

## Coffee Market in Japan

### -111- History

1. A limited amount of coffee was drunk by Dutch residents of Nagasaki at the end of the eighteenth century. However, coffee was not generally sold until the last quarter of the nineteenth century with the first bulk imports in 1877. The first coffee shop was opened in Tokyo in 1888 and the coffee drinking habit spread slowly with imports peaking at 140,000bags in 1937. Global conflict of the World War II prevented significant imports of coffee during 1940s and the requirements of post-war reconstruction dampened consumption during 1950s.

2. Coffee imports were liberalized in 1961 and some 250,000 bags were imported in this year. Coffee remained a minor drink compared with the traditional green tea and initially it was drunk only among richer adult urban dwellers. Consumption of soluble coffee widely spread and regular coffee was consumed at coffee shops, eventually coffee has become increasingly popular over all the country. The introduction of canned ready-to-drink coffee in both hot and cold forms in 1969 and the expansion of vending machines helped to promote coffee consumption among younger generations and consequently coffee consumption increased rapidly by the synergistic effect.

3. Japanese coffee consumption has soared during last 40 years. The country is now third in terms of total consumption among importing countries. The rapid increase of consumption was realized mainly due to following reasons;

- \* A marked change in society with some “Westernization” of consumption habits.
- \* A marketing, with the initial emphasis on soluble coffee then extended to roasted and ground coffee.
- \* The initial growth of attractive coffee shops (The number of coffee shops reached to 162,000 outlets peaking in 1982)
- \*A process of product innovation including the vigorous promotion and sales of canned ready-to-drink coffee (now more than 5 million vending machines exist all over Japan and half of which serve for sales of beverages, including coffee)

### -222- Import

Table 1 shows the annual import amount of all forms of coffee in volume with total figure in green coffee equivalent basis from 1877 to 2011, which is also shown in the Bar graph 1 of next page, Evolution of Japan’s coffee import. Table 2 shows the import of different forms of coffee by origin from 2000 to 2011.

Table 1: Import Volume of coffee into Japan

(metric tons)

Calendar Year	Green Beans	Roasted Coffee	Soluble Coffee	Extract (with Sugar)	Extract (without Sugar)	Total Green Beans equivalent
1877	18	-	-	-	-	18
1930	1,887	-	-	-	-	1,887
1937	8,571	-	-	-	-	8,571
1942	244	-	-	-	-	244
1950	40	103	-	-	-	163
1955	3,993	88	-	-	-	4,098
1960	10,707	63	28	-	-	10,866
1965	18,647	43	3,512	-	-	29,234
1970	80,496	42	2,970	-	-	89,456
1975	109,409	242	4,108	-	-	122,023
1980	174,747	106	6,333	443	149	194,294
1985	231,193	199	6,038	8,737	1,401	252,947
1990	291,339	2,630	5,704	9,517	11,641	324,841
1995	300,563	2,131	6,268	5,495	10,883	332,157
1996	326,914	3,338	6,056	3,752	14,244	361,545
1997	325,233	1,795	5,945	6,363	13,693	358,596
1998	332,386	1,580	6,923	3,294	10,276	363,330
1999	363,418	1,817	6,569	3,142	11,187	394,473
2000	382,230	2,749	7,177	3,008	11,390	416,090
2001	381,745	3,630	8,387	2,956	13,078	421,309
2002	400,771	4,070	8,465	2,485	11,895	439,739
2003	377,647	4,292	9,057	1,622	9,945	416,195
2004	400,977	4,150	7,633	1,727	10,410	436,133
2005	413,264	4,776	7,778	1,940	11,458	450,606
2006	422,696	5,588	7,444	1,148	10,121	458,507
2007	389,818	5,816	7,089	1,128	11,012	425,778
2008	387,538	6,652	7,850	108	8,502	423,657
2009	390,938	6,020	7,400	102	8,836	425,436
2010	410,530	6,311	7,445	120	7,723	444,487
2011	416,805	6,303	8,274	190	7,423	452,672

