dried pineapples were also imported, 4 tonnes of which was from Thailand and 3 tonnes from the Philippines (MAFF, October 2002). Other imported pineapple products are canned pineapple (51 000 tonnes in 2002, FAOSTAT) and single strength pineapple juice (952 tonnes in 2002, FAOSTAT).

At storefront, organic or other certified pineapples were not available from any country, suggesting that the certified pineapple market is open to new suppliers, including CA producers. However, it is easily imaginable that the already established pineapple exporting countries, such as the Philippines, would become readily available to supply certified organic pineapples as soon as they find such demand in the Japanese market. The Philippines has a large number of poor producers who cannot afford to buy any pesticides or chemical fertilizers and consequently produce pineapples without such inputs.

Similarly to any other fresh products, fresh organic pineapples face the risk of fumigation, and hence removal of the organic label, at entry point.

VII-6.3 Fresh Mango

Fresh mangoes are imported primarily from the Philippines, Mexico and Thailand. Domestic fresh mangoes are also available from the southern islands in Japan. However, none of the mangoes at the surveyed stores were organic or certified by any other systems.

Currently, fresh mangoes are not imported from Central America. Central America is included in the districts from which the import of mango is prohibited, because of the Mediterranean fruit fly, which is subject to quarantine in Japan (MAFF Plant Protection Station, 30 January 2004, <http://www.pps.go.jp/english/law/list2.html>)(see also Section I-3). In order to have such a ban lifted, a complicated procedure would be necessary, with numerous documents on storage facility investment and inspection records.

VII-6.4 Processed Fruit

Japan imports a substantial amount of processed fruits (e.g. frozen fruit, tropical fruit jam and jelly, etc.) from various countries, including Central America. More specifically, a total of approximately 66 000 tonnes of frozen fruits were imported into Japan in 2003, of which approximately 72 tonnes were from Central America (JETRO World Atlas). In terms of Organic JAS graded products, Japan imported a total of 1 215 tonnes of fruit concentrates in 2002 (see Table VII-6.2). As mentioned throughout the report, the need for ingredients for processing is generally on an increase. Although the quantity of processed fruits exported from Central America to Japan is very limited at present, and it has been declining in recent years, CA suppliers may be able to pursue ways to supply processed fruits as ingredients for domestic processing.

With regard to tropical fruit jams and jellies, Japan does not import any of these products from Central America. Surveyed retailers did not have any tropical fruit jams, except those of citrus fruits. Manature is one of the commonly known domestic organic jam makers. Their jams are made with strawberry, apricot, orange and blueberry, all of which are associated closely with Europe as their place of origin. Although some tropical jams are available (e.g. papaya and mango jams from Kenya, by goo Slow Life (online shop); Domestic Gava Island Orange jams by Fukudome (online shop), CA tropical fruits are not commonly associated with jams or jellies in Japan. Thus, the probability of them accessing this market seems slim.

VII-6.5 Fruit Juice

Japan imports fruit juices from Belize. The surveyed stores had a fair selection of tropical fruit juices, but only a few of the products had their places of origin explicitly labelled. One of such rare examples was Maruetsu's private brand commodities, "Belize Orange Juice," and "Belize Grapefruit Juice." The United States and the Philippines are the two major exporters of fruit juice ingredients, followed by South Africa, Thailand and Vietnam.

While conventional juices were available in a wide variety, including orange, grapefruit, pineapple, guava and mango, only one organic orange juice product (Takanashi Dairy) was available. Nonetheless, most of these products were advertised as '100 percent natural juice' or 'produced in natural farming methods', suggesting the interest in associating fruit juice with such images in this market. Therefore, organic tropical fruit juice are likely to succeed, should they be marketed as being healthy and of high quality, and if they can be supplied regularly in sufficient quantities.

VII-6.6 Natural Honey

CA currently does not export any natural honey to Japan.

At present, organic honey is not yet included in the scope of Organic JAS certification, and therefore, organic honey can be sold as organic without the Organic JAS label. The HMF⁶⁹ index accepted in Japan is 5.9 mg/100 g or less, which is significantly lower compared to 7 in Europe and 30 in the United States.

The surveyed retailers did not have any certified natural honey on display. At the stores with a relatively large selection of imported conventional products, a few were from South America. On the other hand, only a small number of domestic honey products were available as specialty products, at a price that was 30 to 50 percent higher than the imported ones.

While none of these honey products were certified, they were nonetheless advertised as 'natural food' or 'health product'. In this market, products with an emphasis on health-related images appear to have high marketability. One example is Manuka honey from New Zealand.

VII-6.7 Spices

The only spice imported from CA is cardamom from Guatemala, and the quantity is decreasing.

At storefront, only one retailer carried organic spices, and their selection was approximately one-third of the variety available for conventional spices, which was around 20. Considering that only one among 12 major retailers handles organic spices, it is believed that the general market does not have much interest in organic or other certified spices at present.

For spices in general, five major spice makers (i.e. S & B, House, McCormick, Mascot and Asaoka Spice KK) dominate most of the products available, except for some herbs. Although cardamom was also available from a few other companies, they were from India, Sri Lanka and United Republic of Tanzania only.

Import restrictions on some spices are detailed in Section I-3 and MAFF Plant Protection Station at <http://www.pps.go.jp/english/law/list2.html>, (30 January 2004).

⁶⁹ HMF= hydroxy-methyl-furfural; often used as an index of honey quality, such as freshness.

VIII: Conclusions and Recommendations for Central American Small-Scale Producers to Access the Japanese Market for Certified Agricultural Products

This report has provided an overview of the historical background and some of the key characteristics of the Japanese market for products that are certified as produced in socially and/or environmentally responsible manners. The discussion centred primarily on the organic market, as it is based on the most developed certification system in Japan today. The value of this market is estimated at ¥110 to 120 billion, and it is expected to grow relatively steadily in the coming years, albeit slowly.

VIII-1. Certified CA Products with Potential in the Japanese Market

Studies on certain selected products from Central America, which were described in Chapter VII, revealed that certified sugar, cocoa, fruit juice and honey have market potential in Japan. With regard to sugar, Central America (CA) is faced with a relatively poor evaluation of quality and consistency in quantity among Japanese operators, coupled with the difficulty of soaring shipping fees. However, if CA suppliers could solve these challenges, the organic sugar market, especially as an ingredient for processing, may offer new opportunities. CA suppliers could also consider the cocoa market, provided that they launch effective promotion campaigns to establish a good image for their products and the region as the origin of the criollo variety. Certification could be used as part of such promotional efforts.

Since Japan imports organic cocoa in the form of cocoa mass as an ingredient for processing, those cocoa producing countries which already have processing facilities have an advantage. Fruit juices may also have potential to penetrate the Japanese market, if they can be supplied in consistent and sufficient quantities. Moreover, honey could be another candidate, although the Organic JAS system currently does not include natural honey. CA suppliers might nonetheless be able to market their honey as a health food, taking advantage of the current health food boom in Japan.

On the other hand, the markets for certified coffee, banana, sesame, citrus, pineapple, mango, tropical fruit jam and jelly and spices do not seem to be easily accessible for CA suppliers. The Japanese coffee market is already well supplied and has well-established suppliers, making its access difficult for new comers. Although Central America already exports some certified coffee to Japan, their product is not generally well recognized by Japanese consumers. CA coffee suppliers would have to promote positive images of their product and pursue new and innovative ways to approach this market, for instance, through Internet auctions. The banana market is saturated and stagnant, and at present, there are no shipments of bananas from Central America to Japan. The organic sesame market is dominated by China, and many other Asian countries are also already established as suppliers of conventional sesame. While certified pineapples do not seem available in Japan yet and thus CA suppliers could attempt to initiate such supplies, it is likely that the Philippines, the dominant conventional pineapple supplier, would launch into the production of certified products as soon as such a market emerges. Tropical fruits from Central America are not associated with jams and jellies in Japan, and therefore, it does not seem likely for this market to offer easy access to CA suppliers. Lastly, the certified citrus market is very small and dominated by the United States.

Overall, Central America is at a disadvantage in competing with Asian suppliers of fresh fruits due to the long distance and high transportation costs. In order to access the Japanese market, CA suppliers would need to develop and market products that could compete with their well-established competitors, both in terms of price and quality. Moreover, Japan bans the importation of many types of fresh fruits (including some citrus) from Central America due to the Mediterranean fruit fly. Mango and some spices from Central America are

also subject to the import ban. In addition, fumigation at the port of entry is a serious risk for organically certified fresh fruits. In the case of Organic JAS certification, any product that is fumigated loses its Organic JAS status and label.

In general, regardless of the type of product, quality, quantity and delivery punctuality are key factors for success in international trade. In the case of food business, the supplier's ability to guarantee food quality becomes especially important.

VIII-2. Key Characteristics of the Japanese Market

The success of imported organic foods in the Japanese market also depends largely on the match between the product and the Japanese market characteristics, including ways in which distributors are organized, products are distributed (i.e. distribution channels) and product planning is handled. The importance of knowing how the Japanese market works and how Japanese operators function cannot be stressed enough. Three key characteristics of the Japanese market, namely the Teikei-style transactions, organic and other certifications and the food safety and reliability trend, are summarized below. It must also be reminded that the Japanese business culture differs from the western business culture. Relational expectations in business collaboration (e.g. respect, promises, consistency, punctuality, compromises, etc.) may often differ from those familiar to CA suppliers.

A notable characteristic of the Japanese food market is that it is diverse. In addition to traditional Japanese cuisines, there is a general openness to a variety of other diets, including Chinese, Western and multiethnic foods. The food industry is therefore diverse and competitive, and the quantity of imported ingredients and food products is substantial. Due to the economic depression, consumer spending has been reduced, and therefore, the food sector has been severely affected. Nonetheless, as repeatedly mentioned throughout the report, the overall trend toward food safety and reliability continues to gain force, and along with it, the prospects for growth of the organic and other certified product sectors. Because the domestic production of organic products is limited, the import of high quality organic foods is expected to increase significantly in the coming years. This expansion of the import organic market should offer opportunities for CA organic suppliers to access Japan.

VIII-2.1 Teikei-Style Transactions

The Japanese market for agricultural products that are produced in environmentally responsible manners began in the form of Teikei, small-scale and direct transactions between the producer and the consumer. Later this style of transaction expanded into a distribution system for delivering products directly from the production site (i.e. specialized distributors, consumer cooperatives). More recently since 2000, this market has developed rapidly in the context of continuous food incidents and scandals related to food safety and reliability. It has thus penetrated the general market, introducing the Teikei concept as a way to differentiate products from their conventional counterparts (e.g. disclosure of producer information and production history; direct contracting of production with producer associations).

This development has also extended beyond the borders. Specialized distributors and consumer cooperatives have begun to adopt the Teikei-style methods to international trade, namely Kokusai Sanchoku or international Teikei. Especially in trading with developing countries, Kokusai Sanchoku also emphasizes the importance of fair-trade. The Teikei methodology is believed to affect the international trade of certified products, along the concept of fair-trade.

When accessing the Japanese market, CA small-scale producers are advised not to focus only on fair-trade, but also to incorporate these principles of international Teikei into their production and supply systems. For example, it would be advisable for CA suppliers to supply products that are characteristic of the climatic conditions of Central America, while also addressing food safety and environmental concerns. They must use safety management

and environmentally friendly practices. Suppliers must also consider various factors that are specific to international trade. Such factors include import lot size, stable supply and transport cost, to name a few. It may be advantageous for small-scale producers to group themselves together and form a unified front for negotiation purposes. Furthermore, it is advisable to set up a system for the disclosure of their production history information, which is expected to become commonplace in the general market as well as in more specialized niche markets.

VIII-2.2 Organic and Other Certifications: Ingredient Supplies

Since the implementation of the revised JAS Law and the beginning of third party certification, imports of organic agricultural products and organic processed food products have increased. Especially, imported Organic JAS certified ingredients for processing have come to dominate the market, helped by their low prices and insufficient domestic supply. Organic soybeans and wheat, which are principal ingredients for Japanese traditional processed foods, including natto, tofu, soy sauce, miso and udon noodles, are mostly imported. From this perspective, processing ingredients that are characteristic of Central America, stable in supply, sufficient in quantity, and also low in price, would have potential for export to Japan. Additionally, products that are certified by programmes aiming at environmental preservation (e.g. Rainforest Alliance) and fair-trade, and which can be processed locally in Central America should be considered. Examples of such products are fruit juices and cocoa mass.

VIII-2.3 Food Safety and Reliability: Japanese Distributor Trends

In the organic JAS system, the organic production method is guaranteed by third party certification. The Organic JAS mark allows consumers to recognize organic foods easily. For these reasons, Japanese retailers are beginning to handle Organic JAS products more actively as part of their efforts to respond to the heightened consumer interest in food safety. Nevertheless, the fact remains that the share of domestic Organic JAS products in the food market is only 0.15 percent. Considering various constraints of domestic organic supplies, such as small quantities, high prices and instability in supply, the general consensus among surveyed retailers is that the market share of organic products should not increase dramatically.

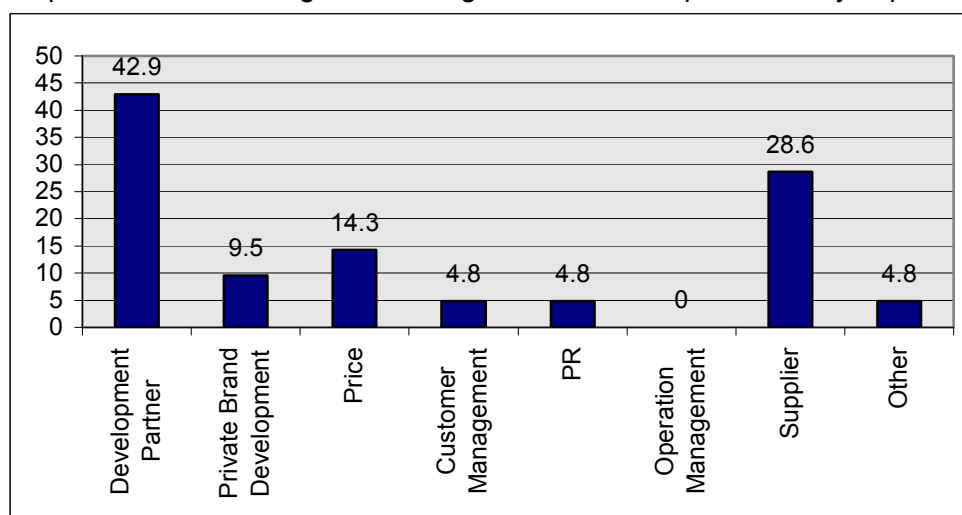
In a wider perspective, however, the market for safe and reliable foods is forecast to become significant in the future, most particularly in association with large corporations' branding schemes. The driving forces behind this growth are various initiatives to satisfy consumer demand for food safety and reliability. The administrative reforms and legal revisions to enhance environmental preservation and food safety efforts, the establishments of traceability and information disclosure systems, and the encouragement of practices to reduce the use of pesticides and chemical fertilizers, are examples of such measures.

In this context, products that are produced in socially and/or environmentally responsible manners are divided into five groups: (1) products with the guarantee of quality by means of third party certification, such as organic; (2) foods produced according to national level guidelines, such as specially grown agricultural products; (3) foods produced in accordance with prefecture level production standards and operation guidelines; (4) products certified by international systems, such as FLO and Rainforest Alliance, although they are not yet well recognized in Japan; and (5) foods that are produced according to private production standards and management systems that are implemented voluntarily by distributors (e.g. retailers, specialized distributors, processors). In the case of (5), such distributors often carry out scheduled auditing of their producers and business partners. System certifications, such as ISO14001, ISO9001 and HACCP, are promoted to ensure the reliability of such private management systems. In addition, ISO22000 (Food Safety Management Systems) is expected with much interest to serve as a system to manage HACCP. MAFF also is encouraging the incorporation of the Japanese version of GAP, namely, A Guide to the

Phytopsanitary Management of Fresh Vegetables, which was developed by the Japan Greenhouse Horticulture Association (2003). The National Federation of Agricultural Cooperative Associations Japan (JA-Zen-noh) has developed the Zen-noh Reliability System and is in the process of spreading it nationwide.

Prior to accessing the Japanese market, it is crucial to study these systems of food safety and reliability among distributors. Examples of key points to consider when searching for Japanese business partners are: what type(s) of product and transaction standards the Japanese operator uses and what kind of management methods it requires. Exporters must adjust their operation depending on the standards that their Japanese partner uses. It is also important to keep in mind that, as shown in Graph VIII-2.1, Japanese retailers perceive that one of the challenges in participating in the organic market is finding business partners for product development, as well as suppliers, who could provide them with products that qualify for their standards. With these factors in mind, foreign exporters should initiate contact proactively by providing information that is appropriate for Japanese distributors' needs and interests.

Graph VIII-2.1: Challenges in the organic market, as perceived by Japanese retailers



(IFOAM Japan, 2003)

VIII-3. Export Strategies: Recommendations for CA Suppliers

While organic foods are expected to become more widely distributed in the coming years, and the imports of high quality products are expected to increase, it must be emphasized that products cannot succeed only because they are certified or labelled with the Organic JAS mark. Numerous domestic organic products have failed because they relied solely on the certification while underestimating the importance of marketing strategies. Imported certified products are not exempt from the challenges of effective product development and marketing.

Some of the key factors with regard to the import of food products are summarized below:

VIII-3.1 Choosing the Type of Supply

(a) Supplying Ingredients for Processing

(e.g. coffee green beans, cocoa beans, pulse, etc.)

Final buyers of ingredients are either processors, who use these ingredients to make their own brand products, or retailers (e.g. major supermarkets, specialized retailers), who subcontract a processor to process and sell the final products under their brand names. These brand owners have the final authority to decide about basic conditions for the product, such as its place of origin, quality, price, quantity and delivery punctuality. However, in reality, especially in the case of Central and South America, most of these processors (or retailers) rely on Japanese importers to take care of the import procedures. In other words, importers handle the actual procedures (e.g. business negotiations, contracting, booking of freight, checking of shipments, payments, inquiries, handling of complaints) that are involved in the trade, as well as risks, such as dealing with exchange fluctuations and handling unfulfilled contracts. (Note: exceptions are with the United States, Australia, New Zealand and China, in which cases direct trading by processors and retailers are becoming more common.) Although CA exporters normally deal only with Japanese importers, it is important to communicate directly with processors and/or retailers. These retailers make important decisions regarding products at the time of their annual planning, or in some cases, their biannual planning. Exporters are therefore advised to keep this calendar in mind when making business negotiations with these buyers.

(b) Supplying Products for Retail

(e.g. fruits, pre-packaged commodities, etc.)

Japanese consumers are strongly interested not only in the quality of the product, but also in images of its place of origin, the way it is packaged and the quality of its design. Their tastes are also quite distinct from those of European and North American consumers.

From this perspective, Central America unfortunately lacks a strong image as a place of origin in the minds of Japanese consumers. In Japan, the image of a product seems to have a greater impact on consumers when it is connected with its place of origin. For instance, Australia's images, including its nature, the Southern Cross and cows raised on big ranches, are associated with images of health and nature. Italy's ancient culture, delicious Italian cuisine and olives are connected with beauty. The United Kingdom (England) is known for tea that is blended and packaged in a stylish fashion, and it thus invites the image of tradition in one's mind.

In order to appeal to Japanese consumers, it is essential to invest into promotional activities. For example, one supermarket carried out a weeklong campaign (i.e. campaign girls introduced the product, and a special price was set during this period.) to promote mangoes from Mexico, in order to make the product known by their customers. As part of the business agreement, the exporter assumed the responsibility to cover the cost in this case. While this is an example with a supermarket, department stores, membership-based distributors (including consumer coops), gift product suppliers and Internet retailers also engage in similar promotional activities.

(c) Importance of Quality Management

In addition to the conditions that were discussed in (a) and (b) above, in either case, it is very important that producers and processors in the exporting country have an ongoing and stringent quality management system set up. One of the biggest problems with imports from developing countries is that the first shipment of products sometimes differs in quality from the sample, on which the business was agreed upon. Even when the quality may be the same, if alien substances, such as dust and sand, are mixed in, or if the count of bacteria is

significantly higher than that in the sample, the product is inspected very carefully and it may be rejected as a substandard quality item.

Ongoing transactions, which are already established, are not exempt from this risk. It must be reminded that, once such a mistake occurs in quality management, exporters can lose their credibility, and thereby all of their efforts over the years may have to end in vain.

VIII-3.2 Export of Organic and Other Certified Products

With the single exception of organic coffee, CA certified products are not very well recognized in Japan. In order to develop and promote other certified products from Central America, the governments in the region, as well as other relevant authorities, need to provide direct support or a certain level of subsidiary assistance. Such efforts should include the development of strong images that could be associated with CA products, as well as effective promotions of such images to Japanese distributors and consumers. In the case of coffee, although Japanese coffee suppliers know that the CA product is high quality Arabica coffee, general consumers are ignorant of this fact. CA coffee exporters need to take the initiative to motivate their Japanese business partners to help promote positive images of the region along with the product.

The Japanese food market is already saturated. Therefore, it is difficult to motivate suppliers and consumers to consider any new product simply because of it being certified organic. In addition to product strategies that were discussed above, CA exporters should take into account various social factors, whose importance is expected to continue to increase. Examples of such factors are food safety, environmental preservation and social justice (e.g. fair-trade). It is therefore recommended that CA organic operators obtain certifications available locally (e.g. fair-trade, Rainforest Alliance (SAN), Bird Friendly) as well as some quality management certifications (e.g. ISO). They should actively promote such certified products in Japan, using effective marketing strategies, which would match the styles of business that are respected in Japan. It should be noted that Japanese people respect business efforts that are based on a long-term vision into the future.

For example, in recent years, the Japanese are particularly concerned about their health. Motivated by this trend, there exist a number of successful cases with organic certified agricultural products that are known to be good for health. Agaricus from Brazil, Noni drink from the South Seas and Rooibos drink from South Africa are such examples. Should traditional products of a similar nature exist in Central America, it may be worth investigating the possibility of certifying them as organic in order to market them as health food products.

(a) Distribution Strategies

In order to fully take advantage of any characteristics that could be added to CA certified products, it is advisable to select distribution channels that provide services to consumers who understand such values, including certification, local specialty, health benefits, etc. Some examples of such channels are:

- Wholesalers specialized in supplying health food retailers;
- Consumer cooperatives, importers and wholesalers who supply them; and
- Teikei-style membership-based groups and importers and wholesalers who supply them.

(b) Stability and Medium to Long-term Business Transactions

According to the surveys presented in this report, CA certified products are expensive items. These organic and environmentally friendly agricultural products and processed foods are therefore not for mass consumption, unlike soybean, wheat and corn. Thus, CA suppliers should promote their products as being small in quantity but high in quality, and market them effectively.

In addition, CA suppliers should form medium to long-term business partnerships with Japanese operators in order to stabilize and steadily expand their trade with Japan. Product quality, quantity and price are of core importance for Japanese importers and domestic distributors, as well as for exporters. CA suppliers therefore are advised to form steady business relationships with Japanese partners, with whom they can agree on product quality, quantity, price and delivery punctuality.

VIII-4. Recommendations for Central American Governments, Agriculture-related Authorities and International Development Aid Agencies

Thus far, the volume of CA food exports to Japan has been small, and the range of products has been limited. Little communication exists between Japan and Central America, both in terms of business and cultural contacts. It has become clear through this study that the amount of information from either side is extremely limited compared to that in relation to other regions. Therefore, there is a need for suppliers, the governments, as well as other relevant authorities in Central America, to obtain more information on Japan and to collaborate with Japanese authorities and relevant organizations to enhance their relationships.

VIII-4.1 Recommended Initial Assistance

(a) Send Study Teams to Japan

It is recommended to send study teams to Japan as soon as possible, in order for them to first-handedly learn about the Japanese retail market and to observe and study Japanese operators' various efforts to ensure food safety and to enhance operational management (i.e. production, processing, retail, etc.).

For example, certain events, such as Bio Fach Japan and FOODEX, offer opportunities for study teams to participate, gather information and communicate with a wide variety of operators.

(b) Organize Local Seminars for CA suppliers

It would be useful to offer local seminars to disseminate information on exports to Japan, the Organic JAS system, various system certifications (e.g. ISO's 9001, 14001 and 22000), etc. For such purposes, Japanese guest lecturers could be arranged with IFOAM Japan.

(c) Arrange for Japanese Study Teams to Visit Central America

It would be advisable to seek collaboration from Japanese organizations, such as JETRO and IFOAM Japan, to arrange study teams from Japan to visit Central America to investigate possibilities for product development. see (a) of Section VIII-4.2 below for more information on JETRO.

