

International

The organic food market in Japan

HEINZ KUHLMANN and JOHN EVERETT-JONES report on how organics is breaking beyond traditional food production, the trends and challenges of the Japanese domestic market and the opportunities for exporting to Japan

By HEINZ KUHLMANN & JOHN EVERETT-JONES

The organic food market in Japan accounts for the bulk of organic food sales in Asia. The country is the economic powerhouse in Asia and its consumers are the most affluent in the region. There has been high demand for organic foods in Japan since the 1990s and the market is expected to dominate Asian revenues in the future.

The Japanese market for organic foods was valued at \$3 billion in 2000, however the definition of organic foods included many uncertified organic products, such as those with low amounts of chemical inputs. The tightening of the definition of organic foods by the Japanese Ministry of Agriculture led the market to shrink to \$250 million in 2001. Much of the expansion in the Japanese organic food market is due to more organic products receiving official recognition rather than rising consumer demand.

The revenue share of Japan is expected to decrease slightly over the forecast period. More organic food sales are expected to occur in countries such as China, India and Thailand as organic food production steps up in these countries and consumer affluence increases. It is projected that Japan will account for about 80% of Asian market revenues by 2009.

The new Japan Agricultural Standards (JAS) regulations have provided uniform standards for organic foods and have allowed organic products to be clearly distinguishable in the marketplace. A common logo, the Organic JAS Mark, is put on organic foods that meet JAS requirements. Only foods that have been certified by a registered organisation can be sold as organic foods in Japan.

The JAS label can be found on many products but the Organic JAS label can be used only for certified approved organic agricultural products. Currently 67 domestic (RCO) and 20 foreign certification organisations (RFCO) are approved by MAFF and can certify and inspect organic foods. Some Japanese RCOs also work and certify products abroad, mainly in Asia, Central and South America and Australia.

ORGANIC FARMERS

There are about 3200 organic farms in Japan managing 5300 hectares of organic farmland. Most are in the Okayama and Kumamoto prefectures. It is expected that the area of organic land in Japan will increase and eventually double.

Organic farming is difficult in Japan due to the lack of arable land and the

high cost of inputs. The warm, humid summers also make crops vulnerable to pests and plant diseases. Japanese farmers typically use a high level of pesticides. Agrochemical usage levels are some of the highest in the world, estimated to be more than seven times the levels of North American farms. The small farm sizes and the close proximity between them is responsible for contamination of organic farms by chemical fertilisers and pesticides from conventional farms.

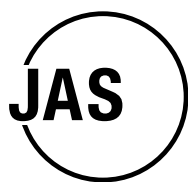
The average Japanese farmer in Japan is tied into a *nokyo*, or local farmers' union, which markets their produce, sells seeds, fertilisers and pesticides and decides what is grown and how its members farm it. The individual farmer has little autonomy. To move outside the *nokyo* is business suicide, as well as socially difficult because of the constraints in rural communities.

To become an organic farmer outside the *nokyo* system is a big leap and a challenge. Until now there has been little, if any, financial or practical support offered by the government. For those who take the risk, produce distribution is handled to a large extent by one of the intermediaries within the *teikei* system. Some of the leading players are Daichi Mamorukai and Radish Boya.

The area of certified organic farmland in Japan is projected to increase in the coming years. The new JAS regulations are causing many farmers to register their organic farms with MAFF, which is mandatory if they want to have the JAS mark on their products. The government recently introduced standards for organic livestock production. Organic meat and dairy products are now controlled by JAS. This also applies to foreign products, which until now could be imported and sold as organic foods without the JAS logo. Now that the new JAS standards for organic livestock products and organic animal feed are in force, it is expected to widen the scope and variety of organic products and offer business opportunities to domestic and foreign producers. A larger variety of organic products will also increase interest and demand among consumers.

Scale of the organic market in Japan

	Japan overall	Organic only
No. of farming households	2,250,000	4275 (0.19%) (estimate)
Farm area	4,830,000ha	5300ha (0.11%) (estimate)
Production volume	31,690,200 tons	46,623 tons (0.15%)



X The regular JAS logo is found on many conventional foods.



✓ The JAS Organic Mark may be used only on certified organic products.



The new JAS will offer business opportunities to domestic and foreign producers.

PROCESSED FOOD AND DISTRIBUTION

There is a high level of imports in the Japanese market. Apart from some domestically grown varieties of organic vegetables, organic rice and organic green tea, most organic foods are imported. The production of primary organic products has not increased much since the mid-1990s and Japanese companies are moving towards producing value-added products such as organic noodles, juices and processed foods. Noteworthy is the large market share of organic soybeans and traditional foods made of soybeans.

Most organic food sales have traditionally been from specialist retailers such as macrobiotic, health and organic food shops. The number of natural and organic food shops in Japan has mushroomed since the early 1990s, especially in the Tokyo metropolitan area. Like other specialised shops they offer a mix of healthy, natural and certified organic products.

Supermarkets are showing greater interest in organic foods, with large retail chains offering organic products since 2000. Major retailers are frequently dispatching managers and staff members to the United States and the European Union to gather information about traceability and organic products. Due to various problems and scandals in the food industry and consumer demands for safe food, the government has established clearer definitions and laws concerning ambiguous labels, such as "chemical-free" and "reduced-chemical" agricultural products. Concerning food safety issues, the government is also providing assistance for traceability-related programs and tools (about 2.5 billion Yen in FY 2003).

OTHER DISTRIBUTION CHANNELS

In addition to the distribution channels described above, two more channels are gaining in importance and should be mentioned: the catering and restaurant industry and online sales.

In addition to quality conscious, high-class restaurants, many family-type restaurants have developed menus using organic vegetables and other ingredients. The demand, especially for imported prod-

ucts, will probably increase further following the recent introduction of JAS regulations for organic livestock products. Restaurant expenditures in Japan are estimated to be in the range of 25-30 trillion Yen.

Many agencies, such as Australia's Everett-Jones Saito & Ishizaki based in Brisbane and Tokyo, represent various Australian certified organic producers food products in Japan and actively participate in trade fairs such as BioFach Tokyo 2005 targeting the smaller specialty companies.

CONCLUSIONS AND OUTLOOK

Japanese people have a strong interest and long tradition in consuming healthy, natural and recently also "safe" food. Consequently there is a huge market for such products.

For foreign producers and exporters the prospects are promising. In conjunction with the recovery of the Japanese economy the demand for organic products, raw materials and processed foods will gradually increase. The already substantial demand for natural non-food products will also continue to grow.

With a growing number of affluent and socially responsible consumers who want high-quality, healthy and environment-friendly products and services, the future looks very promising for organic food, natural products and related services. ■

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