Bar graph 1

### Evolution of Japan's coffee import

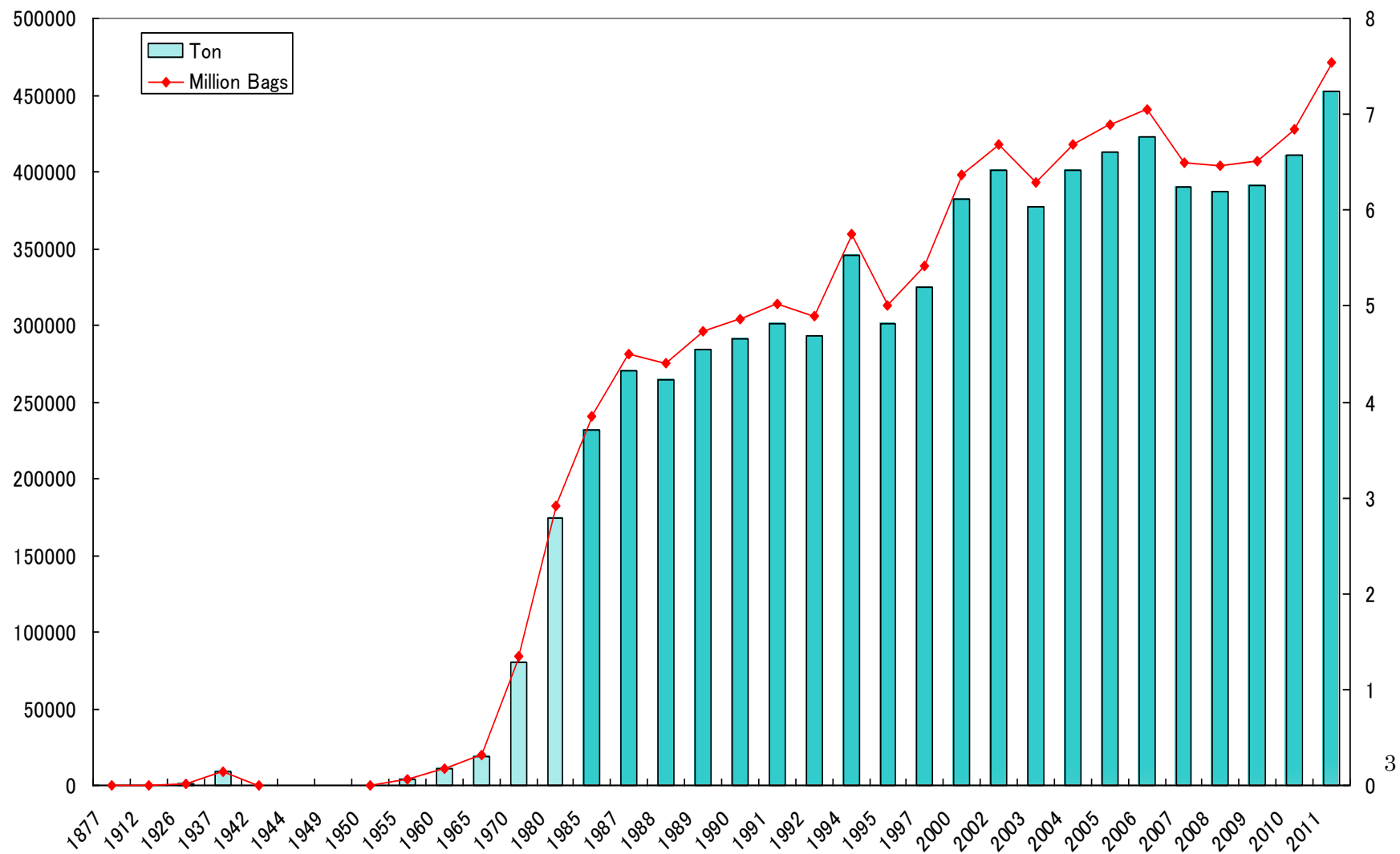


Table2 : Import Volume of different form of coffee by origin

## ① Green Beans

(metric tons)