(d) Set up a collaborative committee for the development of export strategies to access the Japanese market

It would be recommendable for the CA countries to collaborate in developing product and marketing strategies, as well as to approach intergovernmental negotiations together. It may also be useful to form a joint committee of various interested parties, including the CA countries, Japan and international aid agencies.

(e) Take Measures to Resolve Immediate Export Constraints for CA countries

Studies should be organized to deal with immediate export constraints that CA suppliers face. Some examples of issues to be investigated and resolved are:

- Ways to reduce transportation costs and duration for small quantity products (This would require the establishment of cooperation among local suppliers and exporters.);
- Ways to reduce import obstacles for organic or other certified fresh products (e.g. import bans and restrictions, fumigation risks, etc.); and
- Ways in which to lessen the financial burden on small-scale producers and producer associations to participate in the Organic JAS system. The next section on Japan's public assistance measures should provide useful information on this issue.

VIII-4.2 Japan's Public Assistance Measures**(a) JETRO**

JETRO is Japan's trade and investment promotion organization. It has a department that assists developing countries in exporting products with market potential to Japan. Their work includes exports of food, including organic products.

From 2001 through 2004, JETRO carried out a programme to promote the organic food sector in South America. During this programme, they conducted site visits in the region, introduced products from South America at various trade fairs in Japan, including Bio Fach Japan⁷⁰, and offered training on the Organic JAS system for country representatives from the region. At Bio Fach Japan 2002, around 300 items from nine South American countries were exhibited. All of the samples were organic products that were certified as such either in Europe, United States and /or South America. The exhibited products included: processed fruit and vegetable products (e.g. jam, dried fruit, juice, heart of palm), herbs (e.g. stevia), grains and processed grains (e.g. sesame, cereal, corn, rice pasta), sugar, sugar cane syrup, mate tea, green coffee beans, oil (e.g. olive oil, sunflower oil, palm oil, nut oil), honey, pulse, wine, liquor and many other processed foods (e.g. vinegar, agaricus, maca powder, supplements). This exhibit attracted the attention of many Japanese food operators, and in addition, JETRO offered a seminar to introduce the current organic food situation in South America to Japanese companies.

JETRO is considering organizing a similar programme for Central America sometime after April 2005. In preparation for this plan, they conducted a study in six Central American countries in 2004.

(b) Grants through Japanese Embassies

In general, Japan's ODA⁷¹ procedures are time consuming and complex, and these initiatives do not include any specific programme to promote the access of certified agricultural products to the Japanese market. However, there is an option of 'small grants' through Japanese embassies, which are authorized to operate this programme (i.e. the embassies process applications, make the final decision, and grant the fund to accepted applicants).

⁷⁰ Bio Fach Japan is the only organic food fair in Japan. It is sponsored by Nuremberg Global Fairs, with special collaboration from IFOAM and IFOAM Japan. Web information on Biofach is available at <http://www.abc-language-media-tradefairs.jp.com/BioFach2004/EnglishIndex.html>

⁷¹ ODA = Official Development Assistance <http://www.mofa.go.jp/policy/oda/index.html>

This programme provides grants, not loans, and thus does not require beneficiaries to return funds that they receive. According to Japan's ODA's webpage, this programme is defined as follows:

Grass-root and human security grant:

This programme is for Japan, with Japanese embassies in charge, to provide grants for relatively small-scale projects that are carried out locally by regional governments and educational and medical agencies in developing countries, as well as NGOs working in developing countries.

(<http://www.mofa.go.jp/mofaj/gaiko/oda/>)

Actual procedures and projects that would be applicable to this programme depend on the Japanese embassies in the respective countries. This programme in the CA countries should be explored, as it may offer funding possibilities in cases where NGOs collaborate with producers and/or processors to work toward a certain development goal, such as to promote organic agriculture in a particular region.

VIII-4.3 Longer-term Tasks

Once trade is established between Central American suppliers and Japanese importers/distributors, it needs to be maintained through ongoing market monitoring and modifications to export strategies. Developments in Japan's international trade policy, especially with regard to those countries whose exports compete with those of Central America, must be watched closely. For example, Mexico and Japan recently signed an economic partnership agreement (EPA), which is to be implemented in the Spring of 2005. The EPA includes a free trade agreement (FTA). Although, initially, the FTA will only be applied to pork, orange juice, beef, chicken and fresh orange, it is expected that the customs tax will also be gradually eliminated for other products, including frozen vegetables, fresh fruits (e.g. grapefruit), juices (e.g. lemon, grape), mixed vegetable juices, coffee beans (roasted) and processed fruits (e.g. fruit in syrup, but dried fruits are not included) in the coming years. In addition to this agreement with Mexico, the Japanese Government is attempting to form EPAs with its neighbouring Asian countries. Any strategy to promote the exports of Central American certified food products to Japan should take these developments into account.

References

1. Government Authorities Related to Food Labelling and Importation

- Cabinet Office's Food Safety Commission
<http://www8.cao.go.jp/shokuhin/sonota/pamphlet-en.html>
- IAA Center for Food Quality, Labelling and Consumer Services
<http://www.cfqlcs.go.jp/>
- Japan Customs http://www.customs.go.jp/index_e.htm
 Detailed rules on tariffs, in Japanese
 (<http://www.customs.go.jp/news/tariff2004/index.htm>)
- Japan External Trade Organization (JETRO) <http://www.jetro.go.jp/>
- Ministry of Agriculture, Forestry and Fisheries (MAFF)
<http://www.maff.go.jp/eindex.html>
 MAFF How to export organic food to Japan
 (http://www.maff.go.jp/soshiki/syokuhin/hinshitu/organic/eng_yuki_how.pdf)
 Plant Protection Station, the (<http://www.pps.go.jp/english/index.html>)
- Ministry of Health, Labour and Welfare (MHLW) <http://www.mhlw.go.jp/english/>
 MHLW: Imported Foods Inspection Services
 (<http://www.mhlw.go.jp/english/topics/importedfoods/index.html>)
- Ministry of Internal Affairs and Communications (MIAC)
<http://www.soumu.go.jp/english/>

2. Laws and Regulations

- Agricultural Basic Law
 Sustainable Farming Law
 Basic Law for Establishing a Recycling-based Society.
<http://www.env.go.jp/recycle/circul/kihonho/law-e.html>
- Food Recycling Law <http://law.e-gov.go.jp/htmldata/H12/H12HO116.html>
- Law on Recycling of Stockbreeding
- Food Safety Basic Law (http://www8.cao.go.jp/shokuhin/sonota/fsb_law160330.pdf)
 Law for Preventing Unjustifiable Lagniappes and Misleading Representation
 Poultry Law
 Slaughterhouse Law
 Health Promotion Law
 Food Sanitation Law (http://www.jetro.go.jp/se/export_to_japan/files/oto/o-22.html)
 Law for Special Measures for Controlling Bovine Spongiform Encephalopathy
 HACCP Support Law (http://www.maff.go.jp/sogo_shokuryo/haccp_hp/index.htm)
 Beef Traceability Law
 Pesticide Control Law
 Fertilizer Control Law
 Feed Safety Law
 Animal Infection Prevention Law
- JAS Law (http://www.maff.go.jp/soshiki/syokuhin/hinshitu/organic/eng_yuki_top.htm)
- Japan External Trade Organization (JETRO)
 Flavouring agents as food additives (JETRO, August, 2003)
 (<http://www3.jetro.go.jp/se/j/jousa/kikaku/jpbook/index.html>)
 Guide to the JAS System for Agricultural and Forest Products (JETRO, March, 2004)
 (<http://www3.jetro.go.jp/se/j/jousa/kikaku/jpbook/index.html>)
 Guidelines for the Labelling of Specially Grown Agricultural Products

- (<http://www.jasnet.or.jp/jigyuu/tokusai/tokusai/gaidorainE.pdf>)
Handbook for Agricultural and Fishery Products Import Regulations (JETRO, March, 2004) (<http://www3.jetro.go.jp/se/j/jousa/kikaku/jpbook/index.html>)
Overview of Plant Quarantine in Japan, the (JETRO, April, 2003) (<http://www3.jetro.go.jp/se/j/jousa/kikaku/jpbook/index.html>)
Specifications and Standards for Foods, Food Additives, etc. Under the Food Sanitation Law (JETRO, January, 2003) (<http://www3.jetro.go.jp/se/j/jousa/kikaku/jpbook/index.html>)

3. Organic JAS and Fair Trade Organizations

Organic JAS certified importers, subdividers and manufacturers/processors are listed in the following tables. Types of products that are handled by these operators vary constantly, with an exception of the last category of operators, i.e. manufacturers/processors. Such information is therefore not included in the lists.

Table-3.1: Organic JAS Certified Importers #

Name	Address	TEL	Email URL
AIC INC.	Shinkawa East Bldg. 23-5, 1-Chome, Shin-kawa, Chuo-Ku, Tokyo, Japan	03-5541-2060	webmaster@aicingjp.com http://www.aicingjp.com/
Alishan Pty. Ltd.	185-2 Komahongo, Hidaka Shi, Saitama ken,	0429-82-4811	fenguj@gol.com http://www.alishan-organic-center.com/jp/
Alter Trade Japan, Inc.	Sunrise Shinjuku Bldg. 3F, 2-4-15 Okubo, Shinjuku-ku, Tokyo, Japan	03-5273-8163	info@altertrade.co.jp http://www.sbpark.com/atjhp/atjhp1.html
Bee Tree Market	5-3-11, Yakumo, Meguro-ku, Tokyo, Japan	03-3724-7703	Info@beetree.co.jp http://www.beetree.co.jp/
Beijing Trading Co., Ltd.	NTA Nihombashi bldg. 6F, 3-1-2, Chuo-ku, Tokyo, Japan	03-5204-2380	wwwadmin@brooks.co.jp http://www.brooks.co.jp/index.php
BROOKS Co., Ltd. , Japan	4-54-6, Utsukushigaoka, Aoba-ku, Sokohama-shi, Kanagawa, Japan	045-902-3211	
Buyou-shokuhin.co.ltd	Shin-Kokusai bldg. 3-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan	03-3211-4831	http://www.buyou.co.jp/
Cargill Japan Limited	3-2-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	03-3285-0870	
Century Trading Company	Hakuou bldg. 4F, 5-17-11, Shinjuku, Shinjuku-ku, Tokyo, Japan	03-3208-5881	
COSMOS FOODS COMPANY	5-14-22 Nishinakajima, Yodogawa-ku, Osaka, Japan	06-6309-1141	CONTACT@COSMOSFOODS.CO.JP http://www.cosmosfoods.co.jp/
Daabon Organic Japan Co., Ltd.	2F Nishi-Gotanda Sign Tower Bldg., 1-33-10 Nishi-Gotanda, Shinagawa-ku, Tokyo, 141-0031, Japan	03-3494-6224	info@boteroshop.com http://www.boteroshop.com/home.php
Dai-ichi Doffe Co., Ltd.	3-10-1, Higashi-azabu Minatoku, Tokyo. Japan	03-3583-4571	http://www.daimarukogyo.co.jp/
Daimaru Kogyo., Ltd.	3-6-1, Kita-kyuhojimachi, Chuo-ku, Osaka, Japan	06-6244-6653	
DAIZU YURYO Co., Ltd.	3-19-1, Honmachi, Hyogo-ku, Kobe, Japan	078-671-1531	info@kobe-cci.or.jp http://www.daiyu-kobe.jp/
DHC Corporation	2-7-1, Minami-azabu, Minato-ku, Tokyo, Japan	03-3457-5311	info@dhc.co.jp http://www.dhc.co.jp/kaisha/profile/index.html
Earth & Life	1-15-14, Shintomicho, Chuo-ku, Tokyo, Japan	03-3297-3456	http://www.earthandlife.co.jp/5.html http://www.earthandlife.co.jp/
EI Thank Japon Co., Ltd.	1-4-4, Momoi, Suginami-ku, Tokyo, Japan	03-5382-7500	linas-u@ans.co.jp http://www.ans.co.jp/u/linas/index.htm

Table-3.1: Organic JAS Certified Importers #

Name	Address	TEL	Email URL
Fair Trade Company	2-6-29, Jiyugaoka, Meguro-ku, Tokyo, Japan	03-5731-6671	gv@globalvillage.or.jp http://www.peopletree.co.jp/
Farmland Trading Ltd.	Lex bldg. 6-16-8, Shimbashi, Minato-ku, Tokyo, Japan	03-3431-4129	
Gomeishoji Kaisha Ltd.	Gomei bldg. 1-11-6, Hachchoubori, Chuo-ku, Tokyo, Japan	03-3553-5025	
HIRO INTERNATIONAL CO., LTD.	Kearny Place Shibuya 3F, 2-16-5 Shibuya, Shibuya-ku, Tokyo, Japan	03-3406-1091 03-3406-1880	http://www.nikkei.co.jp/events/shizen/detail1033007481.html
Howa Shoji Co., Ltd.	Hagoromo bldg. 6F, 1-5-2 Hachchoubori, Chuo-ku, Tokyo, Japan	03-3297-0571	
HYPER PLANTS Co., Ltd.	3-4-9-303, Mita, Minato-ku, Tokyo, Japan	03-5789-2930	http://www.hyperplants.co.jp/
Interpac Corporation	1-23-6, Sekiguchi, Bunkyo-ku, Tokyo, Japan	03-5228-6731	
Ishida Foods Corporation	1459-7, Higashiakasaka, Yasuba, Mie, Japan	0595-39-0946	
ITOCHEU Corporation.	5-1, Kita-Aoyama 2-chome Minato-ku, Tokyo 107-8077, Japan		http://www.itochu.co.jp/main/
J.C.Planning Inc.	1-23-21, Omori-kita, Ota-ku, Tokyo, Japan	03-5493-0211	webmaster@org-jc.com http://www.org-jc.com/
KANEMATSU CORPORATION	1-2-1, Shibaura, Minato-ku, Tokyo, Japan	03-5440-8111	http://kgbiz.bento.ne.jp/mail/index.html http://www.kanematsu.co.jp/
KIRIN INTERNATIONAL TRADING INC.	6-26-1, Zinguumae, Shibuya-ku, Tokyo, Japan	03-3407-0541	http://www.kirin.co.jp/company/news/06/e/970828.html
KOKUBU & CO., LTD.	1-1-1, Nihonbashi, Chuo-ku, Tokyo, Japan	03-3276-4000	koho@kpost.kokubu.co.jp http://www.kokubu.co.jp/
Marubeni Corporation	4-2, Ohtemachi 1-chome, Chiyoda-ku, Tokyo, Japan	03-3282-2111	http://www.marubeni.co.jp/
Marugen FPJ, Co., Ltd	4-7-8, Tachibana, Sumida-ku, Tokyo, Japan	03-3617-0121	info@marugen.com http://www.marugen.com/profile/p_04_01.html
Master Foods Ltd	1-403, Kosugimachi, Nakahara-ku, Kawasaki-shi, Kanagawa, Japan	044-712-1122	http://www.masterfoods.co.jp/index.html
Mauna West Co., Ltd.	4-21-7, Shimokodanaka, Nakahara-ku, Kawasaki-shi, Kanagawa, Japan	044-752-7075	nishimoto@maunanoni.com http://www.maunanoni.com/
Meiji Trading Corporation	1-1, Kyobashi 3-chome, Chuo-ku, Tokyo, 104-0031 Japan	81-3-3273-0291, 0285	q_meisho@meiji.co.jp http://www.meiji-trading.co.jp/index.html
Minato Shokai Co., Ltd.	1-5-30, Azabu-Juban, Minato-ku, Tokyo, Japan	03-5413-2048	minato_master@blueflag.co.jp http://www.blueflag.co.jp/minato_hp/minato_toia_wase.htm
MITOKU CO., LTD	Sunshine bldg. 5-31-10, Shiba, Minato-ku, Tokyo, Japan	03-5444-6701	export@mitoku.co.jp
Mitsubishi Corporation	Mitsubishi Shoji Building, 6-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	03-3210-2121	http://www.mitsubishicorp.com/jp/contact/index.html
Mitsui & Co., Ltd.	2-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo, Japan	03-3285-1111	http://www.mitsubishicorp.com/jp/index.html
Monte Bussan K.K.	Aoyama Oval Building, 5-52-2, Jingumae, Shibuya-ku, Tokyo, Japan	03-5466-4509	http://www.mitsui.co.jp/TKabz/contact/food.html http://www.mitsui.co.jp/ mbwebmaster@montebussan.co.jp http://www.montebussan.co.jp/

Table-3.1: Organic JAS Certified Importers #

Name	Address	TEL	Email URL
Muso Co., Ltd.	3-7-22, Nishitemma, Kita-ku, Osaka, Japan	06-6316-6016	info@muso-intl.co.jp http://www.muso-intl.co.jp/
N. A. Japan co., ltd.	4-13-3 Motomachidori, Chuo-ku, Koube-shi, Hyogo, Japan	078-371-3220	contact@nbkk.co.jp http://www.nbkk.co.jp/
Nichifutsu Boeki Corporation	DF Building, 2-2-8 Minami-Aoyama, Minato-ku, Tokyo, Japan		webnsh.tyo@dksh.com http://www.nshkk.co.jp/index.htm
Nihon SiberHegner K.K.	SiberHegner Mita Bldg. 4-19, Mita 3-chome, Minato-ku, Tokyo, Japan		http://www.nihonseima.co.jp/ sales@delmonte.co.jp
Nihonseima Co., Ltd.	3-1-8 Agatsuma-dori, Chuo-ku, Hyougo, Japan	078-332-8251	
NIPPON DEL MONTE CORPORATION	4-13, Nihonbashi Koamicho, Chuo-Ku, Tokyo, Japan	03-3669-2877	
Nippon Olive Co., Ltd	3911-10, Oku-gun, Ushimado, Okayama, Japan	0869-34-9111	info@nippon-olive.co.jp http://www.nippon-olive.co.jp/
NISIMOTO TRADING CO., LTD.	Tatsumi Sannomiya bldg. 8F, 4-1-38, Isobedori, Chuo-ku, Kobe-shi, Hyogo, Japan	078-230-0111	ntcinfo@ntcld.com http://www.ntcld.com/ntc/
Nisshin Shokai Co., Ltd.	43-92 Hiraidekougyoudanchi, Utsunomiya-shi, Tochigi, Japan	028-660-3911	
Nisshin Trading Co., Ltd.	1-37-4, Nishi-azabu, Minato-ku, Tokyo, Japan	03-5785-3920	
Nissho Iwai Foods Corporation	17-16 Nihonbashi-Koamicho, Chuo-ku, Tokyo, Japan	03-5641-4050	http://www.e-nif.co.jp/trade/mail/index.html http://www.e-nif.co.jp/nifco/index.html
NISSHOKU CO., LTD	9-10, Nozaki-cho, Kita-ku, Osaka-shi, Osaka, Japan	06-6313-1341	http://www.nisshoku-foods.co.jp/index.html
NN Chemical Corporation	1-3-7, Tosabori, Nishi-ku, Osaka-shi, Osaka, Japan	06-6459-2200	
Nova	3-3, Nakamaru, Kitamoto-shi, Saitama, Japan	048-592-6491	http://www.nova-organic.co.jp/hovam.html
Okura Agri Co., Ltd.	G-1 bldg. 3F, 1-3-3, Ginza, Chuo-ku, Tokyo, Japan	03-5159-0100	
ONENESS Co., Ltd.	1-1-1 Hotarugaoka Nankoku-City Kochi, Japan	81 88-880-8800	info@oneness.ne.jp http://server3.oneness-net.com/~onejp/open_contents/index.html
Oyama Company Limited	Dentsu Kobe bldg. 74, Chuo-ku, Kobe-shi, Hyogo, Japan	078-331-9450	info4@oyama-company.co.jp http://www.oyama-web.com/guide4/
Plus S Corporation	Nishinon-building 6F, 1-10-17, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka, Japan	092-731-8152	fax 092-731-8155
Primer Japan k.k.	1-9-12, Irfune, Chuo-ku, Tokyo, Japan.	03-5117-2661	
Ryokokushoji Co., Ltd.	5-7-5, Shoukou Center, Nishi-ku, Hiroshima-shi, Hiroshima, Japan	082-277-6455	
S.ISHIMITSU & CO., LTD.	4-40, Iwaya Minami-machi, Nada-ku, Kobe, Japan	078-861-7791	http://www.ishimitsu.co.jp/
SAIWAI TRADING CO., Ltd.	Higashi-Kayabacho Yuraku bldg. 4F, 1-17-25, Shinkawa, Chuo-ku, Tokyo, Japan	03-5543-2461	info@saiwai.co.jp http://www.saiwai-web.jp/
SAKURAI FOODS Co., Ltd.	343, Kamonocho Takanosu, Minokamo-shi, Gifu, Japan	0574-54-2251	info@sakurairfoods.com http://www.sakurairfoods.com/
Sansiro Corporation	3-7-7, Nihonbashi, Chuo-ku, Tokyo, Japan	03-3275-3232	

Table-3.1: Organic JAS Certified Importers #

Name	Address	TEL	Email URL
Sanyo Food Products Co., Ltd	1-13-14, Matsushimachou, Takamatsu-shi, Kagawa, Japan		grmt@so-food.com http://www.so-food.co.jp/
SC FOODS Co., Ltd.	Sumishokurita bldg. 3-24-1, Kandianishikichou, Chiyoda-ku, Tokyo, Japan	03-5405-8001	sumisyoku@scfoods.co.jp http://www.scfoods.co.jp/
Sojitz Corporation	Mita NN Building, 1-23, Shiba 4-chome, Minato-ku, Tokyo 108-8405, Japan	03-5446-1111	http://www.sojitz.com/index.html
SUMIFRU CORPORATION	Shinseikan bldg. 2F, 4-9-25, Hongou, Bunkyo-ku, Tokyo, Japan	03-5805-0580	http://www.sumifru.co.jp/contact/index.php http://www.sumifru.co.jp/
Sumitomo Corporation	Harumi Island Triton Square Office Tower Y 8-11 Harumi 1-chome, Chuo-ku, Tokyo, Japan	03-5166-5000	http://www.sumitomocorp.co.jp/english/inquiry_e/info_e.shtml http://www.sumitomocorp.co.jp/
Takanabe Shoji & Co., Ltd.	6-2-20, Ebie, Fukushima-ku, Osaka-shi, Osaka, Japan	06-6451-7616	
Tennensozai Co., Ltd.	10834-60, Nishihama, Saeki-shi, Oita, Japan	0972-22-4151	
Toho Bussan Kaisha, Ltd.	2-4-1, Shibakouenn, Minato-ku, Tokyo, Japan	03-3438-5711	
TOKUOKA CO., LTD	3-5-26, Minami-semba, Chuo-ku, Osaka-shi, Osaka, Japan	06-6251-4560	jinji@tokuoka.co.jp http://www.tokuoka.co.jp/
Tomen Corporation	8-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	03-5288-2111	webadmin@tomen.com http://www.tomen.co.jp/index.html
Tominaga Boeki Kaisha, Ltd.	Tominaga bldg. 6F, 5-1-21, Miyuki-dori, Chuo-ku, Kobe-shi, Hyougo, Japan	078-232-8600	http://www.tominaga.co.jp/
Toshoku Ltd.	2-3, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	03-5224-5600	http://www.toshoku.co.jp/
Toyota Tsusho Corporation	14-9, Nihonbashi 2-chome, Chuo-ku, Tokyo, Japan		http://www.toyotsu.co.jp/foiawase.html http://www.toyotsu.co.jp/
Votre Santé	#902 Shin-nakanoeki Plaza, 4-48-17, Honchou, Nakano-ku, Tokyo, Japan	03-3385-3271	shuko@voitre-sante.co.jp http://www.votre-sante.co.jp/index.html
VOX TRADING CO., LTD.	Matsumoto Bldg, 14-15, Nihombashi-Odemmacho, Chuo-Ku, Tokyo, Japan	03-3665-6201	info@voxtrading.jp http://www.voxtrading.jp/
Wako Shokuryo Co., Ltd.	1-10-8, Uchikanda, Chiyoda-ku, Tokyo, Japan	03-3294-2201	
Wilbur-Ellis Co., (Japan) Ltd.	Room 308, Sanshin bldg. 4-1, Yurakucho 1 choume, Chiyoda-ku, Tokyo, Japan	03-3591-3221	http://www.wilburellis.com/
Wingace Corporation	SA bldg., 7-2-7, Ueno, Taitou-ku, Tokyo, Japan	03-3847-3155	
YAKURYOKAIHATSU.CO., LTD	2-2-5, Minami-shinagawa, Shinagawa-ku, Tokyo, Japan	03-5730-9321	https://www.e-organichouse.com/contact/index.php http://www.yakuryo.co.jp/
Yamaguchi Company	1-19-14, Shakujiidai, Nerima-ku, Tokyo, Japan	03-3904-1231	
Youki Trading Co., Ltd.	Sanshin Building 8th floor, 3-17-1, Shibuya, Shibuya-ku, Tokyo, Japan	03-5466-8760	info@youkitrading.co.jp http://www.youkitrading.co.jp/ja/
Yutaka Trading Co., Ltd.	2-12-32, Kounan, Minato-ku, Tokyo, Japan	03-5462-8311	