Country	2000	2008	2009	2010	2011
Brazil	90,104	96,406	110,214	123,073	131,455
Colombia	70,463	84,809	76,911	79,060	64,481
Indonesia	69,906	52,030	52,350	59,068	62,358
Vietnam	25,315	55,055	57,865	54,737	52,909
Guatemala	28,060	34,826	33,329	34,180	37,749
Tanzania	8,522	8,042	13,960	10,486	11,067
El Salvador	4,092	5,426	7,495	5,758	10,679
Honduras	16,681	7,502	6,366	6,333	8,136
Ethiopia	26,757	8,413	1,114	10,245	8,030
Laos	-	442	1,260	1,723	6,427
Papua New Guinea	2,212	5,863	6,468	7,643	5,091
Mexico	11,279	3,571	2,713	2,865	3,858
Nicaragua	534	4,624	1,642	3,058	3,813
Peru	4,878	2,726	2,896	3,323	3,367
Costa Rica	7,122	6,195	4,216	3,960	2,629
Kenya	949	1,030	1,735	879	704
Jamaica	-	1,030	1,137	564	602
Dominican Republic	444	287	350	363	553
Total	382,230	387,538	390,938	410,530	416,805

## ② Roasted coffee

(Kg)

Country	2000	2008	2009	2010	2011
USA	1,572,008	2,886,078	2,847,715	2,783,610	2,826,742
Brazil	129,507	713,365	989,543	956,023	945,439
Colombia	89,998	550,751	349,794	387,635	372,318
Vietnam	2,872	37,176	536,174	409,954	364,334
United Kingdom	251,404	640,802	95,063	212,220	355,768
Switzerland	47,434	262,060	215,580	280,656	348,209
Guatemala	56,705	195,999	112,899	231,596	189,502
Total	2,749,437	6,652,189	6,019,542	6,311,279	6,303,225

## ③ Soluble Coffee

(Kg)

Country	2000	2008	2009	2010	2011
Brazil	2,802,291	4,100,701	3,857,238	3,771,888	4,317,565
Indonesia	452,939	852,500	975,139	856,846	590,392
Colombia	1,070,957	1,193,848	956,383	668,214	576,183
Ecuador	943,825	753,138	613,282	705,837	544,659
Korea,Rep.Of	-	53,753	97,689	139,225	524,394
India	-	185,636	181,944	144,464	364,541
Vietnam	-	-	9,900	111,760	349,764
Total	7,176,559	7,850,463	7,399,974	7,444,560	8,274,098

-333- Consumption

1. Table 3 shows how to change the consumption volume of different beverages from 1980 to 2010, taking the consumption of 1990 as index of 100 points. You may notice that the consumption of Roasted coffee and all RTD (Ready To Drink) coffee increased remarkably, while traditional green tea stagnated and Fruits Juice decreased drastically during these 20 years.

Table 3: Beverage Consumption in Japan 1990 as index 100 pt.

	Roasted Coffee	Instant Coffee	Green Tea	Black Tea	All Carbonated Drink TTL	Colas	Fruits Juice	All RTD Coffee TTL	Canned RTD Coffee
1980	53	82	114	54	95	96	69	27	26
1990	100	100	100	100	100	100	100	100	100
1995	123	98	99	127	99	111	76	109	103
1996	115	104	108	118	97	109	72	109	103
1997	121	99	111	140	100	113	70	113	105
1998	126	97	96	130	95	113	81	113	101
1999	129	97	109	98	97	115	87	115	101
2000	139	100	112	127	94	114	89	115	96
2001	141	106	117	108	88	115	78	118	96
2002	147	102	104	107	87	115	80	121	93
2003	141	107	111	110	86	110	60	121	94
2004	153	105	128	116	92	110	68	120	93
2005	156	105	127	110	91	103	70	128	96
2006	151	109	111	122	88	97	66	129	96
2007	159	100	111	118	96	114	68	128	95
2008	150	104	110	127	101	123	60	128	96
2009	148	103	98	124	108	127	56	128	95
2010	152	109	97	140	115	133	59	127	94
2010 Actual Volume	262,561 Metric tons	43,143 Metric tons	88,674 Metric tons	19,757 Metric tons	3,450 '000 Liters	1,360 '000 Liters	1,527 '000 Liters	2,877 '000 Liters	2,025 '000 Liters

Note: Carbonated Drink included Colas. RTD Coffee includes Canned Coffee.