Listed are all organic JAS certified Importers as of March 31, 2004

Table 3-2: Organic JAS Certified Subdividers (Wholesalers, Retailers) #

Name	URL	Address	Tel	Email
Alishan pty	http://www.alishan-organic-center.com/jp/	185-2, Koma-hongou, Hidaka-shi, Saitama, Japan	0429-82-4812	alishanj@gol.com
An-po Co. Ltd.	http://www.anpo.co.jp	21-10 Yamahira, Neshiro, Hachinohe City, Aomori, Japan	0178-27-5510	
Bio. Market Ltd.	http://www.biomarche.jp	1-8-2, Meishinguchi, Toyonaka-shi, Osaka, Japan	06-6866-1438	info.bio@pofa.jp
CONSUMERS CO-OPERATIVE KOBE	http://www.kobe.coop.or.jp/	1-3, Sumiyoshi-honchou, Higashi-Nada-Ku, Kobe, Hyougo, Japan	0120-44-3100	
Daichi wo Mamoru Kai	http://www.daichi.or.jp/cgi/	Daini Satsuki bldg, 6-8-1 Roppongi Minato-ku, Tokyo, Japan	03-5447-8160	noda_katsumi@daichi.or.jp
MARUSHIMA Foods Co.	http://www.junmaru.co.jp/	9-2, Higashi-onomichi, Onomichi-shi, Hiroshima, Japan	0848-20-2506	
Mitoku Co., Ltd.	http://www.mitoku.co.jp/food/index.html	Sunshine bldg., 5-3-10, Shiba, Minato-ku, Tokyo, Japan	03-5444-6750	import@mitoku.co.jp
MOA	http://www.moanet.co.jp/	Daichi bldg 9-1, Tawara-Honchou, Atami-shi, Shizuoka, Japan	0557-84-2611	
Muso Co. Ltd	http://www.muso.co.jp/company/company.htm	2-2-7, Ohtechou, Chuou-Ku, Osaka, Japan	06-6945-0511	
MUSO Trading co., ltd.	http://www.muso-intl.co.jp/	3-7-22, Nishi-temma, Kita-ku, Osaka-shi, Osaka, Japan	06-6316-6011	info@muso-intl.co.jp
Osawa Japan	http://www.ohsawa-japan.co.jp/	424, Niizo, Toda-shi, Saitama, Japan	048-447-8588	info@ohsawa-japan.co.jp
Polan	http://www.polan.net/polanz	1-14-8, Hikawa-chou, Toda-shi, Saitama, Japan	048-434-4300	info@pofa.jp
Radish Boya Co., Ltd.	http://www.radishbo-ya.co.jp/	Urban Shiba Kouen 5F, 3-1-13, Shibakouen, Minato-ku, Tokyo, Japan	03-5777-8640	info@radishbo-ya.co.jp
Shizen & Organic Food Co. Ltd.	http://www.shizennoho.co.jp	415-11, Tomisato Takamatsu, Imbanuma Gun, Chiba, Japan	0476-94-0097	ymshizen@mb.infoweb.or.jp
Sokensha Co., Ltd.	http://www.sokensha.co.jp/	724, Katakura-chou, Kanagawa-ku, Yokohama-shi, Kanagawa, Japan	045-491-1441	matsuoka@sokensha.co.jp

As of March 31, 2004, 623 domestic subdividers and 65 foreign subdividers are organic JAS certified.

Table 3-3: Organic JAS Certified Coffee Manufacturers/Processors #

Name	Address	Zip Code	Tel	Fax
Allied Coffee Roasters Co., Ltd.	157, Saedo-chou, Tsuduki-ku, Yokohama-shi, Kanagawa, Japan	224-0054	045-934-9220	
Aroma Coffee inc	7-14-41, Hara, Sawara-ku, Fukuoka-shi, Fukuoka, Japan	814-0022	092-863-2720	
ART COFFEE CO., LTD.	1-8-3, Nakameguro, Meguro-ku, Tokyo, Japan	153-8635	03-3719-1151	03-3791-3443

Table 3-3: Organic JAS Certified Coffee Manufacturers/Processors #

Name	Address	Zip Code	Tel	Fax
BROOK'S Co., Ltd.	2752-1, Inokuchi, Nakai-machi, Ashigara-gun, Kanagawa, Japan	259-0151		
CHIMOTO COFFEE	4-3-17, Ikegami, Ota-ku, Tokyo, Japan	146-0082	03-3753-2421	
Coffee Koubou K&Y	4-3, Yukarigaoka, Sakura-shi, Chiba, Japan	285-0858	043-487-9878	043-487-9878
COFFEE LABORATORY Co., Ltd.	2-19-11, Oowada-machi, Hachioji-shi, Tokyo, Japan	192-0045	0426-46-1891	
Coffee Syphon Co., Ltd.	4-29-13, Sengoku, Bunkyo-ku, Tokyo, Japan	122-0011	03-3946-5481	03-3946-5480
Dai-ichi coffee co., ltd.	3-10-1, Higashi-Azabu, Minato-ku, Tokyo, Japan	106-0044	03-3583-4571	
DoutorCoffee Co., Ltd.	21-6, Takase-chou, Funabashi-shi, Chiba, Japan	273-0014		
GS FOOD Co., Ltd.	7-49, Kounoiketokuan-chou, Higashi-Osaka	578-0977	06-6744-1551	06-6746-1175
Hagihara Coffee Co., LTD.	1-6-18, Jonouchi-dori, Nada-ku, Kobe-shi, Hyogo, Japan	657-0836	078-861-4990	078-861-4907
HAMAYA Co., Ltd.	2-5-20 Kawarayamachi, Chuo-ku, Osaka			
Hattori Coffee Foods Inc.	1-3-21, Honchou, Aoba-ku, Sendai-shi, Miyagi, Japan	980-0014	022-214-8010	022-214-8009
HIRO COFFEE Co., LTD	1-7-7, Esaka-chou, Suita-shi, Osaka, Japan	564-0063	06-6339-0411	06-6339-0441
JALFJAPAN Co., Ltd.	3-14-2-1, Nagata, Joutou-ku, Osaka-shi, Osaka, Japan	536-0022	06-6790-3255	
Kansai Allied Coffee Roasters Co., Ltd.	12-3, Fukaehama-machi, Higashinada-ku, Kobe-shi, Hyogo, Japan	658-0023	078-452-5741	078-452-5743
KAWANRUMOR Corporation	1541-55, Oiwake, Karuizawa-machi, Kitasaku-gun, Nagano, Japan	389-0115		
Key Coffee Inc	2-34-4, Nishi-shimbashi, Minato-ku, Tokyo, Japan	105-0003		
KOHNAN COFFEE Co., Ltd.	1-27, Ryutudanchi, Kumamoto-shi, Kumamoto, Japan	862-0967	096-377-2223	
Mitsumoto Coffee co., Ltd.	6-9, Kinkou-chou, Kanagawa-ku, Yokohama-shi, Kanagawa, Japan	221-0056		
MJB Coffee Co., INC.	5-15-4, Nishi-temma, Kita-ku, Osaka-shi, Osaka, Japan	530-0047	06-6363-3712	06-6365-5765
Mirikawa Inryo	2, Ematagi, Otonoko, Miwa-chou, Ama-gun, Aichi, Japan	490-1213	052-444-1332	052-444-0846
Narita Coffee Co., Ltd.	5-3, Houjouguchi, Himeji-shi, Hyougo, Japan	670-0935	0792-85-2121	0792-81-1181
Natural Coffee co., Ltd.	189-16, Izumi-machi, Kumamoto-shi, Kumamoto, Japan	861-5533	096-245-4555	096-245-4563
NITTO COFFEE CO., LTD.	2-9-5, Sinkawa, Chuou-ku, Tokyo, Japan	104-0033	03-3553-2341	03-3553-0789
OGAWA COFFEE CO., LTD.	75, Nishi-Kyogoku-Kita-Shozakai-chou, Kyoto-shi, Kyoto, Japan	615-0802	075-313-7333	075-321-5609
Okino Co., Ltd.	7, Hirachi, Kumabari, Nagakute-chou, Aichi-gun, Aichi, Japan	480-1101	0561-63-8315	
Organic Coffee inc	3-7-16, Shimofuta-nishi, Mizumaki-machi, Onga-gun, Fukuoka, Japan	807-0052	093-202-0068	
Saitou-Coffee Co., Ltd.	3-86, Nakaotai, Nishi-ku, Nagoya-shi, Aichi, Japan	452-0822	052-501-0708	
SANYO COFFEE Co., Ltd.	6-30, Fujimi-chou, Beppu-shi, Oita, Japan		0977-22-5181	0977-22-1134
Sanyo-Sangyo Co., Ltd.	7-2, Fujimi-chou, Beppu-shi, Oita, Japan	874-0921	0977-25-3464	0977-25-2210
Sapporo ueshima coffee Co., Ltd.	1-21-1, Minaminanjou-nishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan	064-0807	011-533-0701	011-532-3270
SEIKO COFFEE Co., Ltd.	6-3-3, Agachuou, Kure-shi, Hiroshima, Japan	737-0003	0823-73-1245	0823-74-1245
Takasago Coffee Co., Ltd.	5-37-1, Kamata, Ota-ku, Tokyo, Japan	144-8721		

Table 3-3: Organic JAS Certified Coffee Manufacturers/Processors #

Name	Address	Zip Code	Tel	Fax
Tamaya	520, Takoyakushi, Sakaimachitori, Nakagyo-ku, Kyoto-shi, Kyoto, Japan		075-221-2710	075-221-2753
TOKYO COCA-COLA BOTTLING Co., LTD.		206-0812		
UCC UESHIMA COFFEE Co., LTD.	51-1, Masugawa, Fuji-shi, Shizuoka, Japan	417-0815		
UESHIMA COFFEE FOODS Co., LTD.	6-19, Nakata-chou, Kochi-shi, Kochi, Japan	780-8007		
Union coffee roasters co, ltd	6-10, Toyohara-cho, Ibaraki-shi, Osaka, Japan	567-0053		

As of 31 March 2004, 884 domestic and 354 foreign manufacturers are Organic JAS certified.

Table 3-4: Organizations Associated with Fair Trade

Alter Trade Japan, inc.	http://www.altertrade.co.jp/	Sun Rise Shinjyuku 3F, 2-4-15, Ookubo, Shinjyuku-ku, Tokyo, Japan	03-5273-8163	info@altertrade.co.jp
Fair Trade Company K.K.	http://www.peopletree.co.jp/	2F, 2-16-29, Jiyugaoka, Meguro-ku, Tokyo, Japan	03-5731-6671	gv@globalvillage.or.jp
FAIRTRADE LABEL JAPAN	http://www.fairtrade-jp.org/	5-3-1, Kohtohbashi, Sumida-ku, Tokyo, Japan	Tel. 03-3634-7872 Fax. 03-3634-7808	
Gaia Project Co., Ltd.		3-3-13, Kanda-surugadai, Chiyoda-ku, Tokyo, Japan	03-3294-5175	
KYOWA FOOD CO., LTD.	http://www.kyowas.co.jp/	100, Tai-shin-arami, Kuriyama-chou, Kuze-gun, Kyoto, Japan	0774-43-6369	mail@kyowas.co.jp
Nova Co., Ltd.	http://www.nova-organic.co.jp/	3-3, Nakamaru, Kitamoto-shi, Saitama, Japan	048-592-6491	
OGAWA COFFEE Co., LTD.	http://www.oc-ogawa.co.jp/home.html	75, Nishi-kyogoku-kita-shouzakai-chou, Ukyou-ku, Kyoto-shi, Kyoto, Japan	075-313-7333	info@oc-ogawa.co.jp
Starbucks Coffee Japan, Ltd.	http://www.starbucks.co.jp/aj/home.htm	2-22-16, Jingumae, Shibuya-ku, Tokyo, Japan	03-5412-7031	
Toho Co., Ltd.	http://www.to-ho.co.jp/	3-11-1, Matsushima, Higashi-ku, Fukuoka-shi, Fukuoka, Japan	078-845-2400	
UNICAFÉ INC.	http://www.unicafe.com/index.html	2-11-9, Nishi-shimbashi, Minato-ku, Tokyo, Japan	03-3504-1498	webmaster@unicafe.com
Wakachiai Project	http://www.wakachiai.com/	St. Paul's Church, 5-3-1, Koutoubashi, Sumida-ku, Tokyo, Japan	03-3634-7809	wp@wakachiai.com
WATARU & Co., Ltd.	http://www.wataru.co.jp/	Wataru bldg. 5F, 2-11-9, Nishi-shimbashi, Minato-ku, Tokyo, Japan	03-3503-8351	

4. Organic JAS System MAFF Registered Certification Organizations (RCOs and RFCOs)

Table 4-1: RCOs and RFCOs

ICS Japan, Inc.	Certifiable Regions	Address	Tel
Overseas Merchandise Inspection Co., Ltd	Japan and foreign countries Japan and foreign countries	398 Chigasaki-cho, Tuzuki-ku, Yokohama, Kanagawa, Japan 15-6 Nihonbashi Kabuto-cho. Chuo-ku, Tokyo, Japan	045-949-4620 03-3669-5184

Table 4-1: RCOs and RFCOs

	Certifiable Regions	Address	Tel
Japan Organic and Natural Foods Association	Japan and foreign countries	3-5-3 Kyobashi, Chuo-ku, Tokyo, Japan	03-3538-1851
AFAS Certification Center Co. Ltd.	Japan and foreign countries	5-10-13 Ginza, Chuo-ku, Tokyo, Japan	03-3569-7370
QAI Japan, Ltd.	Japan and 50 foreign countries (all CA except Belize)	3-2-1 Sakado, Takatsu-ku, Kawasaki, Kanagawa, Japan	03-5413-7330
Association for Sustainable Agricultural Certification	Japan and 39 foreign countries (only Costa Rica in CA)	3-3-17 Zenkunen, Morioka, Iwate, Japan	019-605-3345
Organic Cert Organization#	Japan and foreign countries	9-2-29 Tatsuda, Kumamoto, Kumamoto, Japan	096-337-3339
TOYO B-Net CO., Ltd.	Japan and 6 foreign countries (none in CA)	2-3-13 Kyobashi, Chuo-ku, Tokyo, Japan	03-3272-3741
OCIA Japan	Japan and foreign countries	1-5-5 Shimbashi, Minato-ku, Tokyo, Japan	03-5537-2725
Japan Inspection Association of Food and Food Industry Environment	Japan and USA	3-7-4 Kyobashi, Chuo-ku, Tokyo, Japan	03-3535-4351
Japan Carbonated Beverage Inspection Association	Japan and USA, China	2-6-16 Shibaura, Minato-ku, Tokyo, Japan	03-3455-6851
Japan Fruit Juice Association	Japan and foreign countries	1-10-1 Shiba Daimon, Minato-ku, Tokyo, Japan	03-3435-0132
SGS-ICS Japan	Japan and foreign countries	Landmark Tower Yokohama 38, 2-2-1 Minato Mirai, Nishi-ku, Yokohama, Kanagawa, Japan	045-330-5040
The Japan Soysauce Inspection Institute	Japan and foreign countries	3-11 Nihonbashi Koami-cho, Chuo-ku, Tokyo, Japan	03-3666-4521
Eco design certification center Co. Ltd	Japan and foreign countries	2-7 Kandatsukasa-machi, Chiyoda-ku, Tokyo, Japan	03-5283-2626
National Association for Sustainable Agriculture, Australia Ltd.	Countries except Japan	3 Mount Baker Road, Stirling, South Australia, Australia	
Biological Farmers of Australia Co-operative Ltd.	Countries except Japan	456 Ruthven Street, Toowoomba, Queensland, Australia	
Bio-dynamic Research Institute	Australia	Main Road, Powelltown, Victoria, Australia	
Organic Herb Growers of Australia Inc.	Australia	Cellulose Valley, Southern Cross University, Crawford Road, Lismore, NSW Australia	
The Organic Food Chain PTY., Ltd.	Australia	Boodua, Via Oakley, Queensland, 4530 Australia	
Austria Bio Garantie GmbH	Countries except Japan	Koenigsbrunnerstrasse 8, A-2202 Enzesfeld, Austria	
BCS Oko-Garantie GmbH	Countries except Japan	Cimbernstrasse 21, Nuremberg, Germany	
Skal International B.V	Countries except Japan	Dr. Klinkertweg 28b, 8025 BS, Zwolle, Netherlands	
Ecocert SA	Countries except Japan	BP47 Lamothe, L'Isle, Jourdain, France and Gueterbahnhofstrasse 10, Northeim, Germany	
Ecocontrol GmbH	Germany	Geferbahnhoftstrasse 10, Northeim, Germany	
Consorzio per il Controllo dei Prodotti Biologici Soc. Coop. ar.i.	Countries except Japan	Via J. Barozzi, 8 Bologna, Bo, Italy	

Table 4-1: RCOs and RFCOs

		Certifiable Regions		Address	Tel
Ecocert Belgium sprl	Netherlands, Belgium and Luxembourg			Chemin de la Haute Baudecet, 1 Walhain Belgium	
Tasmanian Organic- Dynamic Producers Inc.	Australia			8 Lenborough Street, Beauty Point, Tasmania, Australia	
Bioagricert s.r.l.	Countries except Japan			Via Fucini, 10 Casalecchio di Reno, Bo, Italy	
OCIA International Inc.	Countries except Japan			6400 Cornhusker, Suite 125, Lincoln, NE 58507, USA	
Istituto Mediterraneo di Certificazione s.r.l	Italy and non-EU countries except Japan			Via Pisacane, 53 Senigallia, AN, Italy	
Suolo e Salute s.r.l	Countries except Japan			Via Don Minzoni, 5 Sasso Marconi, Bo, Italy	
QC&I International Services s.a.s.	Countries except Japan			Villa Parigini, loc. Basciano, Monteriggioni, SI, Italy	
Comité Andaluz de Agricultura Ecológica	Andalucia (Spain)			Cortijo de Cuarto s/n. 41014-Sevilla, Spain	
Ecocert Italia	Italy			C. so Delle Province, 60, Catania, Italy	
Istituto per la Certificazione Etica ed Ambientale	Countries except Japan			Strada Maggiore, 29, Bo, Italy	

Organic Cert Organization in Kumamoto, Japan, is no longer MAFF registered.

5. Surveyed Operators

Table 5-1: Survey Operators

	Address	URL	Tel
AB Heisei-cho store	2-13-2 Heisei-cho, Yokosuka-shi, Kanagawa, Japan	http://www.ave.gr.jp/tenposhoukai.htm	046-821-4600
Acoop Takeyama store	1-25-8 Hayashi, Yokosuka-shi, Kanagawa, Japan		046-857-3900
ConsumersCo-operativeKobe	2-3-28, Sumiyoshi-higashimachi, Higashi-nada-ku, Kobe-shi, Hyogo, Japan	http://www.kobe.coop.or.jp/	078-856-1021
Datei Shopper's Plaza Yokosuka	2-1-12 Hon-cho, Yokosuka-shi, Kanagawa, Japan	http://www3.daiji.co.jp/stores/0425/	046-827-4711
Food Express Shiodame Shiosaito store	1-1-1 Kaigan, Minato-ku, Tokyo, Japan	http://www.maruettsu.co.jp/what/what_frm.html	03-3433-1461
Isetan Shinjuku store	3-14-1 Shinjuku, Shinjuku-ku, Tokyo, Japan	http://www.isetan.co.jp/icm2/jsp/store/shinjyuku/index.jsp	03-3352-1111
Ito Yokado Kiba store	1-5-30 Kiba, Koto-ku, Tokyo, Japan	http://www.itoyokado.yg.co.jp/ap/store/kiba.html	03-5606-5234
JA Kimitsu Obitsu Direct Sales shop	280-14 Tawarada, Kimizu-cho, Chiba, Japan	http://www.cb.zennoh.or.jp/chokubai-group/fiyokubai-7.htm	0439-35-3144
JA Kisazazu Umakuta Direct Sales shop	112 Shiiri, Kisarazu-cho, Chiba, Japan	http://members.jcom.home.ne.jp/ja-kisarazu/	0438-53-2486
JUSCO Akishima store	500-1 Miyazawa-cho, Akishima-shi, Kyoto, Japan	http://www.aeon.info/jusco/akishima/	042-500-7011
JUSCO Kasai store	3-9-19 Nishi-Kasai Nishi, Edogawa-ku, Tokyo, Japan		03-3675-5111
JUSCO Shinagawa Seaside store	4-12-5 Higashi Shinagawa, Shinagawa-ku, Tokyo, Japan	http://www.aeon.info/jusco/shinagawaseaside/	03-5715-8300
Kinokuniya International	3-11-13 Aoyama, Minato-ku, Tokyo, Japan	http://www.e-kinokuniya.com/	03-3409-1231

Table 5-1: Survey Operators

	Address	URL	Tel
Meijiya Kyobashi store	2-2-8 Kyobashi, Chuo-ku, Tokyo, Japan	http://www.meidi-ya-store.com/store_guide/kyobashi.html	03-3271-1134
Metropolitan Coop	Twinhills Myougadani, 4-5-16, Kohinata, Bunkyo-ku, Tokyo, Japan	http://www.pal.or.jp/group/index.html	03-5976-6111
Mitsukoshi Headquarter	1-4-1 Muro-cho, Nihonbashi, Chuo-ku, Tokyo, Japan	http://www.mitsukoshi.co.jp/sinfo/st_nihon.asp	03-3241-3311
Mitsukoshi Shinjuku store	3-29-1 Shunjuku, Shinjuku-ku, Tokyo, Japan	http://www.mitsukoshi.co.jp/sinfo/st_shin.asp	03-33541111
Mother's Atago store	3-21-5 Toramonon, Minato-ku, Tokyo, Japan	http://www.mothers-net.co.jp/index-2.html	03-5405-1339
Natural House Aoyama store	3-6-18 Kita-Aoyama, Minato-ku, Tokyo, Japan	http://www.naturalhouse.co.jp/store/store-framework.html	03-3498-2277
Takashimaya Nihonbashi store	2-4-1 Nihonbashi, Chuo-ku, Tokyo, Japan	http://www.takashimaya.co.jp/tokyo/	03-3211-4111
Tamagawa Takashimaya	3-17-1 Tamagawa, Setagaya-ku, Tokyo, Japan	http://www.tamagawa-sc.com/Information/index.html	03-3709-2222
Tokosan Takeyama store	1-20-7 Hayashi, Yokosuka-shi, Kanagawa, Japan	http://www.yokosan.co.jp/	046-856-4775
Tokyo My Coop Minamisuna store	2-3-104 Minamisuna, Koto-ku, Tokyo, Japan		03-3649-7721
Union Shonan Village store	1560-49 Kami-Yamaguchi, Hayama-cho, Miura-gun, Kanagawa, Japan	http://www.yokosan.co.jp/	046-857-0345
AJINOMOTO GENERAL FOODS, INC.	Tokyo Opera City, 3-20-2, Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan	http://www.agf.co.jp/	03-5302-7500
Allied Coffee Roasters Co., Ltd.	157, Saedo-chou, Tsuduki-ku, Yokohama-shi, Kanagawa, Japan		045-934-9220
Aroma Coffee inc	7-14-41, Hara, Sawara-ku, Fukuoka-shi, Fukuoka, Japan		092-863-2720
ART COFFEE CO., LTD.	1-8-3, Naka-meguro, Meguro-ku, Tokyo, Japan	http://www.artcoffee.co.jp/	03-3719-1151
BROOK'S Co., Ltd.	2752-1, Inokuchi, Nakai-machi, Ashigara-gun, Kanagawa, Japan		
CARAVAN COFFEE CO., LTD.	160, Yamashita-chou, Naka-ku, Yokohama-shi, Kanagawa, Japan	http://www.caravan-cfe.co.jp/	045-681-5741
CHIMOTO COFFEE	4-3-17, Ikegami, Ota-ku, Tokyo, Japan		03-3753-2421
Coffee Koubou K&Y	4-3, Yukarigaoka, Sakura-shi, Chiba, Japan		043-487-9878
Coffee Syphon Co., Ltd.	4-29-13, Sengoku, Bunkyo-ku, Tokyo, Japan		03-3946-5481
Dai-ichi coffee co., Ltd.	3-10-1, Higashi-Azabu, Minato-ku, Tokyo, Japan		03-3583-4571
Doutor Coffee Co., Ltd.	1-10-1 Jinman, Shibuya-ku, Tokyo, Japan	http://www.doutor.co.jp/ir/jp/company/index.html	03-5459-9008
Hagihara Coffee Co., LTD.	1-6-18, Jonouchi-dori, Nada-ku, Kobe-shi, Hyogo, Japan		078-861-4990
Hattori Coffee Foods Inc.	1-3-21, Honchou, Sendai-shi, Miyagi, Japan	http://www.hattori-cf.co.jp/	022-214-8010
Key Coffee Inc	2-34-4, Nishi-shimbashi, Minato-ku, Tokyo, Japan	http://www.keycoffee.co.jp/news_company/company/comp-any/greeting.html	03-5400-3066
KOHNAN COFFEE Co., Ltd.	1-27, Ryuutsuu-danchi, Kumamoto-shi, Kumamoto, Japan		096-377-2223

Coffee Operator

Table 5-1: Survey Operators

	Address	URL	Tel
KOWADO	6-1-31, Niju-yon-ken-ni-jou, Nishi-ku, Sapporo-shi, Hokkaido, Japan	http://www13.plala.or.jp/kowado/	
KYOWA FOOD CO., LTD.	100, Tai-shin-arami, Kumi-yama-chou, Kuze-gun, Kyoto, Japan	http://www.kyowas.co.jp/	0774-43-6369
Mitsumoto coffee co., Ltd.	6-9, Kinkou-chou, Kanagawa-ku, Yokohama-shi, Kanagawa, Japan		
Naturalcoffee co., Ltd.	189-16, Izumi-machi, Kumamoto-shi, Kumamoto, Japan		096-245-4555
NITTO COFFEE CO., LTD.	2-9-5, Sinkawa, Chuou-ku, Tokyo, Japan		03-3553-2341
OGAWA COFFEE CO., LTD.	75, Nishi-kyougoku-kita-shouzakai-chou, Ukyou-ku, Kyoto-shi, Kyoto, Japan	http://www.oc-ogawa.co.jp/home.html	075-313-7333
Organic Coffee inc	3-7-16, Shimofuta-nishi, Mizumaki-machi, Onga-gun, Fukuoka, Japan		093-202-0068
Saitou-Coffee Co., Ltd.	3-86, Nakaotai, Nishi-ku, Nagoya-shi, Aichi, Japan		052-501-0708
SANYO COFFEE Co., Ltd.	6-30, Fujimi-chou, Beppu-shi, Oita, Japan	http://www.sanyocoffee.com/	0977-22-5181
Sapporo ueshima coffee Co., Ltd.	1-21-1, Minaminanjou-nishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan		011-533-0701
SEIKO COFFEE Co., Ltd.	6-3-3, Agachuou, Kure-shi, Hiroshima, Japan		0823-73-1245
Starbucks Coffee Japan, Ltd.	2-22-16, Jingu-mae, Shibuya-ku, Tokyo, Japan	http://www.starbucks.co.jp/ja/home.htm	03-5412-7031
Tamaya	520, Takoyakushi, Sakaimachitori, Nakagyo-ku, Kyoto-shi, Kyoto, Japan		075-221-2710
Toho Co., Ltd.	3-11-1, Matsushima, Higashi-ku, Fukuoka-shi, Fukuoka, Japan	http://www.to-ho.co.jp/	078-845-2400
UCC UESHIMA COFFEE CO., LTD.	51-1, Masugawa, Fuji-shi, Shizuoka, Japan		0545-38-0751
UNICAFÉ INC.	2-11-9, Nishi-shimbashi, Minato-ku, Tokyo, Japan	http://www.unicafe.com/index.html	03-3504-1498
Volcafe	1-2-5 Dojima, Kita-ku, Osaka-shi, Osaka, Japan		06-6341-0971
Wakachiai Project	St. Paul's Church, 5-3-1, Koutoubashi, Sumida-ku, Tokyo, Japan	http://www.wakachiai.com/	03-3634-7809
WATARU & Co., Ltd.	Wataru bldg. 5F, 2-11-9, Nishi-shimbashi, Minato-ku, Tokyo, Japan	http://www.wataru.co.jp/	03-3503-8351
Bio Market	1-8-14 Hikawa-sho, Toda-shi, Saitama, Japan	http://www.marche.jp	048-434-5400
Daichi wo Mamoru Kai	No. 2 Itsuki Bldg. 2F, 6-8-15 Roppongi, Minato-ku, Tokyo, Japan	http://www.daichi.or.jp/cgi/index.pl	03-3402-5590
Ikeei, Inc.	3-15-7 Higashi Ikebukuro, Toyoshima-ku, Tokyo, Japan	http://bb.bidders.co.jp/ikeei/	03-3988-3322
Radish Boya, Co., Ltd.	Urban Shibakoen 5F, 3-1-13 Shibakoen Minato-ku, Tokyo, Japan	http://www.radishbo-ya.co.jp/	03-5777-8640
Subdivider			

Table 5-1: Survey Operators

	Address	URL	Tel
Takanaga, Co., Ltd.	2-42-6 Higashi Kanagawa, Kanagawa-ku, Tokohama-shi, Kanagawa, Japan	http://www.mothers-net.co.jp/index-2.html	045-461-0856
Yume Ichiba, Inc.	2-46 Sekido, Tama-shi, Tokyo, Japan	http://www.asahibeer.co.jp/wine/special/200306/index.html	042-375-8000
Asahi Beer, Inc.	3-7-1 Kyobashi, Chuo-ku, Tokyo, Japan	http://www.daitococoa.com/company/index.html	03-5608-5126
Daitococoa, Co., Ltd.	2-3-23 Shimo Meguro, Meguro-ku, Tokyo, Japan	http://www.glico.co.jp/corp/index.htm	03-3492-7501
Ezaki Glico, Co., Ltd.	4-6-5 Ufajima, Nishi Yodogawa-ku, Osaka, Japan	http://www.fnsugar.co.jp/	06-6477-8139
Fuji Nihon Seito Co., Ltd.	1-4-9 Kayaba-cho, Nihonbashi, Chuo-ku, Tokyo, Japan	http://www.hanamaruki.co.jp/	03-3667-7811
Hanamaruki, Co., Ltd.	2-15-4 Kayaba-cho, Nihonbashi, Chuo-ku, Tokyo, Japan		03-5651-3131
Hikari Foods	3-4-25 Minamitamaya, Tokushima-shi, Tokushima, Japan		088-637-6123
Hikari Miso, Co., Ltd.	4848-1 Shimo-Suwa-cho, Shimo-Suwa-gun, Nagano, Japan	http://www.hikarimiso.co.jp/	0266-27-8848
Honen Corporation, Co., Ltd.	Pacific Century Place 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, Japan	http://www.honen.co.jp/	03-3287-0291
House Foods	6-3 Kioi-sho, Chiyoda-ku, Tokyo, Japan	http://www.housefoods.co.jp/company/index.htm	03-3264-1231
Japan Chocolate Industrial Corporation	2-3-13 Higashi Sakashita, Itabashi-ku, Tokyo, Japan	http://www.kagome.co.jp/	03-3969-1261
Kagome, Inc.	3-14-15 Nishiki, Nagoya-ku, Aichi, Japan	http://www.lion.co.jp/lmc/comp/index001.htm	052-951-3571
McCormick-Lion, Ltd.	2190 Senshudo, Iwata-shi, Shizuoka, Japan	http://www.meiji.co.jp/corp/profile/index.html	0538-34-3411
Meiji, Co., Ltd.	2-4-16 Kyobashi, Chuo-ku, Tokyo, Japan	http://www.morinaga.co.jp/index.html	03-3272-6511
Morinaga Co., Ltd.	5-33-1 Shiba, Minato-ku, Tokyo, Japan	http://www.sbfoods.co.jp/profile/comj/gaiyou/text/cj-kihonnndata.htm	03-3456-0152
S & B Foods	18-6 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan	http://www.ways.co.jp/ways/profile/ssd.htm	03-3668-0551
Sakurai Foods, Co., Ltd.	343 Takanosu, Kamono-cho, Mino Kamo-shi, Gifu, Japan	http://www.mitsui-sugar.co.jp/	0574-54-2251
Shin Mitsui Co., Ltd.	Inahata Bldg. 2-8-2 Hon-cho, Nihonbashi, Chuo-ku, Tokyo, Japan	http://www.taito-group.co.jp/	03-3663-3111
Taito Co., Ltd.	Howa Odemma-cho Bldg. 7-5 Odemma-cho, Nihonbashi, Chuo-ku, Tokyo, Japan	http://www.takahashisauce.com/	03-3663-3851
Takahashi Sauce, Co., Ltd.	603-3 Shimonodo, Honjo-shi, Saitama, Japan	http://www.takanashi-milk.co.jp/	0495-24-1641
Takanashi Dairy	5 Konjuku-cho, Asahi-ku, Yokohama-shi, Kanagawa, Japan	http://www.wadaman.com/	045-361-1141
Wadaman, Co., Ltd.	9-5 Sugawara-cho, Kita-ku, Osaka, Japan		06-6364-4387

Processor

Table 5-1: Survey Operators

	Address	URL	Tel
Yamada Foods, Co., Ltd.	279 Aza Kaido-no-ue, Noara-machi, Senminami-mura, Senhoku-gun, Akita, Japan	http://www.yamadafoods.co.jp/top.html	0182-37-2246
Fair Trade Company K.K.	2F, 2-16-29, Jiyugaoka, Meguro-ku, Tokyo, Japan	http://www.peopletree.co.jp/	03-5731-6671
FAIRTRADE LABEL JAPAN	5-3-1, Koutoubashi, Sumida-ku, Tokyo, Japan	http://www.fairtrade-jp.org/	03-3634-7872
Gaia Project Co., Ltd	3-3-13, Kanda-surugadai, Chiyoda-ku, Tokyo 101-0062		03-3294-5175
Nova Co., Ltd.	3-3, Nakamaru, Kitamoto-shi, Saitama, Japan	http://www.nova-organic.co.jp/	048-592-6491
AIC INC.	Shinkawa East Bldg. 23-5, 1-Chome, Shin-kawa, Chuo-Ku, Tokyo, Japan	http://www.aicincjp.com/	03-5541-2060
Alco International, Ltd.	Yanagihara Omori Bldg. 7F, 1-11-1 Omori, Ota-ku, Tokyo, Japan		03-5763-9600
Alter Trade Japan, Inc.	Sunrise Shinjuku Bldg. 3F, 2-4-15 Okubo, Shinjuku-ku, Tokyo, Japan	http://www.altertrade.co.jp/	03-5273-8163
ANA Trading. Co., Ltd.	Shiodame City Center, 1-5-2 Shinbashi, Minato-ku, Tokyo, Japan	http://www.anatc.com/	03-6735-5011
Cargill Japan Limited	3-2-3, Marunouchi, Chiyoda-ku, Tokyo, Japan		03-3285-0870
Chiquita Unifrutti Japan	Plaza Monzen Naka-cho #F, 1-4-8 Monzenmaga-cho, Koto-ku, Tokyo	http://www.chiquita.co.jp/company/index.html	03-5245-8288
Daabon Organic Japan Co., Ltd.	2F Nishi-Gotanda Sign Tower Bldg., 1-33-10 Nishi-Gotanda, Shinagawa-ku, Tokyo, Japan	http://www.boteroshop.com/home.php	03-3494-6224
Dole Japan	Sanban-cho Yayoi-kan 6-2 Sanban-cho, Chiyoda-ku, Tokyo, Japan	http://www.dole.co.jp/	03-3237-1451
Farmland trading Ltd.	Lex bldg. 6-16-8, Shimbashi, Minato-ku, Tokyo, Japan		03-3431-4129
HIRO INTERNATIONAL CO., LTD.	Kearny Place Shibuya 3F, 2-16-5 Shibuya, Shibuya-ku, Tokyo, Japan		03-3406-1091
ITOCHU Corporation.	5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo, Japan	http://www.itochu.co.jp/	06-6241-2121
KANEMATSU CORPORATION	1-2-1, Shibaura, Minato-ku, Tokyo, Japan	http://www.kanematsu.co.jp/	03-5440-8111
Kataoka & Co. Ltd.	6-21-6 Shinbashi, Minato-ku, Tokyo, Japan	http://www.kataoka.com/company/index.html	03-5405-7001
KIRIN INTERNATIONAL TRADING INC.	6-26-1, Jingumae, Shibuya-ku, Tokyo, Japan		03-3407-0541
KOKUBU & CO., LTD.	1-1-1, Nihonbashi, Chuo-ku, Tokyo 103-8241, Japan	http://www.kokubu.co.jp/	03-3276-4000
Kyoko Foods, Co., Ltd.	4-22-21 Higashi Huchinobe, Sagami-hara-shi, Kanagawa, Japan		042-753-0908
Marubeni Corporation	4-2, Ohtemachi 1-chome, Chiyoda-ku, Tokyo, Japan	http://www.marubeni.co.jp/	03-3282-2111
Marugen FPJ, Co., Ltd	4-7-8, Tachibana, Sumida-ku, Tokyo, Japan	http://www.marugen.com/	03-3617-0121
MITOKU CO., LTD.	Sunshine bldg. 5-31-10, Shiba, Minato-ku, Tokyo, Japan	http://www.mitoku.co.jp	03-5444-6701
Mitsubishi Corporation	Mitsubishi Shoji Building, 6-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	http://www.mitsubishicorp.com/	03-3210-2121
Mitsui & Co., Ltd.	2-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo, Japan	http://www.mitsui.co.jp/	03-3285-1111

Import-related Operator

Table 5-1: Survey Operators

	Address	URL	Tel
Muso Co., Ltd.	3-7-22, Nishitemma, Kita-ku, Osaka, Japan	http://www.muso-intl.co.jp/	06-6316-6016
Nippon Del Monte Corporation	4-13 Koami-cho Nihombashi, Chuo-ku, Tokyo, Japan	http://www.delmonte.co.jp/	03-3669-2877
NIPPON DEL MONTE CORPORATION	4-13, Nihombashi Koamicho, Chuo-ku, Tokyo, Japan	http://www.delmonte.co.jp/	03-3669-2877
Nisshin Trading Co., Ltd.	1-37-4, Nishi-azabu, Minato-ku, Tokyo, Japan	http://www.pacificfruit.jp/profile.html	03-5785-3920
Pacific Fruits, Ltd.	1-19-5 Toranomon, Minato-ku, Tokyo	http://www.tekuteku.net/chocopa.html	03-3580-5421
Press Alternative, Co., Ltd. Chikyushoku	2-7-10-102 Mita, Meguro-ku, Tokyo, Japan	http://www.scfoods.co.jp/	03-3791-2147
SC FOODS Co., Ltd.	Sumishou-kurita bldg. 3-24-1, Kandanshikichou, Chiyoda-ku, Tokyo, Japan		03-5405-8001
Sojitz Corporation	4-1-23, Shiba, Minato-ku, Tokyo, Japan	http://www.sojitz.com/	03-5446-1111
Sumitomo Corporation	Harumi Island Triton Square Office Tower Y 8-11	http://www.sumitomocorp.co.jp/	03-5166-5000
Toho Bussan Kaisha, Ltd.	Harumi 1-chome, Chuo-ku, Tokyo, Japan		03-3438-5711
Tomen Corporation	2-4-1, Shibakouen, Minato-ku, Tokyo, Japan	http://www.tomen.com	03-5288-2111
WAYS Ltd	8-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	http://www.ways.co.jp/ways/profile/ssd.htm	075-212-3783
ABC Food System	Kyoto Sanjo Bldg. B1F, 57 Masuya-cho, Higashi-hairu, Takakura, Zaijo-dori, Nakagyo-ku, Kyoto, Japan		
Agriculture & Livestock Industries Corporation	Kokusai Bldg. BF1, 3-1-1 Marunouchi, Chiyoda-ku, Tokyo, Japan	http://www.abc-food.co.jp	03-5208-1527
Chocolate & Cocoa Association of Japan	Azabudai Bldg. 2-2-1 Azabudai, Minato-ku, Tokyo	http://alic.lin.go.jp/sugar/index.html	03-3583-9802
Harvest Research	JB Bldg., 6-9-5 Shinbashi, Minato-ku, Tokyo, Japan	http://www.chocolate-cocoa.com/index.html	03-5777-2035
Japan Banana Importers Association	3-4-7-301 Seki, Bunkyo-ku, Tokyo, Japan		03-3941-8243
Japan Research Institute, Ltd., the	Kyoren Bldg. 5F, 1-7-9 Hiraga-cho, Chiyoda-ku, Tokyo, Japan	http://www.banana.co.jp/jbia.html	03-3263-0461
	1-16 Ichiban-cho, Chiyoda-ku, Tokyo, Japan	http://www.jri.co.jp/about/profile/	03-3288-4700

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7. Other Useful Sources

Note: Many of the listed websites are available only in Japanese.

For contact information of specialized distributors, organic and fair-trade organizations in Japan, refer to Reference 3. For RCOs and RFCOs, refer to Reference 4. For organizations mentioned in the report as having been surveyed, refer to Reference 5.

IFOAM Japan 1-8-14 HIKAWA-CHO, TODA, SAITAMA, 335-0027 JAPAN
 Phone: +81-48-434-4416 Fax: +81-48-434-5402
 Email: info@ifoam-japan.net

RUTA Apartado 211-2100, San José, Costa Rica
 Phone: +506-255-4011 Fax: +506 222-6556

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Fairtrade Labelling Organizations International
<http://www.fairtrade.net/>

FOODEX Japan <http://www2.jma.or.jp/foodex/en/>

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International Organic Accreditation Service (IOAS), created by IFOAM
<http://www.ioas.org/>

International Organization for Standardization (ISO)
<http://www.iso.org/iso/en/ISOOnline.frontpage>

Japan Agricultural Cooperatives (JA) trade network
<http://www.zennoh.or.jp/>

Japan Organic Agricultural Association (JOAA)
<http://www.joaa.net/>

Rainforest Alliance <http://www.rainforest-alliance.org/>

Social Accountability International (SAI) <http://www.iso.org/iso/en/ISOOnline.frontpage>

Teikei Information <http://www.joaa.net/English/teikei.htm>
<http://www.newfarm.org/international/features/0404/teikei/index.shtml>

<Coffee>

All Japan Coffee Association <http://coffee.ajca.or.jp/top.html>
 Coffee Network <http://www.coffee-network.jp/sustainable/index.html>
 Cup of Excellence, the
 Certified Operators <http://www.cupofexcellence.org/Organic JAS>
 See Table 3.3 in Reference 3
 Surveyed Coffee Operators See Reference 5 (Coffee Operators)
 Rainforest Alliance <http://www.rainforest-alliance.org/>
 Site on various types of coffee <http://www.eynet.co.jp/p2-3.htm#ra>
 Press Release on UCC's Rainforest Alliance Certified Coffee
<http://www.ucc.co.jp/news/2004/rei040220a.html>

<Banana>

ANA Trading, Co. Ltd. <http://www.anatc.com/>
 Chiquita Unifrutti Japan Ltd. <http://www.welove877.com/>
 Daabon Organic Japan, Co, Ltd. <http://www.daabonorganic.com/profile.htm>
 Dole Japan Ltd. <http://www.dole.co.jp/>
 Hiro International, Co. Ltd. <http://www.naturalhero.com/>
 Japan Banana Importers Association, <http://www.banana.co.jp/jbia.html>
 Kyoko Foods See Reference 5 (Import-related Operators)

Pacific Fruit Ltd.

http://www.pacificfruit.jp/pac.cgi/top_sp.html

Sumifru Corporation

<http://www.sumifru.co.jp/>

<Sugar>

Fuji Nihon Seito Co., Ltd.

<http://www.fnsugar.co.jp/>

Shin Mitsui Co., Ltd.

<http://www.mitsui-sugar.co.jp/>

Taito Co., Ltd.

<http://www.taito-group.co.jp>

<Cocoa and Other Products>

All Japan Confectionery Association

http://www.pcg.or.jp/kogyokai/kogyokai_e.html

Chocolate & Cocoa Association of Japan

<http://www.chocolate-cocoa.com/>

Daito Cocoa, Co., Ltd.

<http://www.daitococoa.com/>

Japan Chocolate Industrial Corporation

See Reference 5.

Manature (organic fruit jam and jelly)

Manuka Honey from New Zealand

<http://www.tcn.co.jp/pps/manuka/>

Nisshin Kako Co., Ltd.

2-13-3 Shintomi, Chuo-ku, Tokyo, Japan

Tel:81-3-3297-1341, Fax: 81-3-3297-1329

Takanashi Dairy

See Reference 5.

<Auditing and Certification Systems based on Voluntary Standards>

AEON

<http://www.aeon.info/>

Green-Eye

<http://www.aeon.info/topvalu/topvalu/green.html>

Coop Kobe

<http://www.kobe.coop.or.jp/index2.html>

Daichi wo Mamoru Kai

<http://www.daichi.or.jp/cgi/index.pl>

Daiei

<http://www.daiei.co.jp/>

Yukoyaka Sodachi (Healthy Vegetables)

<http://www.daiei.jp/sukoyaka/>

Food Plan

<http://www.kobe.coop.or.jp/coopshohin/foodplan/foodplan.html>

GPS, Inc.