RTD: Ready to Drink

All Japan Beverage Industry Association

2. All Japan Coffee Association has been implementing the national consumer survey on coffee consumption every other year from 1983 and Table 4 shows the details of the trend of coffee consumption in Japan.

Table 4: Trend of coffee consumption

① Coffee Consumption by Type of Coffee - Cups a week -

	Total	Soluble	Roasted	Liquid	Canned
1983	8.60	5.00	2.50	—	1.00
1990	9.90	5.01	3.28	—	1.61
2000	11.04	4.84	3.71	0.60	1.88
2002	10.03	4.29	3.22	0.74	1.77
2004	10.43	4.40	3.49	0.86	1.68
2006	10.59	4.38	3.70	0.70	1.81
2008	10.60	4.51	3.21	0.82	2.05
2010	10.93	4.69	3.27	1.09	1.87

② Coffee Consumption by Place - Cups a week -

	Total	Home	Catering service	Office & School	Others
1983	8.60	5.10	1.20	1.70	0.50
1990	9.90	5.62	0.99	2.37	0.92
2000	11.04	6.49	0.69	2.98	0.88
2002	10.03	6.27	0.48	2.50	0.76
2004	10.43	6.42	0.50	2.69	0.76
2006	10.59	6.38	0.44	2.78	0.93
2008	10.60	6.52	0.32	2.77	0.91
2010	10.93	6.74	0.32	2.86	1.01

③ Coffee Consumption by age - Cups a week -

Years old	Total average	Male	Female
12~17	10.93	2.09	1.70
18~24		7.29	4.75
25~39		12.93	10.29
40~59		14.59	14.62
60~		11.36	8.99

- ① Weekly coffee consumption average has been constantly increasing and it reached to 10.93 cups in 2010, increase of 0.33 cups from 2008. Among which 4.69 cups were consumed as soluble coffee, namely the share of 43%. While 3.27 cups (30%) were consumed as roasted and ground coffee and 1.87 cups (17%) were consumed as canned coffee and 1.09 cups (10%) were consumed as liquid coffee in 2010.
- ② Coffee consumption at home has been increasing steadily and reached to 6.74 cups (62%) in 2010. Consumption at workplaces and schools has been increasing remarkably and it occupied 2.86 cups (26%) and coffee consumption at traditional coffee houses and coffee shops has been decreasing drastically to 0.32 cups (3%) in 2010.
- ③ The amount of consumption of men exceeded that of women. Age groups of 40~59 in both men and women consume more coffee compared with other age groups, while younger generations consume less amount of coffee.

-444- Consuming Market

1. Soluble coffee

Table 5 shows the domestic production, import, re-export and consumption amount of soluble coffee (Consumption=domestic production + import – re-export) from 2001 to 2010.

Table 5: Production, Import, Re-export and Consumption of soluble coffee

Unit: metric ton

	Production	Import	Re-export	Consumption
2001	37,012	8,387	3,471	41,928
2002	37,060	8,465	4,875	40,650
2003	36,593	9,057	3,133	42,517
2004	35,794	7,633	1,779	41,648
2005	35,189	7,778	1,193	41,774
2006	36,668	7,444	755	43,357
2007	34,239	7,089	1,708	39,620
2008	37,127	7,850	3,778	41,199
2009	35,847	7,400	2,461	40,786
2010	38,315	7,445	2,617	43,143

All Japan Coffee Association

According to the Nikkan Keizai Tsuushin, 90.6% of soluble coffee went to the retail market and the rest went to the RTD and Cup vending market as raw materials in 2010. After 2006 there is tendency that paper bagged (instead of bottled type) soluble coffee is

sold more and stick coffee (3 in 1 type) is sold well reflecting the increase of home consumption. There are 2 major soluble makers in Japan.