<http://www.pal.or.jp/gps/>

Ito Yokado

<http://www.itoyokado.iyg.co.jp/>

Kao ga Mieru Yasai (Visible Vegetables)

<http://look.itoyokado.iyg.co.jp/>

Metropolitan Coop

<http://www.pal.or.jp/index.html>

Radish Boya

<http://www.radishbo-ya.co.jp/>

Radix Standards

<http://www.radishbo-ya.co.jp/kijyun/index.html>

Kokusai Sanchoku (Information)

<http://www.pal.or.jp/gps/wgp/2001/01jul23.html>

<GAP, HACCP, Reliability Systems>

JA Zen-noh Reliability System

<http://www.zennoh.or.jp/zennoh-anshin/>

JAFIC webpage on HACPP

<http://www.shokusan.or.jp/haccp/index.html>

Japan Greenhouse Horticulture

<http://www.jgha.com/>

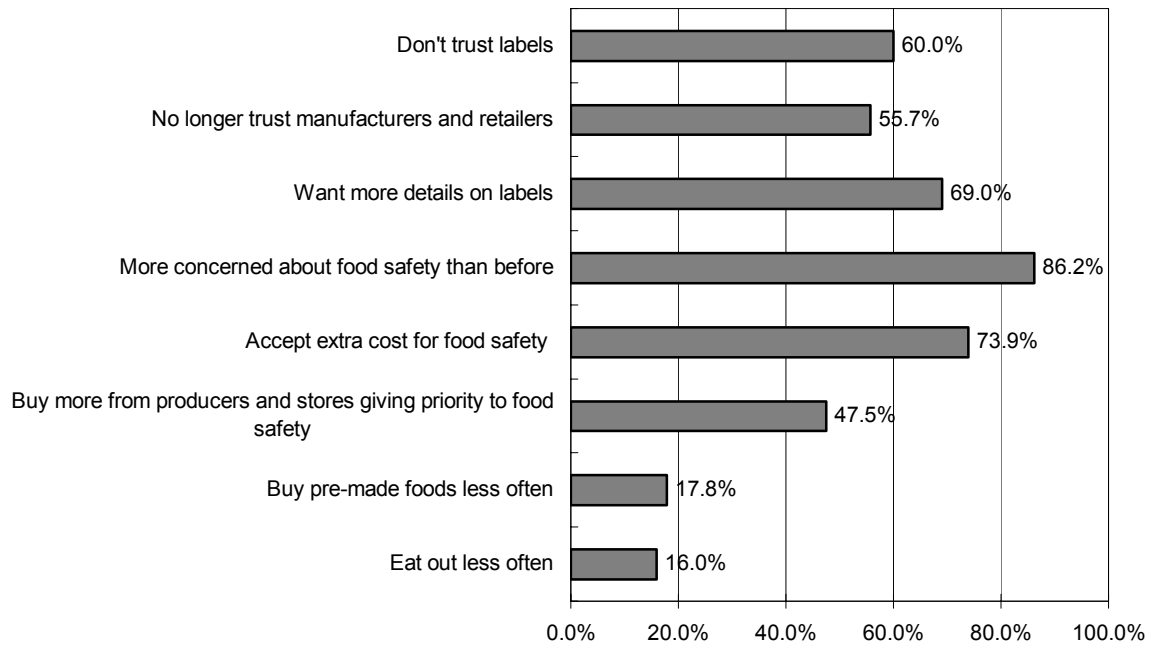
Appendices

Appendix I: Japanese Market for Certified Agricultural Products and Processed Foods

Table I-2.1: Recent Food-related Incidents and Accidents

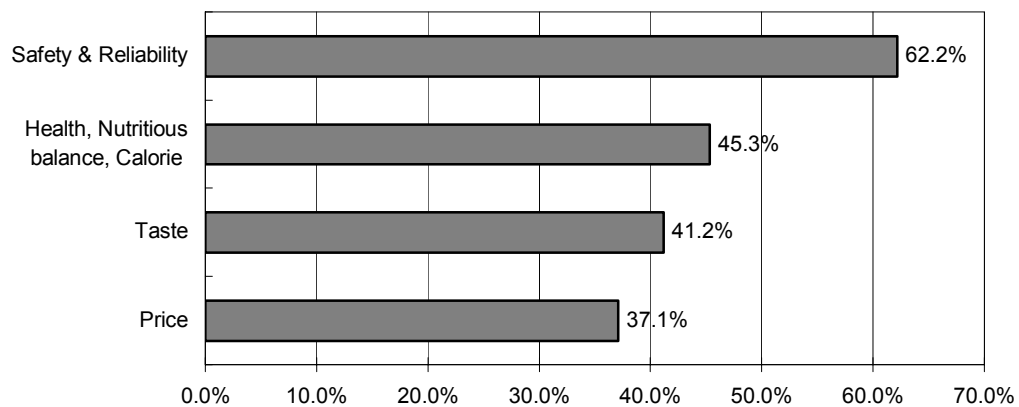
June 2000	Yukijirushi Milk food poisoning	Yukijirushi's low-fat milk containing Staphylococcal Enterotoxin caused food poisoning in the Kinki region, and over 10 000 people were affected.
May 2001	Genetically modified (GM) potatoes used as ingredient	GM potatoes were mixed in as an ingredient for snacks, and caused a massive recall of products.
September	Japan's first BSE infected cow confirmed	The first case of BSE infected cows was confirmed, followed by others in various regions in Japan. So far seven cows have been infected.
December -	Pesticide residues found in imported vegetables from China	Pesticide residues in vegetables were reported in China, leading to the tightening of import inspection. Excess levels of pesticide residues (e.g. Chlorpyrifos) were detected in nearly 10 percent of frozen spinach.
January 2002	False labelling	Starting with the false labelling of Yukijirushi beef, a series of other false labelling scandals were detected, including beef from other major companies.
May	Use of illegal food additives	Illegal food additives were found to have been used in Mr. Donuts' steamed meat buns. Other similar incidents, such as with the manufacturing of artificial flavours were also detected.
June	Pesticides detected in organic frozen spinach	Pesticides were detected in Organic JAS labelled frozen spinach from China.
August	Use of non-registered pesticides found in Japan	Non-registered cancer-inducing pesticides (e.g. Difolatan) were found to have been imported, sold and used in Japan, causing agricultural products in 32 prefectures to be recalled and discarded.
August	GM soybeans found in organic tofu products	GM soybeans were found in products (e.g. tofu), labelled to have been made with 100 percent organic soybeans. JAS certification was removed from the manufacturer.
January 2003	Six-month-old eggs sold by a poultry association in Kyoto	The Yamashiro Poultry Producers Association in Joyo-shi, Kyoto, was found to have stored approx. 50 000 eggs from June 2002 and to have sold them with falsely labelled dates to supermarkets, etc. 27 people who ate these eggs suffered from stomach ache, diarrhoea, etc.
September	False labelling of allergic substance	A manufacturer subcontracted from AEON was found to have knowingly neglected to indicate, on the label, an allergic substance, Albumin, from egg white used in the product, asparagus wrapped in bacon.
December -	Suspension of US beef import due to the outbreak of BSE in USA	BSE infection was confirmed in Holstein cows in Washington, United States, leading to a suspension of US beef import. Restaurant chains (e.g. Yoshinoya, Matsuya) were prohibited to sell gyudon, a rice dish with stewed beef.
January 2004	Outbreak of Avian Influenza or bird flu	Avian influenza broke out in Vietnam, China and Taiwan Province of China. It was also found in Yamaguchi in Japan, followed by Hyogo and Kyoto.

Graph I-2.1: Consumer Opinions on Food Safety



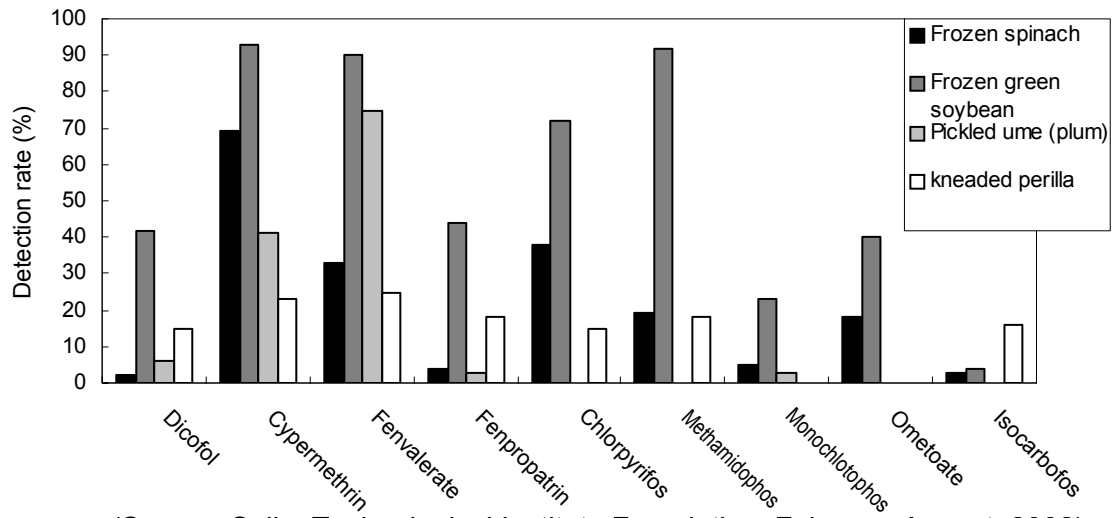
(Source: Saison Research Institute, early July 2002)

Graph I-2.2: Consumer Survey – Items of Concern at the time of Purchase



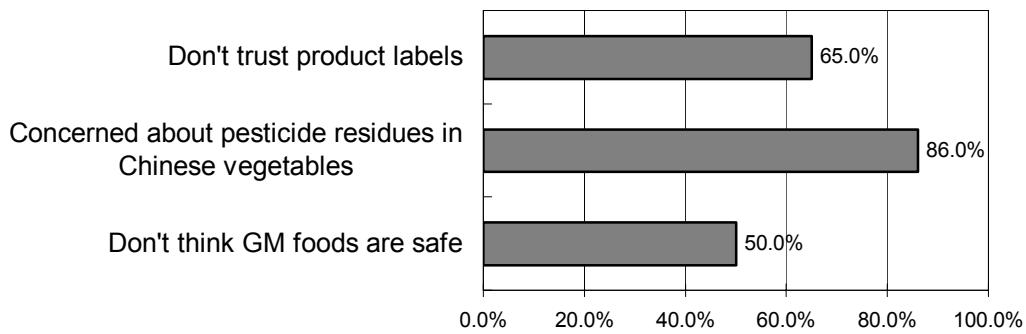
(Source: AFC, December 2001)

Graph I-2.3: Detected Pesticide Residues, by Product



(Source: Saika Technological Institute Foundation, February-August, 2002)

Graph I-2.4: Consumer Opinions since the Nippon Ham Incident



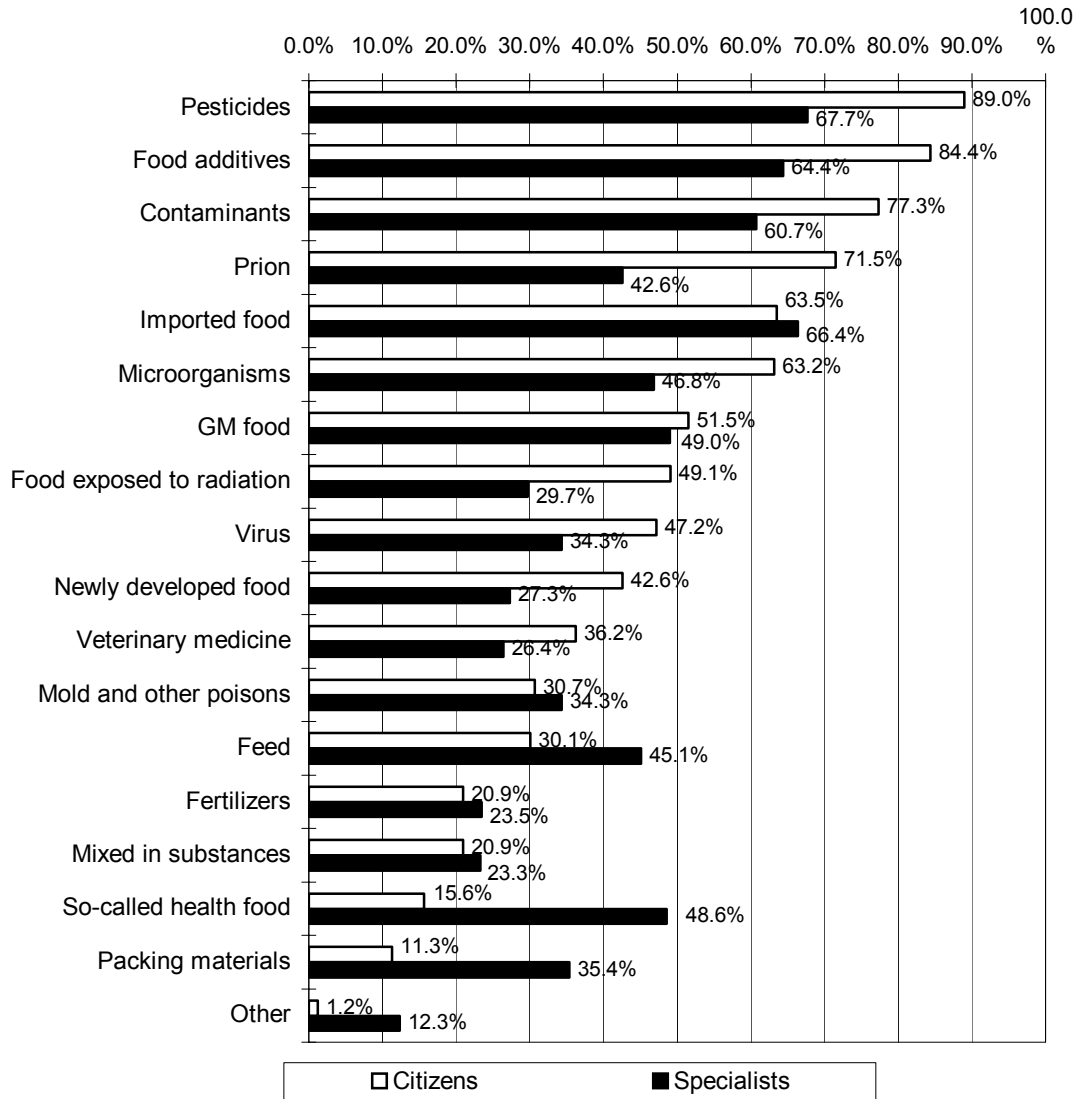
(Source: Micromill, Inc., August 2002)

Table I-2.2: Laws Related to Food Safety and Reliability

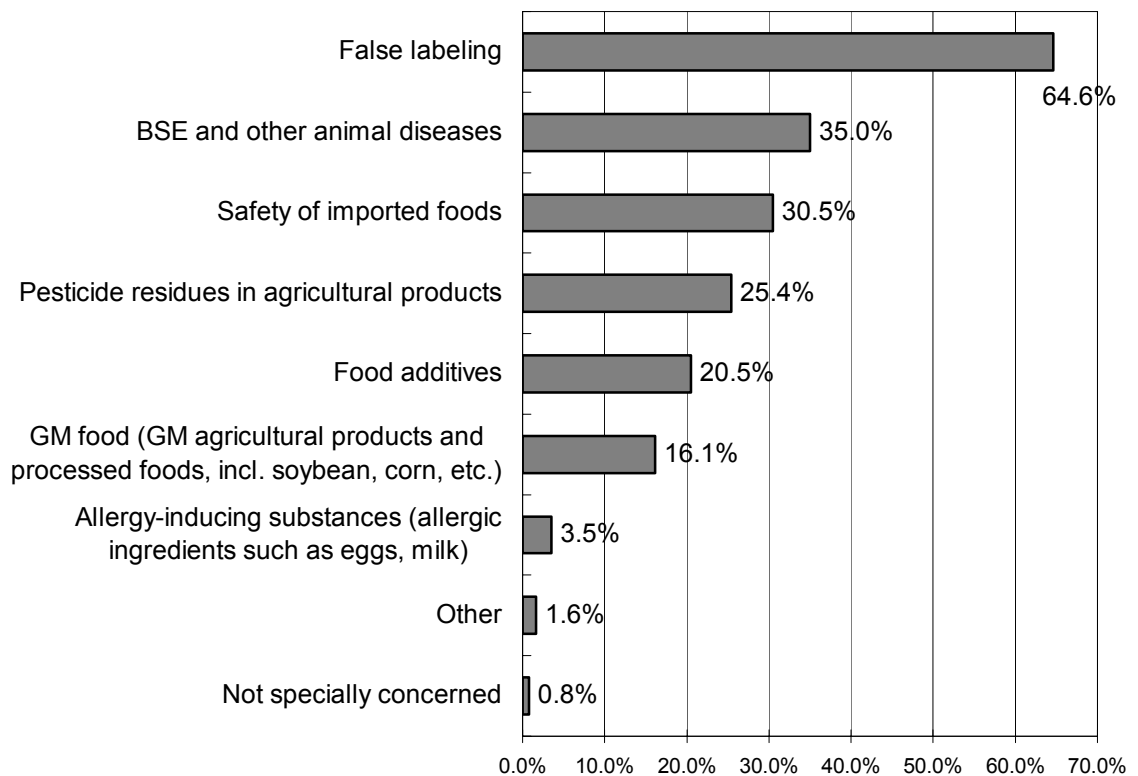
		Ministry of Health, Labour and Welfare (MHLW)	Ministry of Agriculture, Forestry and Fisheries (MAFF)	Other ministries and offices	
Food Safety & Reliability	General			Food Safety Basic Law (Cabinet Office)	
		Food Sanitation Law			
	Food Safety, Reliability, and Quality	Food Sanitation Law	JAS Law (organic)		
		HACCP Support Law			
		Slaughterhouse Law	Pesticide Control Law		
		Poultry Law	Fertilizer Control Law		
			BSE Countermeasure Law		
			Feed Safety Law		
			Beef Traceability Law		
			Animal Infection Prevention Law		
	Labeling	Food Sanitation Law	JAS Law (organic)	Law for Preventing Unjustifiable Lagniappes and Misleading Representation (Cabinet Office)	
		Health Promotion Law			
	Environment	Environment-Friendly Farming		Sustainable Farming Law (3 Laws on Agriculture and Environment:)	
				Fertilizer control Law (3 Laws on Agriculture and Environment)	
		Recycling		Law on Recycling of Stockbreeding (3 Laws on Agriculture and Environment)	Law on Recycling Packing Materials (Ministry of Economy, Trade and Industry)
	Food Recycling Law				

Note: translated names of some of the laws above are provisional.

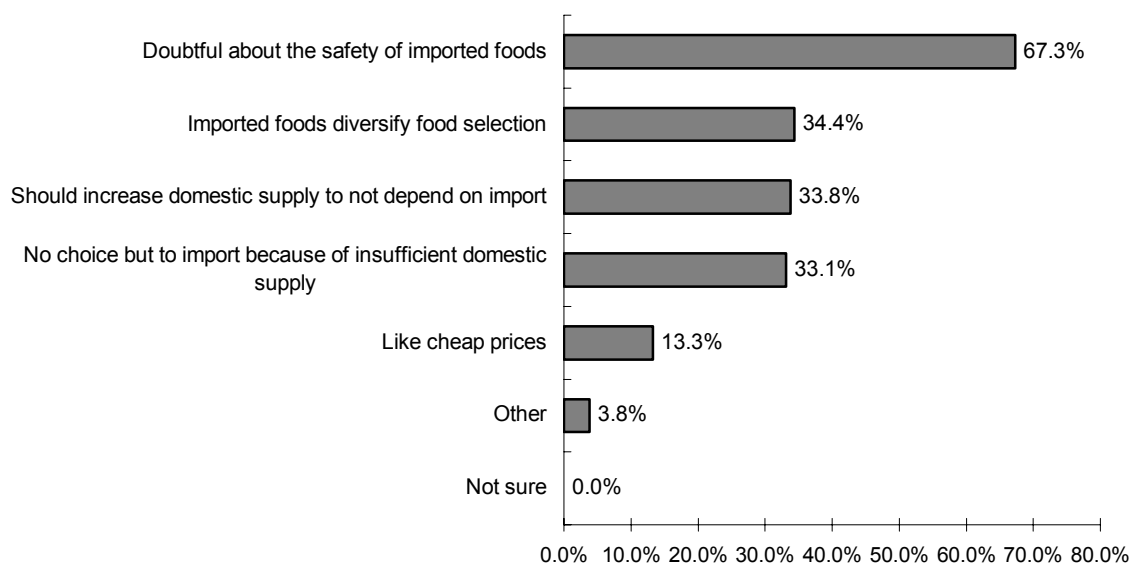
Graph I-2.5: Disconcerting Food Safety related Issues



(Source: Food Safety Commission, 2003)

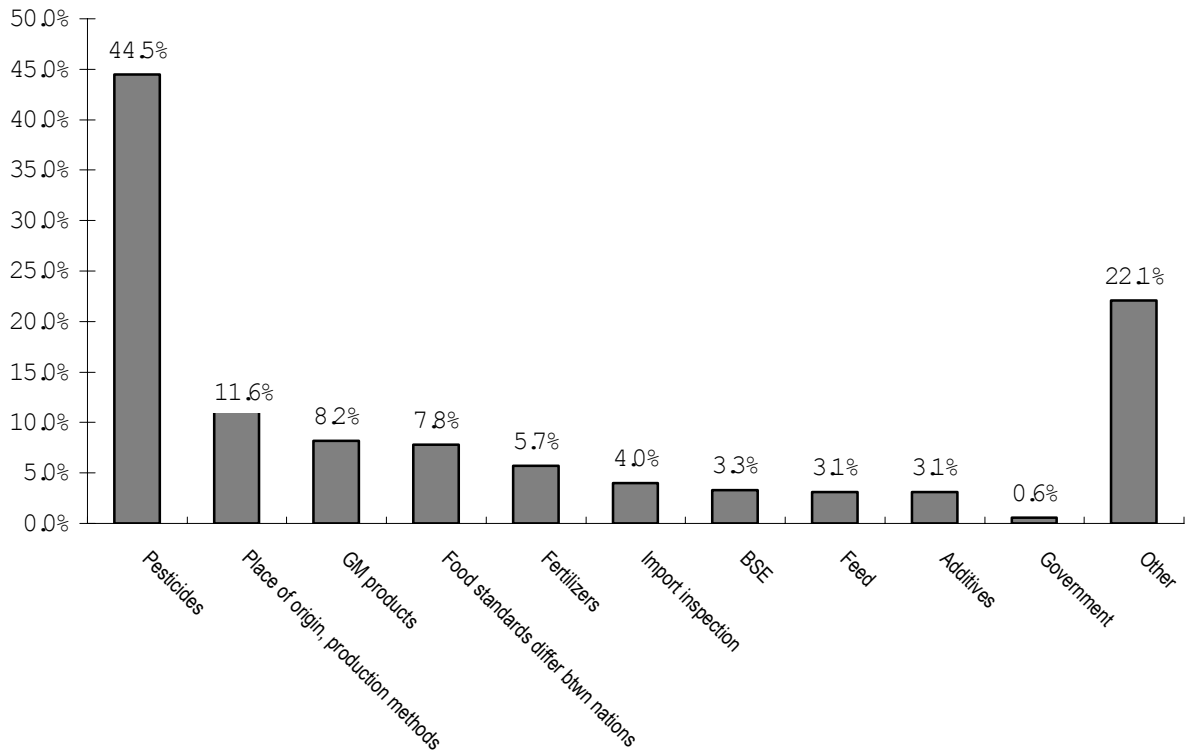
Graph I-2.6: Consumer Concerns about Food

(Source: Tokyo Prefecture, July 2002)

Graph I-2.7: Consumer Opinions on Imported Foods

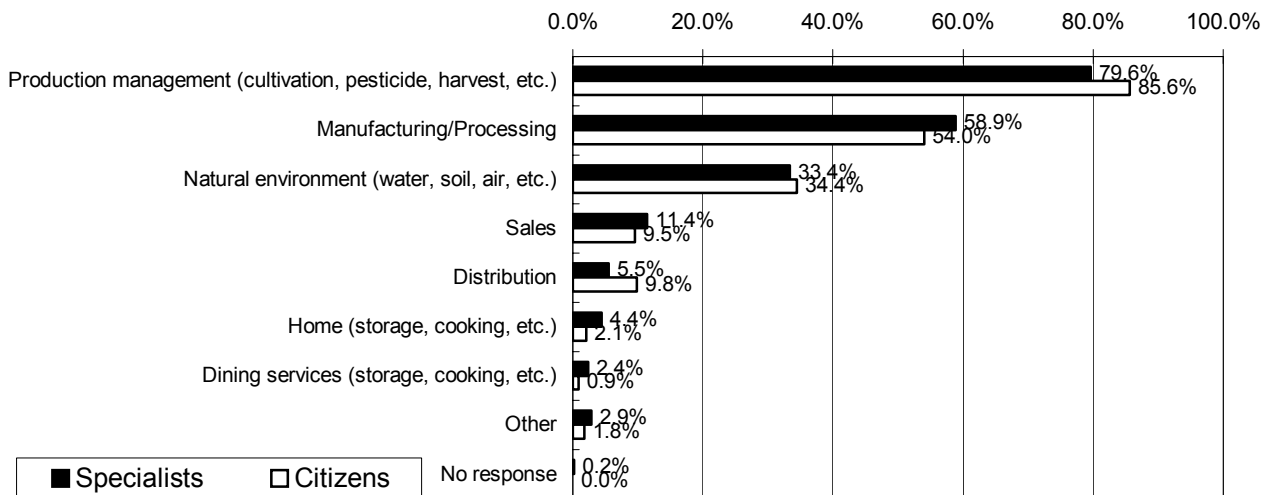
(Source: Tokyo Prefecture, July – August 2000)

Graph I-2.8: Specific Concerns about Imported Foods



(Source: MAFF, November 2001)

Graph I-2.9: Consumer Survey – Areas thought most necessary to be improved



(Source: Food Safety Commission, 2003)

Table I-3.1: Prohibited Plants (Case of CA Countries)

Districts	Prohibited Plants	Quarantine Pests
El Salvador, Guatemala, Costa Rica, Nicaragua, Panama, Honduras	Fresh fruits of akee, avocado, star berry, allspice, olive, cashew nut, kiwi fruit, <i>Thevetia peruviana</i> , carambola, pomegranate, jaboticaba, broad bean, alexandrian laurel, date palm, <i>Muntingia calabura</i> , feijoa, pawpaw, mammee apple, longan, litchi and plants of the genera <i>Ficus</i> , <i>Phaseolus</i> , <i>Diospyros</i> (excluding those listed in <u>appendix 41</u>), <i>Carissa</i> , <i>Juglans</i> , <i>Morus</i> , <i>Coccoloba</i> , <i>Coffea</i> , <i>Ribes</i> , <i>Passiflora</i> , <i>Dovyalis</i> , <i>Ziziphus</i> , <i>Spondias</i> , <i>Musa</i> (excluding immature banana), <i>Carica</i> (excluding those listed in <u>appendix 1</u>), <i>Psidium</i> , <i>Artocarpus</i> , <i>Annona</i> , <i>Malpighia</i> , <i>Santalum</i> , <i>Garcinia</i> , <i>Vitis</i> (excluding those listed in <u>appendix 3</u>), <i>Syzygium</i> , <i>Mangifera</i> (excluding those listed in <u>appendices 2 and 36</u>), <i>Ilex</i> , <i>Terminalia</i> and <i>Gossypium</i> and Plants of the family Sapotaceae, Cucurbitaceae (excluding those listed in <u>appendices 3 and 42</u>), Cactaceae (excluding those listed in <u>appendix 35</u>), Solanaceae (excluding those listed in <u>appendix 3</u>), Rosaceae (excluding those listed in <u>appendices 3 and 31</u>) and Rutaceae (excluding those listed in <u>appendices 4 to 8 and 39</u>).	Mediterranean fruit fly (<i>Ceratitidis capitata</i>)
North America (excluding Canada but including West Indies), South America	Live vines, leaves, tuberous roots and other underground portions of plants of the genera <i>Ipomoea</i> , <i>Pharbitis</i> and <i>Calystegia</i> . Live tuberous roots and other underground portions of cassava.	Sweet potato weevil (<i>Cylas formicarius</i>)
North America (excluding Canada but including West Indies), South America	Live vines, leaves, tuberous roots and other underground portions of plants of the genera <i>Ipomoea</i> , <i>Pharbitis</i> and <i>Calystegia</i> .	West Indian sweet potato weevil (<i>Euscepes postfasciatus</i>)

(As of 30 January 2004)

Note: When referring to this list, note that the Central American region is included in the North American region. (Caution: MAFF Plant Protection Station states that these English annexed tables are an unauthorized translation of Plant Quarantine Regulations. Copying or reproduction is limited only for private use.)

Table I-3.2: Plants subject to Inspection (Case of CA Countries)

Districts	Plants subject to Inspection	Quarantine Pests
El Salvador, Guatemala, Costa Rica, Nicaragua, Panama, Belize	Underground portions of the live plant of avocado, turmeric, okra, cockscomb, coconut, <i>Colocasia esculentum</i> , sugarcane, ginger, <i>Canna edulis</i> , greater yam, tea, corn, potato (Bareisho), betel palm, peanut (excluding seeds without pod) and plants of the genera <i>Anthurium</i> , <i>Calathea</i> , <i>Maranta</i> , <i>Coffea</i> , <i>Piper</i> , <i>Musa</i> , <i>Philodendron</i> and <i>Beta</i> being capable of planting for cultivation.	Banana burrowing nematode (<i>Radopholus similis</i>)

(English version updated on 4 August 1997: <http://www.pps.go.jp/english/law/list1.html>)

(Japanese version updated on 29 August 2003 (content is the same as in the English list above): <http://www.pps.go.jp/law/shourei/list1.html>)

Appendix II: Certification Systems

(1) Technical Criteria for Organic Operators

(a) Management system required by Technical Criteria of Organic JAS (Production Process Management Director)

Management Policy

- * Policy for organic foods business and its production/quality control
- * Policy to promote and develop organic foods.

Outline of Organization

- * Organization and organization chart
- * Map of organic fields and its vicinity
- * Production process manager (production manager for organic quality)---qualification and responsibility
- * Grading manager---qualification and responsibility
- * Document for organic management –internal regulations (or manual) for production process management and grading, instruction, records.

Internal regulations---Procedures to carry out organic quality production management.

- * Annual production plan
- * Cultivation plan --- seed, fertilization, pest and weed control, rotation
- * Maintenance, cleaning and washing of machinery, equipment and tools
- * Lot control from harvest to shipment
- * Processing on the farm---washing, drying, cutting, selecting, storing, packing
- * Record keeping---farming, harvest, storage, shipment and loss
- * To report to the certification body and undergo inspection and auditing by the certification organization.
- * To check and improve internal regulations periodically
- * Claim policy and manual
- * Education and training of staff and workers.

Grading regulations

- * Grading manager must have authority independent from the production and sales division.
- * To evaluate conformity of its operation with Internal regulations and/or Organic JAS by checking the operation records that is just same as to carry out internal auditing of production by every lot of production or shipment.
- * To approve grading as organic on the products after evaluation
- * To deal with unapproved products after production and before shipment
- * To store and ship approved organic products
- * To control organic JAS mark and make records of its use/and disposal of disapproved products.
- * To make sure labelling is made in accordance with Organic JAS.
- * To undergo inspection and auditing by the certification organization

(b) Management system required by Technical Criteria of Organic JAS (Manufacturer)

Management Policy

- * Policy for organic foods business and its production process management
- * Policy to promote and develop organic foods.

Outline of Organization

- * Organization (name, address, representative) and organization chart
- * Map of the facility, the layout of equipment and flow chart of process
- * Quality control manager---qualification and responsibility
- * Grading manager---qualification and responsibility

- * Document for organic management---internal regulations for quality control and grading, instruction, records.

Internal regulations---Procedures to carry out organic quality management.

- * Annual production plan and management of processing
- * Receiving and storing of organic ingredients
- * Specification of the products---ratio of each item of ingredients
- * Production process control---including lot control system
- * Maintenance, cleaning and washing of machinery, equipment and tools
- * Record keeping ----production, inventory, storage, shipment etc.
- * To report to the certification body and undergo inspection and auditing by the certification organization.
- * To check and improve internal regulations periodically---internal auditing
- * Claim policy and manual.
- * Education and training of staff and workers.

Grading regulations

Grading manager must have authority independent from the production and sales division.

- * To evaluate conformity of its operation with internal regulations and/or Organic JAS by checking the operation records.
- * To approve grading as organic on the products after evaluation
- * To deal with unapproved products after production and before shipment
- * To store and ship approved organic products
- * To control organic JAS mark and make records of its use/and disposal of disapproved products.
- * To make sure labelling is made in accordance with Organic JAS.
- * To undergo inspection and auditing by the certification organization

(2) Main Revisions to the Guidelines for the Labelling of Specially Grown Agricultural Products

Main aspects that were revised in the newest guidelines are as follows:

- (i) Production principles of specially grown agricultural products, including the making of healthy soil, are specified.
- (ii) Based on these production principles, products, to which the Guidelines are applicable, are specified as those that are produced with less than 50 percent of the conventional amounts of chemically synthesized pesticides and chemical fertilizers.
- (iii) The previously divided categories, based on the uses of pesticides and chemical fertilizers (“no pesticides,” “no chemical fertilizers,” “reduced pesticides,” and “reduced chemical fertilizers”) are integrated into one category, “specially grown agricultural products.”
- (iv) Of the materials permitted for use, attractants, such as sex pheromone, are not to be subjected to reduction, with the condition that they be indicated when used.
- (v) Specified pesticides (i.e. those that are determined as not threatening to humans, animals, aquatic organisms, or agricultural crops if used as ingredients) are to be treated equally to natural enemies. Where specified pesticides or natural enemies are used, the use of labelling “pesticides: not used during production period” is permitted, with the condition that they be indicated when used.
- (vi) In order to improve the objectivity of the definition of ‘conventional levels’ of use of chemically synthesized pesticides and fertilizers, which are used as reference values for the degrees of reduction, amounts that are defined by each municipal government will be used as applicable conventional levels. “Conventional levels” refer to the amounts of chemically synthesized pesticides and fertilizers that are allowed by the regional government for the purpose of use in conventional farming.
- (vii) In order to diversify ways to share information on materials, which are used in various types of farming (e.g. pesticides), new means, such as the Internet, are to be allowed.

Appendix III: Market Trends for Organic Agricultural Products and Processed Foods

Table III-2.1: Estimated Sales Value of the Organic Food Market and Price Comparison of Organic and Conventional Products (as of 2002)

Item	Grading Quantity Unit: t	Retail Price Unit: ¥1 000	Sales Value Unit: ¥1 000	Domestic / Imported Unit: ¥1 000	Retail Price Ratio (Unit: ¥1 000/tonne)	
					Organic (a)	Conventional (b) (a)/(b)*100
Domestic Product						
Vegetable	27 460	420	11 533 200	420	385	109
Soybean	945	1 000	945 000	1 000		
Rice	12 287	750	9 215 250	750	407	184
Fruit	1 939	430	833 770	430	394	109
Beverage	5 285	470	2 483 950	470		
Tofu	52 520	408	10 714 080	408	378	108
Natto	10 692	1 260	13 471 920	1 260	1 135	111
Miso	2 263	910	2 059 330	910	707	129
Soy Sauce	1 037	628	651 236	628	385	163
Japanese tea	1 987	6 000	11 922 000	6 000	4 860	123
Frozen Vegetable	291	750	218 250	750		
Dried Noodles	121	700	84 700	700	636	110
Other (Domestic)	19 367	1 500	29 050 500	1 500		
Canned Product	2 670	300	801 000	Domestic 93 984 186	300	
Frozen Vegetable (Foreign)	11 000	750	8 250 000		750	
Other (Foreign)	6 561	800	5 248 800		800	
Dried Noodles	1 000	700	700 000		700	110
Fruit (Banana, etc.)	10 000	587	5 870 000	Imported 20 068 800	587 (Banana)	505
Grand Total Value of Organic Food Market			114 052 986	114 052 986		

(Source: Compiled by IFOAM Japan)

Table III-2.2: Comparison of Organic and Conventional Prices

		Organic (a)	Conventional (b)	Organic Premium (a)/(b)
		¥/kg	¥/kg	%
1 Agricultural Product	Spinach	250	250	100.0
1 Agricultural Product	Banana	587	505	116.2
1 Agricultural Product	Rice	830	690	120.3
1 Agricultural Product	Almond	398	298	133.6
1 Agricultural Product	Brown Rice	740	540	137.0
1 Agricultural Product	Zucchini	280	198	141.4
1 Agricultural Product	Vegetable Box	5 131	3 360	152.7
1 Agricultural Product	Mini Tomato	198	128	154.7
1 Agricultural Product	Rice	1 500	840	178.6
1 Agricultural Product	Potherb Mustard	258	128	201.6
1 Agricultural Product	Wheat	530	190	278.9
1 Agricultural Product	Non-glutinous Rice	1 300	656	198.2
2 Processed Food	Silk-strained Tofu #1	348	362	96.1
2 Processed Food	Barley Tea	1 446	1 431	101.0
2 Processed Food	Whole Tomato	310	298	104.0
2 Processed Food	Butter Peanut	1 246	1 122	111.1
2 Processed Food	Natto #2	1 263	1 135	111.3
2 Processed Food	Tofu #1	408	362	112.7
2 Processed Food	Safflower Oil	1 200	1 045	114.8
2 Processed Food	Soy Milk	322	271	118.8
2 Processed Food	Raison	1 307	1 093	119.6
2 Processed Food	Dried Prune	1 947	1 600	121.7
2 Processed Food	Black Tea	620	493	125.8
2 Processed Food	String Konnyaku #3	955	745	128.2
2 Processed Food	Green Tea	7 976	6 065	131.5
2 Processed Food	Apple Juice	620	465	133.3
2 Processed Food	Orange Juice	620	465	133.3
2 Processed Food	Roasted Sesame	2 070	1 545	134.0
2 Processed Food	Miso #4	911	670	136.0
2 Processed Food	Cotton-strained Tofu #1	335	244	137.3
2 Processed Food	Roasted Coffee	2 709	1 973	137.3
2 Processed Food	Peanut	1 170	820	142.7
2 Processed Food	Pasta	725	508	142.7
2 Processed Food	Macaroni	1 120	760	147.4
2 Processed Food	Konnyaku #3	794	530	149.8
2 Processed Food	Corn Flake	1 938	1 288	150.5
2 Processed Food	Usukuchi Soy Sauce	536	356	150.6
2 Processed Food	Buckwheat Noodle	1 510	985	153.3
2 Processed Food	Rice Vinegar	988	640	154.4
2 Processed Food	Ground Sesame	2 766	1 778	155.6
2 Processed Food	Lemon Juice	1 320	834	158.3
2 Processed Food	Soy Sauce	628	395	159.0
2 Processed Food	Spaghetti	834	522	159.8
2 Processed Food	Apple Vinegar	1 417	885	160.1
2 Processed Food	Rice Cracker	2 587	1 570	164.8
2 Processed Food	Tomato Ketchup	754	431	174.9

		Organic (a)	Conventional (b)	Organic Premium (a)/(b)
		¥/kg	¥/kg	%
2 Processed Food	Frozen Mixed Vegetable	777	438	177.4
2 Processed Food	Frozen Corn	792	440	180.0
2 Processed Food	Instant Coffee	10 900	5 250	207.6
2 Processed Food	Tomato Puree	1 660	780	212.8
2 Processed Food	Sweet Chestnut	4 320	2 000	216.0
2 Processed Food	Rolled Barley	760	344	220.9
2 Processed Food	Cracker	2 500	1 130	221.2
2 Processed Food	Prune	1 810	806	224.6
2 Processed Food	Strawberry Jam	2 200	960	229.2
2 Processed Food	Boiled Red Bean	1 819	747	243.5
2 Processed Food	Jam	1 739	682	255.0
2 Processed Food	Sauce	1 728	627	275.6
2 Processed Food	Coffee for Gift	6 631	2 210	300.0
2 Processed Food	Brown Rice Tea	5 413	1 660	326.1

#1 Tofu is bean curd, one of the most widely available Japanese traditional foods.

#2 Natto is fermented soybeans, one of the most widely available Japanese traditional foods.

#3 Konnyaku is a jelly made from arum root.

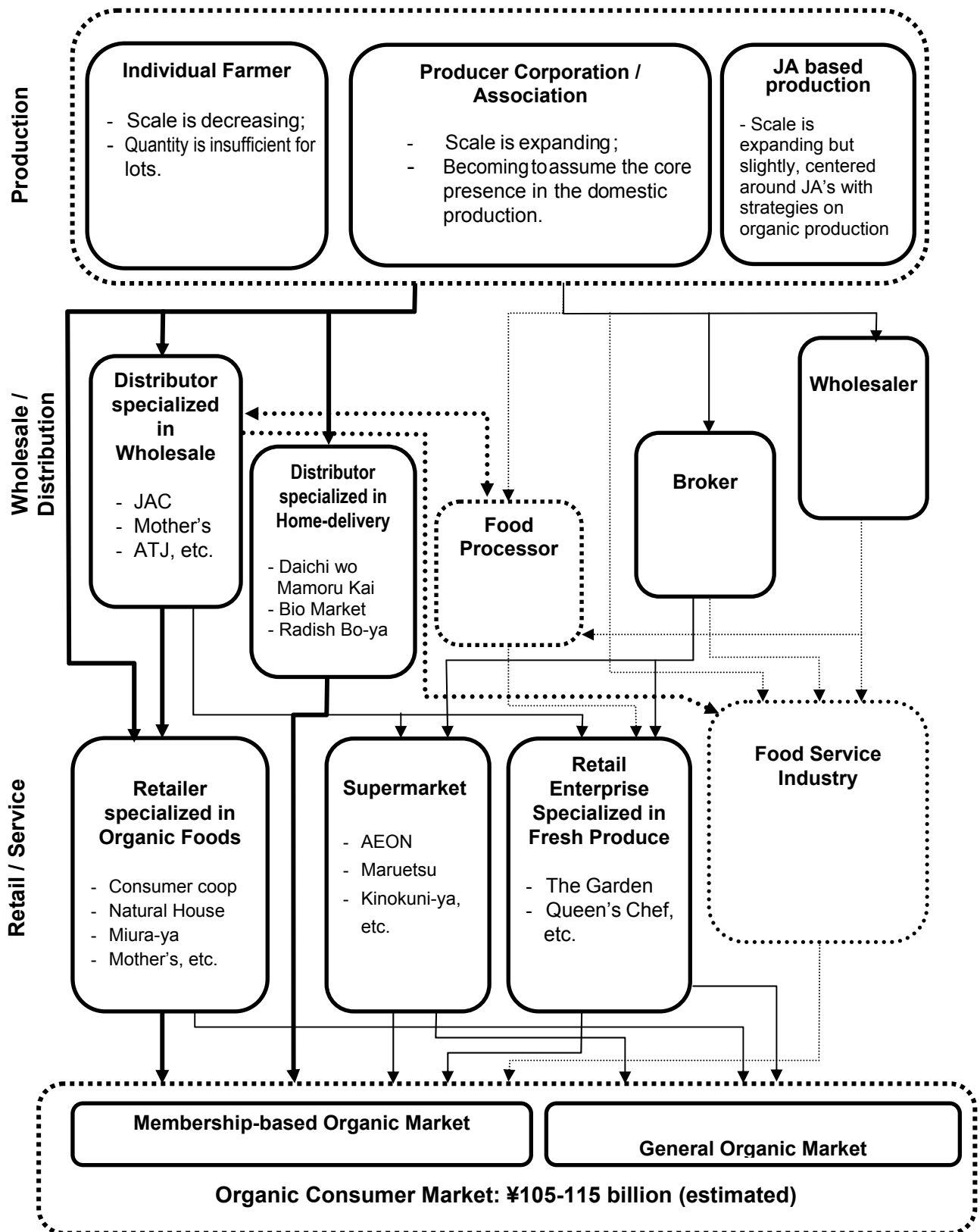
#4 Miso is soybean paste, one of the most widely available Japanese traditional foods.

Table III-3.2: Average Income per Household, by Age of the Head of the Household

	Total	Below 29	30-39	40-49	50-59	60-69	Over 70
Average Income (¥10 000)	626.0	338.3	566.4	727.2	819.3	600.2	467.6
Average # of Family Members	2.85	1.89	3.10	3.65	3.08	2.59	2.31
Average # of Employed Family Members	1.40	0.98	1.35	1.69	2.00	1.25	0.74

(Source: MHLW, 2000)

Diagram III-4.2: Japanese Distribution Structure of Domestically Produced Organic Products



Appendix VI: Imported Products from Central America

Table VI-3.2: Summary of CA Agricultural Products and Processed Foods with Growth Potential in the Japanese Market - based on Interviews with CA Embassies in Japan, JETRO, FOODEX, etc.

Country	Conventional Products	Organic Products (Area of cultivation, in ha)	Processed Organic Foods
Costa Rica		Banana (2 800.0) Orange (2 700.0) Coffee (1 440.0) Cocoa (1 100.0) Mulberry (1 050.0) Sugar cane (400.0) Pineapple (50.0) Spice (45.0) Nuts and bean (3 000.0)	Coffee extract Liquid coffee Canned jalapeño Canned beans Frozen pineapple Frozen banana Frozen mango Frozen papaya Banana puree Roasted coffee Dried organic banana Dried organic pineapple Dried organic mango Dried organic papaya Jarred hart of palm
Guatemala		Coffee (13 000.0) Cardamom (1 004.0) Pepper (730.0) Bixaceae (645.0) Sesame (6 700.0) Jamaican rose (55.0) Vanilla (2.4) Broccoli (178.0) Palm heart (24.0) Honey (5.0) Ciricote (32.0)	Sesame oil Dehydrated lemon Tropical fruit jam Pepper sauce Hibiscus tea Chewing gum
Panama			Roasted coffee Fruit candy Beer Vinegar Pepper sauce Flavoured coffee Tropical fruit jam
Nicaragua			Peanut Rum Honey
El Salvador	Coffee Sugar Pineapple	Coffee	Frozen okra Pepper sauce Canned vegetable

Country	Conventional Products	Organic Products (Area of cultivation, in ha)	Processed Organic Foods
	Mango Nuts Lemon		Canned bean Pupusa Snacks Cookies Peanuts
Honduras	Banana Coffee Melon Watermelon Pineapple		Cigar Cigarette
Belize	Banana Sugar		Fruit juice (Orange)

Appendix VII: Market Trends of Selected Imported Products

(1) Coffee

Table VII-1.1: Imported Quantity of Green Coffee Beans from Various Countries

Region	1998			1999		
	Quantity (kg)	Monetary value (¥1 000)	Unit price (¥/kg)	Quantity (kg)	Monetary value (¥)	Unit price (¥)
Asia	93 641 834	24 260 796	259	101 986 337	19 082 248	187
Europe	855 801	459 788	537	813 329	280 689	345
Africa	35 044 292	15 923 298	454	34 890 265	11 376 782	326
Oceania	798 605	329 998	413	1 924 326	467 713	243
S. and N. America	159 721 486	72 750 446	455	175 099 917	50 230 706	287
CA 7 countries	42 323 635	20 267 387	479	48 703 538	14 492 646	298
Guatemala	19 031 988	9 383 383	493	26 045 432	7 969 149	306
Honduras	14 907 101	6 945 483	466	13 591 253	3 826 090	282
El Salvador	4 074 420	1 870 013	459	4 014 431	1 120 623	279
Nicaragua	51 726	25 297	489	541 604	156 951	290
Costa Rica	4 258 400	2 043 211	480	4 507 355	1 418 713	315
Panama	-	-	-	3 463	1 120	323
Total	332 385 653	133 991 713	403	363 417 712	95 930 784	264
Region	2000			2001		
	Quantity (kg)	Monetary value (¥1 000)	Unit price (¥/kg)	Quantity (kg)	Monetary value (¥)	Unit price (¥)
Asia	102 737 230	12 849 812	125	102 026 277	9 642 662	95
Europe	602 326	169 435	281	461 415	120 730	262
Africa	2 234 176	491 001	220	4 435 929	800 164	180
Oceania	182 090 387	47 225 060	259	181 327 830	37 176 390	205
S. and N. America	38 059 801	9 017 420	237	35 116 847	7 054 754	201
CA 7 countries	56 525 725	14 714 544	260	58 376 847	11 233 551	192
Guatemala	28 059 629	7 484 378	267	31 259 929	6 289 019	201
Honduras	16 681 349	4 158 011	249	15 135 820	2 584 557	171
El Salvador	4 091 580	994 983	243	4 347 183	724 463	167
Nicaragua	553 519	158 679	297	1 054 587	252 767	240
Costa Rica	7 121 620	1 912 830	269	6 543 188	1 373 555	210
Panama	18 028	5 663	314	36 140	9 190	254
Total	382 224 945	84 467 272	221	381 745 145	66 028 251	173
Region	2002					
	Quantity (kg)	Monetary value (¥1 000)	Unit price (¥/kg)	Quantity share	Value share	Growth index*
Asia	96 206 382	9 957 946	104	24.0%	15.1%	102.7
Europe	456 599	111 408	244	0.1%	0.2%	53.4
Africa	41 728 920	6 893 124	165	10.4%	10.4%	119.1
Oceania	7 262 193	1 246 653	172	1.8%	1.9%	909.4
S. and N. America	196 123 369	36 548 648	186	48.9%	55.3%	122.8
CA 7 countries	58 993 544	11 367 568	193	14.7%	17.2%	139.4
Guatemala	33 678 298	6 729 990	200	8.4%	10.2%	177.0
Honduras	10 810 191	1 803 591	167	2.7%	2.7%	72.5
El Salvador	4 955 894	858 864	173	1.2%	1.3%	121.6
Nicaragua	2 033 727	410 885	202	0.5%	0.6%	3931.7
Costa Rica	7 472 230	1 547 435	207	1.9%	2.3%	175.5
Panama	43 204	16 803	387	0.0%	0.0%	N/A
Total	400 771 007	66 125 347	165	100.0%	100.0%	120.9

* Growth Index of Quantity over four years, from 1998 to 2002

(Source: All Japan Coffee Association)

Table VII-1.2: Import Quantity of Green Coffee Beans (from 1983 through 2007 (estimate))

Unit: t

Year	Import Quantity	Year	Import Quantity	Year	Import Quantity	Year	Import Quantity	Year	Estimated Import Quantity
1983	204 012	1988	263 865	1993	312 524	1998	332 386	2005	416 630
1984	223 083	1989	284 070	1994	345 280	1999	363 418	2007	434 685
1985	231 193	1990	291 339	1995	300 563	2000	382 230		
1986	242 519	1991	301 050	1996	326 914	2001	381 745		
1987	270 240	1992	293 241	1997	325 233	2002	400 771		

(Source: All Japan Coffee Association)

Table VII-1.3: Imported Quantities of Other Coffee Products

Units: Quantity (kg), Monetary value (¥1 000), Unit price (¥/kg)

	1998			2002			% Distribution		Growth Index	
	Quantity #	Monetary value	Unit price	Quantity #	Monetary value	Unit price	Quantity #	Value	Quantity #	Value
Roasted Coffee (beans or ground)										
Asia	33 058	37 679	1 140	182 206	176 811	970	0.68%	1.03%	551.2	469.3
Europe	501 485	1 514 980	3 021	723 298	1 043 308	1 442	2.69%	6.06%	144.2	68.9
Africa	15 704	29 056	1 850	91 446	100 022	1 094	0.34%	0.58%	582.3	344.2
Oceania	3 028	3 567	1 178	3 956	3 254	823	0.01%	0.02%	130.6	91.2
S. and N. America	1 001 225	1 199 244	1 198	2 903 824	2 795 790	963	10.79%	16.24%	290.0	233.1
CA	25 595	30 222	1 181	164 837	174 881	1 061	0.61%	1.02%	644.0	578.7
Total	1 580 095	2 814 748	1 781	4 069 567	4 294 066	1 055	15.12%	24.95%	257.6	152.6
Instant Coffee										
Asia	646 266	613 526	949	585 388	623 911	1 066	2.18%	3.62%	90.6	101.7
Europe	1 238 226	2 335 582	1 886	1 435 185	2 176 821	1 517	5.33%	12.65%	115.9	93.2
Africa	0	0	0	123 340	120 278	975	0.46%	0.70%	-	-
Oceania	576	817	1 418	480	308	642	0.00%	0.00%	83.3	37.7
S. and N. America	4 032 633	5 520 868	1 369	5 380 003	4 310 412	801	19.99%	25.04%	133.4	78.1
CA	1 005 600	959 036	954	940 375	541 750	576	3.49%	3.15%	93.5	56.5
Total	6 923 301	9 429 829	1 362	8 464 771	7 773 480	918	31.45%	45.16%	122.3	82.4
Coffee Extract										
Asia	343 404	159 945	466	800 346	690 467	384	6.69%	4.01%	524.3	431.7
Europe	625 670	882 864	1 411	705 286	895 940	1 270	2.62%	5.21%	112.7	101.5
S. and N. America	12 574 528	6 152 141	489	11 873 743	3 557 497	300	44.12%	20.67%	94.4	57.8
CA	26 126	15 886	608	0	0	0	0.00%	0.00%	0.0	0.0
Total	13 569 728	7 210 836	531	14 379 375	5 143 904	358	53.43%	29.89%	106.0	71.3
Grand Total	22 073 124	19 455 413	881	26 913 713	17 211 450	640	100.00%	100.00%	121.9	88.5

Quantity after being processed. For example, in 2002, in green beans, approx. 4 800 000 kg was imported to be processed into roasted coffee (4 069 567kg), approx. 22 009 000 kg for instant coffee (8 464 771kg) and 12 116 000 kg for coffee extract (14 379 375 kg).