## 2. Roasted and ground Coffee

In 2010, around 247,000 MT of roasted coffee was sold (0.1% more than the previous year) and the total value was amounted to 322 billion yen according to the Nikkan Keizai Tsuushin research. There are more than 400 small and medium sized coffee roasters in Japan. Table 6 shows the evolution of 3 different roasted coffee markets (Business use, Home use and Industry use) from 2002 to 2010.

Table 6: Evolution of the 3 different markets of roasted and ground coffee

Unit: metric ton

	Business use	Home use	Industry use	Total
2002	69,500	65,500	92,000	227,000
2003	69,000	67,000	94,000	230,000
2004	70,000	68,300	96,500	234,800
2005	71,000	70,000	98,000	239,000
2006	72,000	72,000	100,000	244,000
2007	71,500	74,500	103,000	249,000
2008	69,000	75,700	103,000	247,000
2009	68,000	75,750	103,000	246,750
2010	71,200	74,200	101,600	247,000

Nikkan Keizei Tsuushin

### ① Market for business use

After the global economic stagnation in 2008, the consumption at the restaurants and coffee shops were retarded due to thrifty life style of consumers and eventually the number of coffee shops was decreased. Some fast food shops and family restaurants drove sales of coffee to increase the sales amount in 2010.

### ② Market for home use

It was the first time when this segment shrank the market in 2010. This was mainly because of the decrease of consumption during the historically hot summer. Eventually the market dropped by 2% and the value dropped 2.9% to 133 billion yen in 2010.

### ③ Market for industry use

The demand for the RTD market as the raw materials went over 100,000MT in 2006 for the first time and increased by 3% in 2007, however stopped rising in 2008 and 2009, then decreased in 2010 by 1.4% .



### 3. Beverage (RTD) Market

This market distinguishes Japanese market from other countries. In the beverage market, coffee drink (RTD) is the biggest segment in terms of the sales value and there are many different forms of packages like can, pet bottle, paper cup and so forth. Producers shipped 3,098 thousand KL (kilo litter) and the shipped value reached to 1,014 billion yen in 2010. Table 7 shows sales amount of RTD coffee by type in volume and in value from 2007 to 2010 with its market share of 2010.

Table 7: Sales of RTD coffee with different package and share

	unit	2007	2008	2009	2010	Share of 2010
Can coffee	1000 KL	2,090	2,100	2,085	2,030	65.5%
“	100 mil yen	8,350	8,370	8,310	8,060	79.5%
Pet bottle	1000 KL	470	460	477	500	16.1%
“	100 mil yen	900	860	895	930	9.2%
Total dry	1000 KL	2,560	2,560	2,562	2,530	81.7%
“	100 mil yen	9,250	9,230	9,205	8,990	88.7%
Cup coffee	1000KL	200	215	220	230	7.4%
“	100 mil yen	760	795	760	770	7.6%
Paper, bin	1000KL	374	370	370	338	10.9%
“	100 mil yen	409	405	405	378	3.7%
Total chilled	1000KL	574	585	590	568	18.3%
“	100 mil yen	1,169	1,200	1,165	1,148	11.3%
Total RTD	1000 KL	3,134	3,145	3,152	3,098	100%
“	100 mil yen	10,419	10,430	10,370	10,138	100%

Nikkan Keizai Tsuushin

Dry products which consist of can coffee mainly sold by vending machines and convenience stores, and pet bottle coffee mainly sold as gift-set at mass market amounted to 2,530 thousand KL in volume (81.7%) and 899 billion yen in value (88.7%) in 2010, but it has stopped increasing sales in the last 4 years. In the meantime, sales of chilled cup coffee has increased almost 80% in the latest 5 years, despite the market share is as yet small, namely 7.4% in volume and 7.6% in value. The fierce competition among makers eventually accelerated the entry of many new brands of products and new coffee drinkers like young females who haven't drunk coffee so much before.