(Source: All Japan Coffee Association)

Table VII-1.4: Estimated Import of Different Coffee Products

Year	Import Quantity (MT) #			Year	Import Quantity (MT) #		
	Roasted Coffee	Instant Coffee	Coffee Extract		Roasted Coffee	Instant Coffee	Coffee Extract
1983	187	7 163	6 389	1994	2 339	5 507	17 588
1984	161	7 361	8 837	1995	2 131	6 268	16 378
1985	199	6 038	10 138	1996	3 338	6 056	17 996
1986	495	6 749	13 976	1997	1 795	5 945	20 056
1987	1 294	6 705	16 925	1998	1 580	6 923	13 570
1988	1 630	8 019	18 982	1999	1 817	6 569	14 329
1989	2 137	6 680	18 007	2000	2 749	7 177	14 398
1990	2 630	5 704	21 158	2001	3 630	8 387	16 034
1991	1 905	5 875	25 775	2002	4 070	8 465	14 380
1992	2 080	5 032	18 926	2005	3 828	6 987	18 683
1993	2 687	5 827	19 540	2007	4 130	7 046	19 085

Estimated

Same as Note (#) from Table VIII-1.3.

(Source: All Japan Coffee Association)

Table VII-1.5: Weekly Individual Coffee Consumption, by Product

Year	Roasted Coffee	Instant Coffee	Liquid Coffee	Canned Coffee	Total # of Cups consumed
1980	2.20	3.80	—	0.60	6.60
1990	3.28	5.01	—	1.61	9.90
1996	3.52	4.88	0.51	1.89	10.80
2000	3.71	4.84	0.60	1.88	11.03

(Source: All Japan Coffee Association)

Table VII-1.6: Distribution Trends of Roasted and Instant Coffees (Unit: 60kg x 1000sacks)

		Café, Cafeteria, Restaurant, etc.	Fast food, Franchised store, Convenience store	Work, School, OCS vending machine	Commercial Total (out of home consumption)	Retail for Home Consumption	Canned coffee	Bottled Liquid coffee, snacks, etc.	Total for Processing (mainly for liquid products)	Grand total
1993	Roasted	34 500	9 000	19 500	63 000	71 760	45 480	21 300	66 780	201 540
	Instant	420		10 080	10 500	104 040	16 500	4 800	21 300	135 840
	Total	34 920	9 000	29 580	73 500	175 800	61 980	26 100	88 080	337 380
2002	Roasted	37 200	10 020	18 840	66 060	103 260	73 080	37 140	110 220	279 540
	Instant	540	840	7 080	8 460	109 620	11 340	3 360	14 700	132 780
	Total	37 740	10 860	25 920	74 520	212 880	84 420	40 500	124 920	412 320
Share	Roasted	13.3%	3.6%	6.7%	23.6%	36.9%	26.1%	13.3%	39.4%	100.0%
	Instant	0.4%	0.6%	5.3%	6.4%	82.6%	8.5%	2.5%	11.1%	100.0%
	Total	9.2%	2.6%	6.3%	18.1%	51.6%	20.5%	9.8%	30.3%	100.0%
Growth index	Roasted	107.8	111.3	96.6	104.9	143.9	160.7	174.4	165.0	138.7
	Instant	128.6	N/A	70.2	80.6	105.4	68.7	70.0	69.0	97.7
	Total	108.1	120.7	87.6	101.4	121.1	136.2	155.2	141.8	122.2

Growth Rate: (2002/1993) x 100

(Source: All Japan Coffee Association)

Table VII-1.7: Organic Coffee Handled by Organic JAS Certified Coffee Corporations
 (Survey: postal mail (30 corporations), fax (9 corporations), on-site interview (6 corporations) and phone follow-up to all)

Corporation	Amount handled in 2003 (t) (%)			Exporting Country	Their Supplier	Their Buyer
	Organic	Non- organic	Total			
Natural Coffee, Co. Ltd. (Secondary wholesaler)	9.6 (3.10%)	300 (96.90%)	309.6	Guatemala; Mexico; Colombia; Ecuador; Ethiopia	UCC Ueshima Coffee, Co. Ltd.; Daiichi Coffee; Wataru & Co. Ltd.; etc.	Coffee specialty shops; Direct sales; Hotels; Restaurants; etc.
Sanyo Coffee (Medium/Small roaster)	6 (2.44%)	240 (97.56%)	246	Guatemala; Honduras; Mexico; Brazil; Peru; Colombia	UCC Ueshima Coffee; Ishimitsu & Co. Ltd.; etc.	Coffee specialty shops; Direct sales; Hotels; Restaurants; etc.
Hagihara Coffee, Co. Ltd. (Secondary wholesaler)	0.72 (0.30%)	240 (99.70%)	240.72	Guatemala; Mexico; Colombia	UCC Ueshima Coffee; Wataru; etc.	Coffee specialty shops
Kowado (Beans shop)	6 (100%)		6	Guatemala; Mexico; Dominican Republic; Colombia; Brazil; Ethiopia	UCC Ueshima Coffee; Kanematsu Corporation; Daiichi Coffee; etc.	Direct sales; Other (organic mail-order sales)
Hattori Coffee Foods, Inc. (Secondary wholesaler)	8.4 (2.72%)	300 (97.28%)	308.4	Guatemala; Colombia; Mexico; Brazil	UCC Ueshima Coffee; Kanematsu; etc.	Coffee specialty shops; Hotels; Restaurants; etc.
Seiko Coffee, Co. (Medium/Small roaster)	6 (1.96%)	300 (98.04%)	306	Guatemala; Mexico; Honduras; Brazil; Colombia	UCC Ueshima Coffee; Ishimitsu; Wataru; etc.	Coffee specialty shops; Direct sales; Hotels; Restaurants; etc.

Table VII-1.8: Organically Certified Coffee Corporations' Future Outlook on Organic Coffee

Corporation	Future prospects on Organic Coffee	Comments on Organic Coffee
Natural Coffee (Secondary wholesaler)	Will remain flat	Although not denying the presence of organic in the coffee industry along with the general organic boom, they have low expectations for its profitability
Sanyo Coffee (Medium/Small roaster)	Will increase slightly	Although selling organic coffee since 7-8 years ago, because its taste is problematic, they cannot sell it enthusiastically. Aroma and taste are essential for this type of product, and thus, while organic farming and environmental concerns are also important, flavour is the highest priority in this business.
Hagihara Coffee (Secondary wholesaler)	Will increase slightly	Coffee is roasted (over 200 °C) at the last stage of commercialization, and thus safe production methods are not of significance. Organic coffee is not superior in terms of flavour, and is not a commodity with high potential. On the other hand, they have high hopes for fair trade, because it offers advantages for medium/small corporations like Hagihara Coffee.
Kowado (Beans shop)	Will increase	They converted from being a farmer one year ago to handle only organic coffee. They therefore understand the importance of food safety for the producer's perspective. They intend to do research on organic and fair trade coffees and plan to double the amount of annual handling.
Hattori Coffee Foods (Secondary wholesaler)	Will remain flat	Organic certified coffee is often mixed in with the rest and thus its label is removed. They believe that the organic market will not develop further unless its distribution system becomes better organized, in addition to studying its commodities. They think that too much focus is placed on being organic, and its flavour is not well cared for.
Seiko Coffee (Medium/Small roaster)	Will increase slightly	They recently began handling organic coffee for some roasting companies, since they showed interest in this type of product. But, organic commodities are in demand only among a limited circle of organic fans, and thus they do not have high expectations for it as a market.

Note VII-(a): Trends among Major Retail Distributors (Observation Study)

8 major department stores and luxurious supermarkets in Tokyo: Mitsukoshi main store, Mitsukoshi Shinjuku store, Takashimaya Nihonbashi store, Takashimaya Hutagotamagawa store, Isetan Shinjuku main store, Kinokuniya Aoyama store, Queens Chef Shinjuku main store and National Azabu Market.

- (i) Roasted coffee: 1-2 organic among 20-25 selections/cases at each store;
- (ii) Ground coffee: 5 organic among 10-14 kinds at each store;
- (iii) Liquid coffee: Around 3 types of organic available at each store
- Implied by (i), (ii), and (iii): Organic coffee is not one of the main commodities at these stores, but rather a side product;
- Few emphasized organic certification per se in their advertisement. Instead, the stores tend to treat organic coffee as a commodity brand, advertising the 'organic brand' as one of their main attractions to catch consumers' attention.

Note VII-(b): Trends among Major Corporations (Interview)**(i) Mitsubishi Corporation**

Each year, although it fluctuates depending on the state of harvest, Mitsubishi Corporation imports green coffee beans from approximately 40 countries. The major exporting countries are Brazil and Indonesia, but, with respect to Central America, they are also beginning to import from Guatemala and Costa Rica, in quantity that makes up approximately 15 percent of their total trade of green beans.

They do not produce any processed coffee products, either internally or within their corporation group. Instead, they sell green beans to approximately 500 green bean wholesalers and roasters, limiting their involvement to the import of green coffee beans and to the collaboration and consultation on product development. They sell approximately 20 percent of their total handling to Nestle and AGF for instance coffee.

They did not have any specific comments on organic products.

(ii) Sumitomo Corporation

Sumitomo Corporation imports approximately 15 percent of their total handling from all of the Central American countries, except Belize. Two years ago, they set up a provisional committee on commodity traceability, and they are working toward establishing a system for the safety and reliability of agricultural products in general. Recently, they began a study on the places of origin with regard to their situations with organic and other certifications. At present, although they have begun to import organic and related products experimentally, their sales have not actually begun yet. Because Sumitomo Corporation is a for-profit organization, they would not handle products that did not interest their consumers. As such, they believe that consumer preferences and demands for organic and other certified products, including coffee, must be further investigated, and as for their future plans to deal with such products, they indicated that they would have to wait and see how the coffee industry will deal with the recent trends toward safe and reliable foods.

(iii) Key Coffee

The characteristic aspect of Key Coffee is that they handle mostly Robusta (*Coffea canephora*) from Indonesia, especially Traja from the Sulawesi Island. Its share is approximately 20 percent of Key Coffee's total handling. Their major brands are mainly from Brazil, Colombia, Guatemala and United Republic of Tanzania, but they also import some beans from Costa Rica, Mexico and Zimbabwe for blend coffee. Although organic products still do not serve as an attraction commodity, in order to not ignore the safe and reliable food market, Key Coffee currently handles some organic coffee, but only from Guatemala. This coffee from Guatemala is certified by OCIA, but this fact does not seem to have contributed directly to its sales. With regard to fair trade, while they are aware of the need for fair transactions, it is difficult to say that they are engaged in fair trade, partially because of the contextual factor that the entire coffee industry has developed in the form of completely free competition. They are however one of a few corporations that handle Rainforest Alliance certified coffee products, although this is still on an experimental basis.

(iv) Art Coffee

In response to the general social trend that is beginning to emphasize the importance of food, including traceability issues and slow food movements, Art Coffee has created a set of products that are specialized in one way or another, such as the quality of green coffee beans (by limiting the regions and the farms from which to buy green beans) and the method of processing (by using the Seattle style far-infrared ray roaster). These products are developed separately from the already existing products. At present, they are conducting a study on the growing sites of the green beans that they handle, mainly in Colombia (Nariño), Brazil (the Espagne Farm) and Moca (Ethiopia, the Kosa Farm). This is in order to evaluate and consider any increase/decrease of the quantity and of the variety of commodities. Art Coffee also expressed interest in environmentally protective measures, such as Rainforest Alliance and Bird Friendly certifications. They plan to take such factors into account in their planning of bean selection.

(v) Caravan Coffee

Approximately 4 years ago, respecting the fact that most of the coffee production is supported by small-scale producers, Caravan Coffee began to evaluate each farm's products in order to select some of them for product commercialization. Every year, they import green beans that are awarded "The Cup of Excellence," thus changing their supplier annually. Because many of the producers are generally well aware of issues related to environmental protection, organic, and so on, Caravan Coffee also began to handle an increasing number of organic products. With respect to Central America, they purchased beans from Nicaragua (Casa Blanca Farm) in 2002 and those from Guatemala (La Esperanza Farm) in 2003. Their policy is not necessarily to actively seek for organic coffee. However, taking advantage of the fact that the coffee industry is growing slowly but steadily every year while economy in general is in a slump, Caravan Coffee intends to continue with their current direction, which is to create more commodities that can be distinguishable from those of their competitors.

(vi) Ajinomoto General Foods, INC. (AGF)

Although AGF did not provide detailed information, they indicated that the Central American share of their total handling of coffee is approximately 3.5 percent. They mostly handle Arabica (*Coffea arabica*) from South America and Africa and Robusta from Indonesia. They purchase 70 percent of the total amount of coffee beans from other domestic trading companies, and the rest from their own supply department. Although they do not specifically handle organic or other certified products, they believe that products with environmental certifications, such as Rainforest Alliance and Bird Friendly, may well be mixed in with the products that they buy from the Central American countries. While they do not deny the possibility of developing organic products, it largely depends on the future market trends. At least for now, however, they believe that the possibility of developing organic products is very slim, considering the cost that would be required to do so. This reservation is especially because they have not observed any added value on organic instant coffee products.

Even in the case of Roasted Coffee, organic coffee is distributed only among a very limited circle of particular enthusiasts (e.g. retail roasters, cafes), and thus it is not an area that a major company, such as AGF, can easily jump into. In other words, AGF does not handle organic products because they do not believe it to be profitable.

Table VII-1.9: Weekly Individual Coffee Consumption, by Place

Year	Total# of Cups consumed	Home	Café, Coffee shop	Restaurant, Fast food	Work, School	Other
1983	8.60	5.10	1.10	0.10	1.7	0.5
1985	9.02	5.25	1.05	0.10	1.97	0.65
1990	9.90	5.62	0.88	0.11	2.37	0.92
1996	10.80	5.99	0.69	0.18	2.97	0.96
2000	11.04	6.49	0.52	0.17	2.98	0.88

(Source: All Japan Coffee Association)

Table VII-1.10: Receptivity of Smaller Market Areas to CA Small-Scale Operators

Market areas		Receptivity Evaluation
Roasted Coffee	Canned coffee	<ul style="list-style-type: none"> - There does not exist any famous organic product makers in the market of canned coffee. - It is an oligopoly market, dominated by Georgia and Suntory. These large-scale manufacturers are hesitant about the market for certified products, and thus, the possibility for small-scale producers to form business relationships with these manufacturers is quite slim. - On the other hand, some organic canned coffee products, which are made by unknown makers, are occasionally observed at department stores, etc. They are sold mostly as specialty items with brand names. This niche market therefore may be a possibility for new products to succeed as brand commodities, should they become integrated into some retailer's branding scheme. This style of sales allows products to be seasonal or be small in lot size. However, it also demands high quality, luxurious design, and practical packaging, thus requiring strong commodity development capability. These difficult factors are obstacles for foreign exporters to consider engaging in this type of business.
	Bottled liquid coffee	<ul style="list-style-type: none"> - Bottled liquid coffee that was certified organic or any other types of certification was not found.
Retail for Home	Department store	<ul style="list-style-type: none"> - Department stores do not carry any certified products (roasted beans for home consumption) as their original brand, therefore, it is evaluated that doing business directly with them will be difficult.
	Supermarket	<ul style="list-style-type: none"> - Many supermarkets (e.g. AEON Group, Ito Yokado, Maruetsu) have a strong interest in certified products. Therefore, they, especially AEON and Maruetsu, are candidates for CA small-scale producers/exporters to form a business relationship with. This is because AEON and Maruetsu are enthusiastically working on their brand development. - Supermarket consumers are beginning to demand higher quality products of daily uses. Therefore, besides certification, it is important to ensure product quality in general.

Market areas		Receptivity Evaluation
	Consumer cooperative, Organic distributor (Teikei-style)	<ul style="list-style-type: none"> - This category of distributors has long been familiar with the concept of food safety and reliability, through face-to-face transactions and Teikei-style distribution methods. They are beginning to handle certified organic and fair trade coffee products. The possibility of realizing business with this category of distributors is therefore quite high. - Organic JAS certified medium/small-scale Japanese importers and ATJ are likely candidates for a business partner. As described in Section II-4.2, ATJ is an importer whose business is based on the principle to protect the interest of the poor majority. - These distributors prefer product development and sales strategies that emphasize on added value factors, such as environmental protection. It is recommended that CA small-scale operators take advantage of various factors, including those with Rainforest Alliance, Bird Friendly, Shade-grown and Agro-forestry certifications, that could add new values to their products.
Cafes and Coffee Shops	Coffee Chain Shop (e.g. Doutor, Veloce, etc.)	Corporations in this category tend to have sales strategies in place. Since they do not develop commodities themselves, it is important to pursue business possibilities with the suppliers that these chain shops purchase products from. Some examples of such suppliers are: Daiichi Coffee, Wataru and Kanematsu.
	Enthusiast shop (independent corporation)	Enthusiasts prioritize flavour. Their tendency is therefore to select products by flavour, although they appreciate factors such as organic if the selected product happens to come with them. Penetrating into this market thus seems difficult, since hurdles that need to be cleared in terms of production and product quality management appear to be quite high.
	Fast food, Franchised store, Convenient store	This category focuses on price, and thus it is believed to be difficult for CA small-scale operators to access this market.
	Work place, School, Office Coffee Service	This category also generally focuses on price, and therefore, unless specifically requested by these places to supply a certain product, it seems difficult to access this market.

(2) Bananas

Table VII-2.1: Estimated Future Import Quantity

Year	1999	2000	2001	2002	2005	2007
Import Quantity (10 000 MT)	98.3	107.8	99.9	93.6	90	85.6
					Estimated values	

(Source: Japan Banana Importers Association)

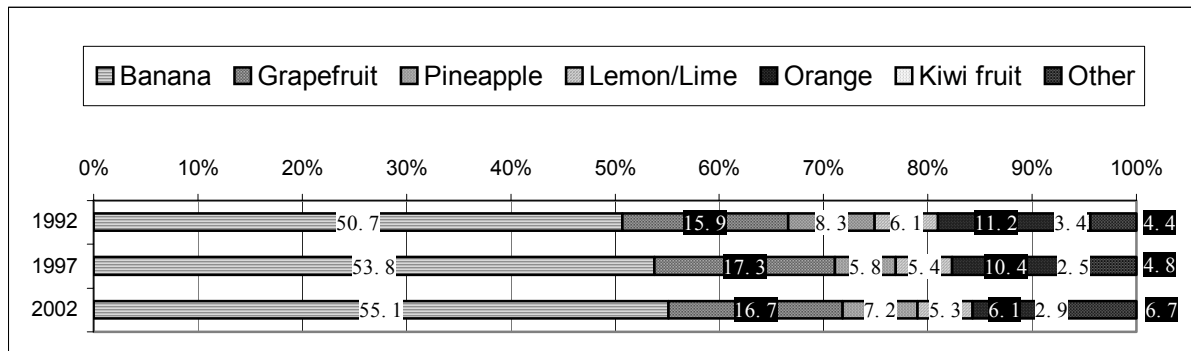
Table VIII-2.2: Banana Exporting Countries, their Growth and Market Share

Unit: t

	1998	2002	Growth Index	Market Share
Philippines	62 0342	743 549	119.9	79.4%
Ecuador	158 117	157 018	99.3	16.8%
Taiwan Prov. of China	56 240	25 074	44.6	2.7%
Other	30 154	10 636	35.3	1.1%
Total	864 853	936 277	108.3	100.0%

(Source: Japan Banana Importers Association)

Graph VII-2.2: Change of Import Quantity Proportions of Main Imported Fruits over 10 Years



(Source: MIAC Statistics Bureau)

Table VII-2.3: Annual Household Consumption

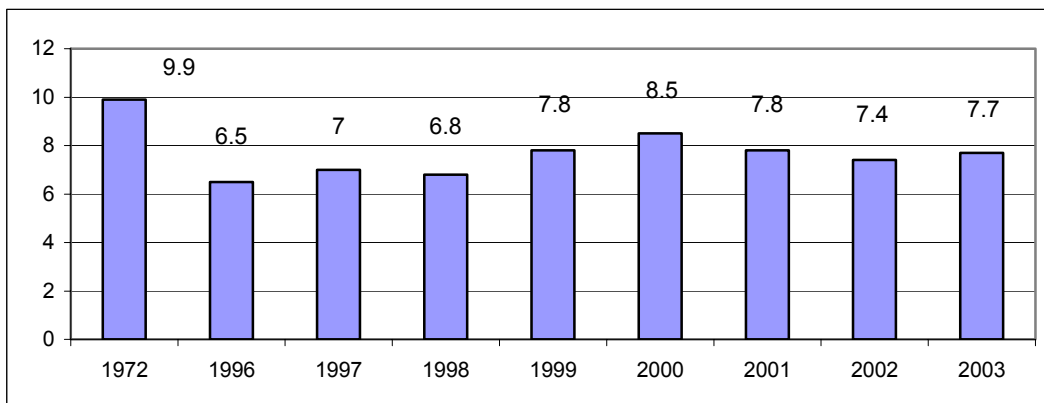
Unit: ¥

Year	1995	1996	1997	1998	1999	2000	2001
Banana Consumption Value per Household	2634	2845	3290	3637	4115	3852	3497
Growth Index	100.0	108.0	124.9	138.1	156.2	146.2	132.8

(Source: MIAC Statistics Bureau)

Graph VII-2.3: Individual Annual Banana Consumption

Unit: kg



(Source: Japan Banana Importers Association)

(3) Sugar**Table VII-3.1: Japanese General Sugar Market**

Sugar Year	Total Quantity Demanded (1) (1000 t)	Domestic Production (2) (1000 t)	Imported Quantity (1000 t)	% of Domestic Sugar (2)/(1)	Quantity Demanded of High fructose syrup (3) (1000 t)	Grand Total of Quantity Demanded, including (3) (1000 t)
1975	2 877	449	2 351	15	—	-
1980	2 614	765	1 548	29	432	3 046
1985	2 655	870	1 779	32	617	3 272
1990	2 643	865	1 693	32	725	3 368
1991	2 611	924	1 727	35	710	3 321
1992	2 513	838	1 701	33	672	3 185
1993	2 476	790	1 628	32	738	3 214
1994	2 471	765	1 639	31	727	3 198
1995	2 435	842	1 606	35	733	3 168
1996	2 385	716	1 608	30	737	3 122
1997	2 323	808	1 542	35	740	3 063
1998	2 313	860	1 468	37	760	3 073
1999	2 300	800	1 487	35	763	3 063
2000	2 293	730	1 483	32	741	3 034
2001	2 277	840	1 405	37	761	3 038
2002	2 296	875	1 480	38	771	3 067
2004 (estimated)	2 151	817	1 334	38	796	2 947
2006 (estimated)	2 095	814	1 281	39	810	2 905

(Source: MAFF)

Table VII-3.2: Sales of Refined Sugar and Beet Sugar

Product Type	1998 (MT)	2002 (MT)	Sales Share (%)	Growth Rate
(1) Refined sugar	1 461 381	1 440 722	76.7	98.6
(2) Beet sugar	461 521	437 240	23.3	94.7
(1) + (2) = Total	1 922 902	1 877 962	100.0	97.7

(Source: Agriculture and Livestock Industries Corporation)

Table VII-3.3: Transition of Imported Sugar Over the Years

Unit: t

Year Type of Sugar	1996	1997	1998	2000	2001	2002	
Raw sugar	1 617 845	1 684 697	1 512 360	1 482 939	1 539 499	1 528 570	
All except raw sugar	925	2 278	1 669	1 291	1 621	1 450	
Refined sugar	31	117	287	490	742	398	
Other	894	2161	1382	801	879	1052	
Total	1 618 770	1 686 975	1 514 029	1 484 230	1 541 120	1 530 020	

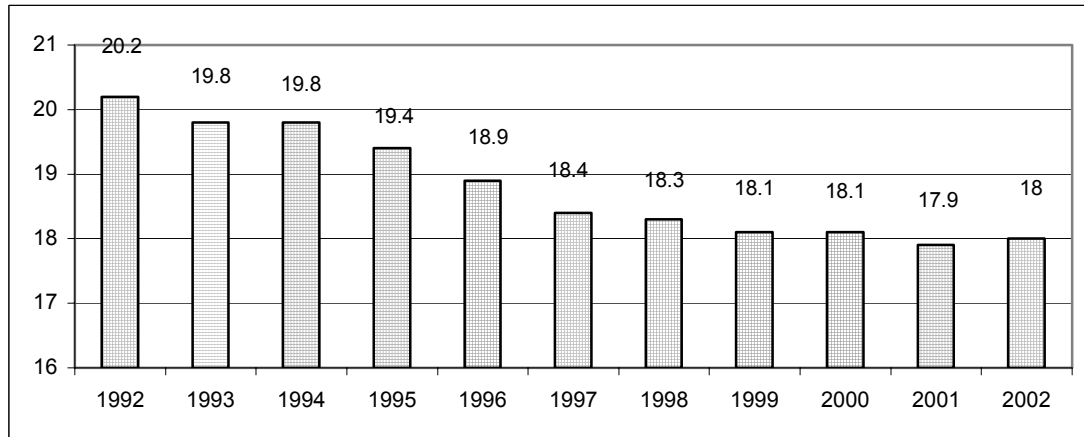
(Source: Agriculture and Livestock Industries Corporation)

Table VII-3.4: Import Trends of Conventional Cane Sugar

Country of Origin	Quantity: Mt		Share in 2002	Growth Rate (2002/2000)
	2000	2002		
Australia	618 117	634 377	42.7	102.6
Thailand	768 078	557 459	37.5	72.6
South Africa	157 253	162 761	11.0	103.5
Fiji	13 850	54 553	3.7	393.9
Brazil	23	34 178	2.3	148600.0
Costa Rica	20	19 415	1.3	97075.0
Malaysia	0	14 482	1.0	N/A
China	4 124	6 888	0.5	167.0
Myanmar	0	215	0.0	N/A
Vietnam	72	153	0.0	212.5
France	40	90	0.0	225.0
Philippines	78	87	0.0	111.5
Mauritius	0	54	0.0	N/A
Indonesia	120	20	0.0	16.7
Chile	0	20	0.0	N/A
Taiwan Prov. of China	15	11	0.0	73.3
USA	207	3	0.0	1.4
Bolivia	307	0	0.0	0.0
Paraguay	33	0	0.0	0.0
Hong Kong	5	0	0.0	0.0
Total	1 562 342	1 484 766	100	95.0

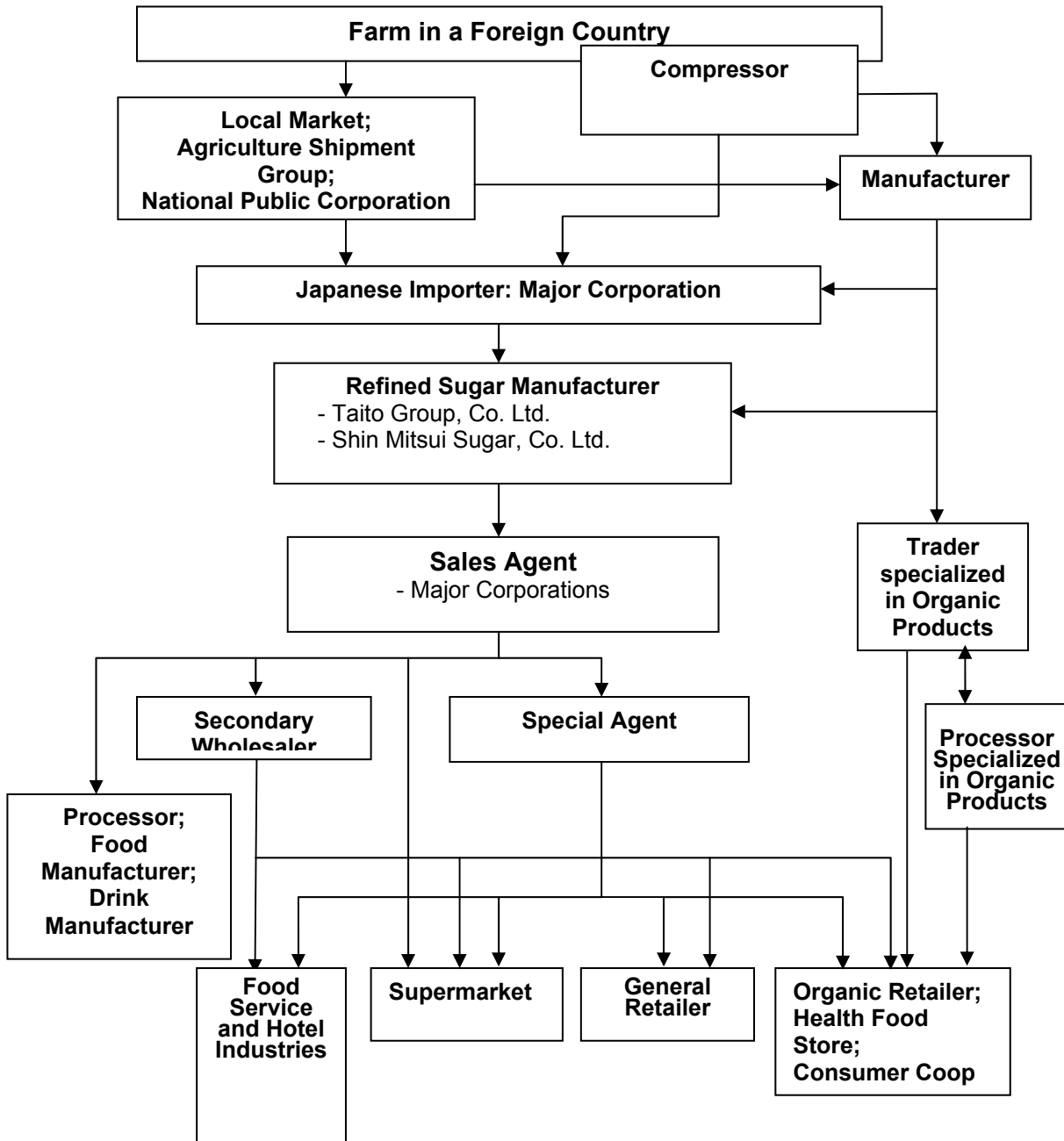
(Source: MAFF)

Graph VII-3.1: Sugar Annual Consumption per Person (Unit: kg)



(Source: MAFF)

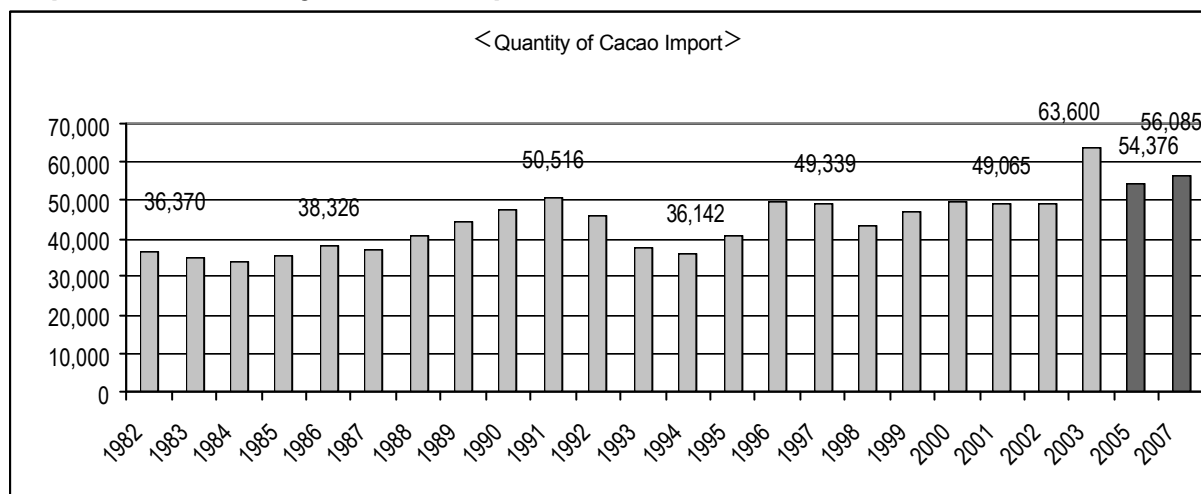
Diagram VII-3.1: Sugar Distribution Structure



(4) Cocoa**Table VII-4.1: General Cocoa Bean Market**

Year	Import Quantity	Index	Year	Import Quantity	Index
	(t)	1982 = 100		(t)	1982 = 100
1982	36 370	100.0	1994	36 142	99.4
1983	34 891	95.9	1995	40 996	112.7
1984	33 899	93.2	1996	49 649	136.5
1985	35 540	97.7	1997	49 339	135.7
1986	38 326	105.4	1998	43 325	119.1
1987	37 168	102.2	1999	46 902	129.0
1988	40 973	112.7	2000	49 397	135.8
1989	44 510	122.4	2001	49 065	134.9
1990	47 599	130.9	2002	49 138	135.1
1991	50 516	138.9	2003	63 600	174.9
1992	46 174	127.0	2005	54 376	149.5
1993	37 648	103.5	2007	56 085	154.2

(Source: Japan Customs Trade Statistics)

Graph VII-4.1: Quantity of Cocoa Import

(Source: Chocolate and Cocoa Association of Japan)

Table VII-4.2: Japan's Cocoa Import by Country

Place of Origin	1999 (t)	2003 (t)	Share (%) in 2003	Growth Rate (2002-2003)
Ghana	31 994	46 819	73.6%	146.3
Ecuador	3 889	5 760	9.1%	148.1
Cote d'Ivoire	506	3 366	5.3%	665.2
Venezuela	3 583	2 922	4.6%	81.6
Brazil	3 391	1 195	1.9%	35.2
Indonesia	1 011	425	0.7%	42.1
Trinidad and Tobago	358	296	0.5%	82.7
Jamaica	148	272	0.4%	183.6
Cameroon	340	1 799	2.8%	529.1
Costa Rica	120	110	0.2%	91.6
Other	1 562	639	1.0%	40.9
Total	46 902	63 604	100.0%	135.6

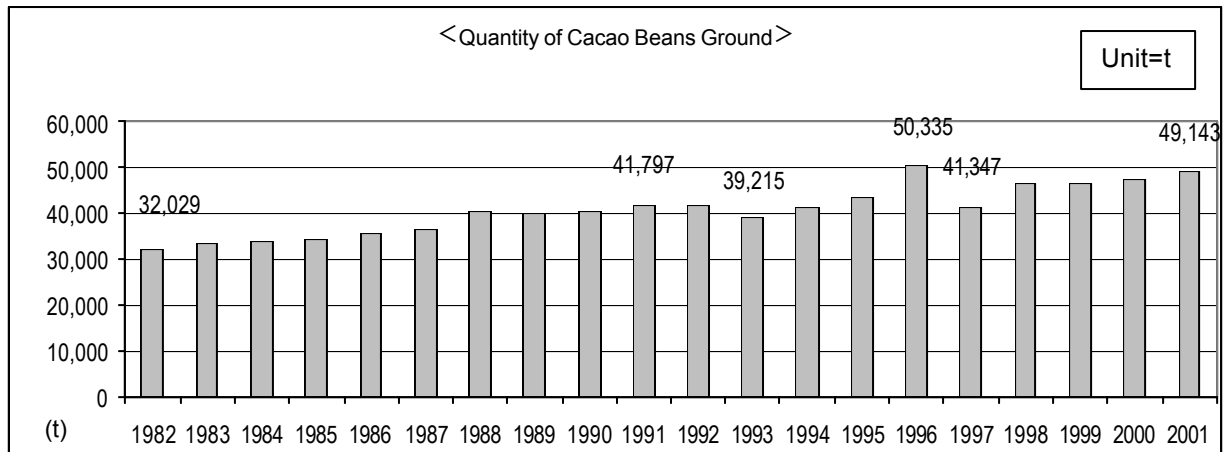
(Source: Japan Customs Trade Statistics)

Table VII-4.3: Domestic Chocolate Production

	1998	1999	2000	2001	2002
Production Qty (t)	190 500	200 600	217 000	223 600	213 500
Production price (¥100 million)	2 843	2 988	3 165	3 065	3 038
Retail price (¥100 million)	3 956	4 160	4 345	4 205	4 150

(Source: All Japan Confectionery Association)

Graph VII-4.2: Quantity of Cocoa Beans Ground



(Source: Chocolate and Cocoa Association of Japan)

Diagram VII-4.1: Distribution Structure for Chocolate

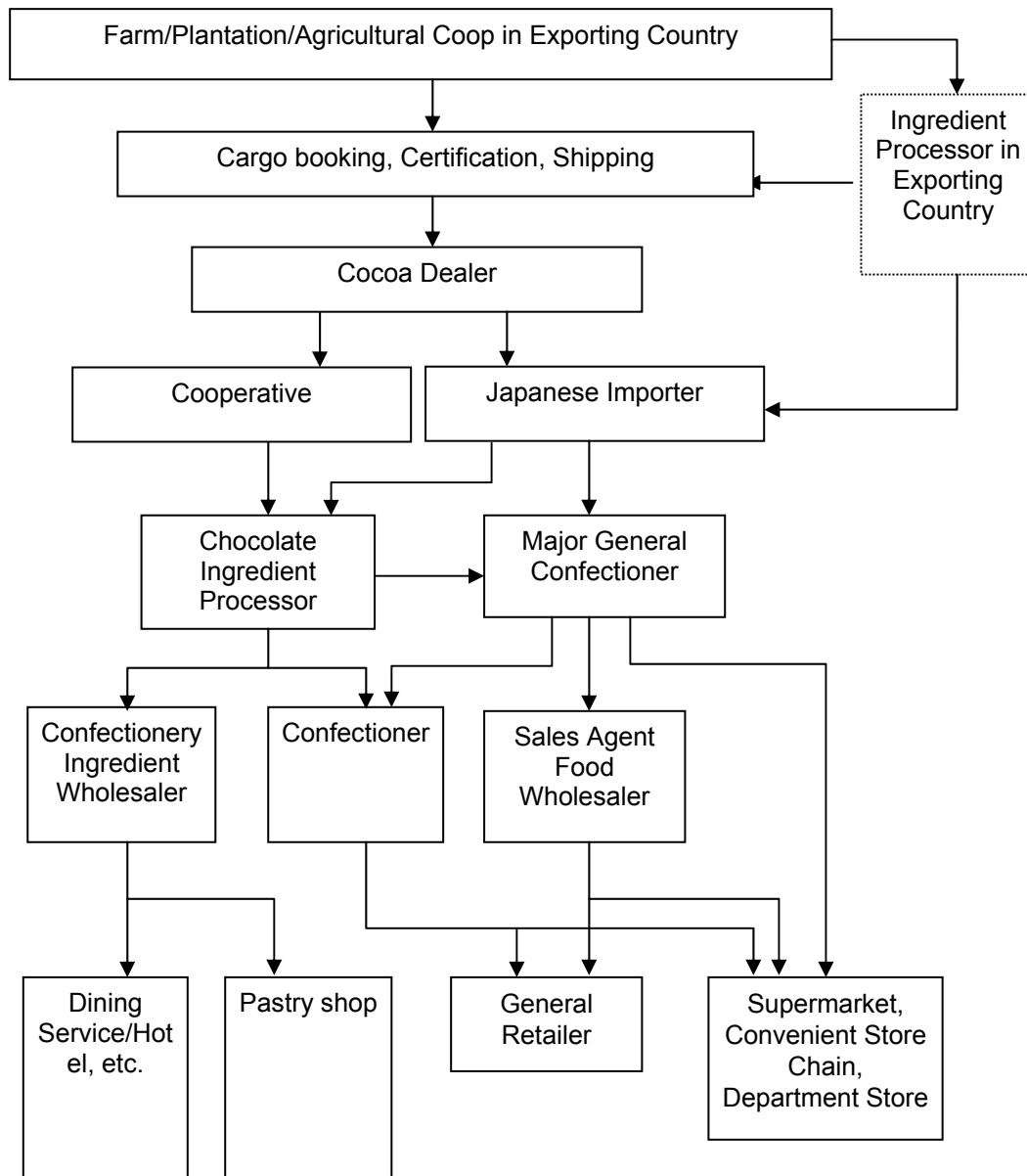
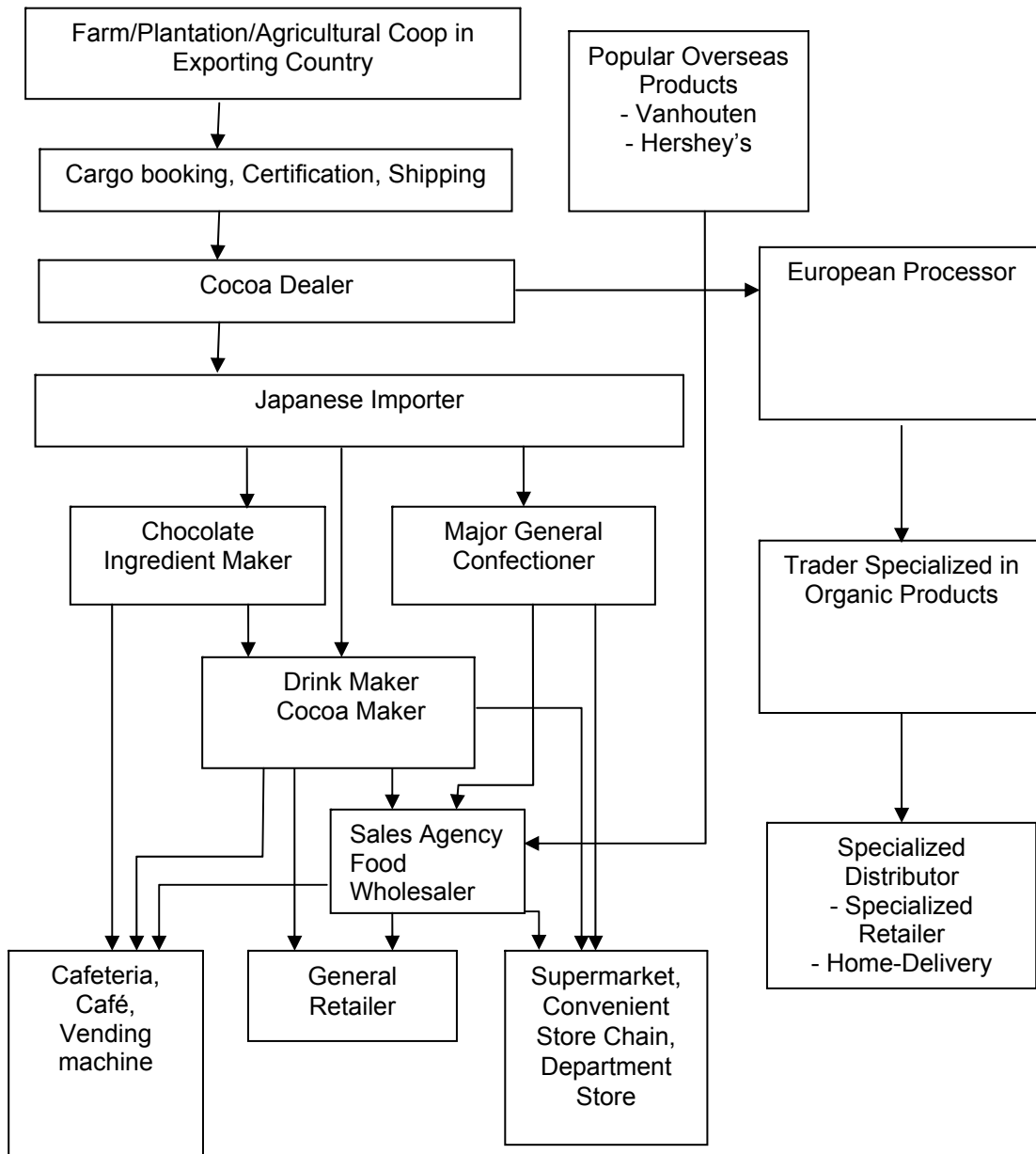


Diagram VII-4.2: Distribution Structure for Cocoa



(5) Other Products

Table VII-6.1: Import Trends of Other Selected Products

Units: Upper level=Quantity (t) except fruit juice (kl); Lower level=Monetary value (million ¥)

		1994	1999	2003	Share	Growth Index (1994=100)
Fresh Pineapple	Total Import from the World	113 522	89 866	122 690	100.0%	108.1
		5 482	5 020	7 465	100.0%	118.6
	The Philippines	112 532	88 329	120 482	98.2%	107.1
		5 378	4 845	6 292	96.8%	117.0
	Taiwan Prov. of China	971	1 000	860	0.7%	88.6
		103	118	106	1.6%	102.9
	China	16	261	596	0.5%	3 725.0
		1	36	61	0.9%	6 100.0
Fresh Mango	Total Import from the World	N/A	8 873	10 308	100.0%	N/A
		N/A	29	35	100.0%	N/A
	The Philippines	5 464	6 022	6 746	65.4%	123.5
		1 497	1 834	1 897	29.2%	126.7
	Mexico	1 702	2 374	2 342	22.7%	137.6
		635	853	895	13.8%	150.0
	Thailand	112	181	621	6.0%	554.5
		48	55	290	4.5%	600.0
Tropical Fruit Jam and Jelly	Total Import from the World	7 518	9 101	16 075	100.0%	213.8
		2 506	3 523	5 129	100.0%	204.7
	France	2 354	3 392	4 628	28.8%	196.6
		1 193	1 734	2 518	49.1%	211.1
	China	92	176	3 532	22.0%	3 839.1
		10	17	557	10.9%	5 570.0
	Egypt	647	1 620	3 509	21.8%	542.3
		64	213	496	9.7%	775.0
Fruit Juice (kl)	Total Import from the World	230 402	226 714	238 962	100.0%	103.7
		45 873	53 194	49 189	100.0%	107.2
	Brazil	80 802	64 542	58 991	24.7%	73.0
		13 557	14 028	11 723	23.8%	86.5
	USA	70 168	69 326	43 440	18.2%	61.9
		16 450	17 913	11 584	23.5%	70.4
	China	5 171	17 956	32 083	13.4%	620.4
		724	2 479	4 525	9.2%	625.0
Natural Honey	Total Import from the World	N/A	34 658	43 785	100.0%	N/A
		N/A	4 147	7 179	100.0%	N/A
	China	35 981	32 012	39 246	89.6%	109.1
		2 972	3 564	5 294	73.7%	178.1
	New Zealand	386	143	4 198	9.6%	1 087.6
		197	95	367	5.1%	186.3
	Argentina	1 838	1 513	2 037	4.7%	110.8
		196	211	608	8.5%	310.2
Spices	Total Import from the World	743	1 032	642	100.0%	86.4
		429	1 151	668	100.0%	155.7
	Indonesia	472	649	339	52.8%	71.8
		128	524	277	41.5%	216.4
	India	168	283	220	34.3%	131.0
		217	506	316	47.3%	145.6
	Guatemala	41	61	38	5.9%	92.7
		32	85	28	4.2%	87.5

(Source: JETRO World Atlas)