

Japan: Swelling Prospects for U.S. Wines

By Mark Dries

After several years of stagnation, the Japanese wine market is on the rebound. Imports of U.S. wines are once again rising.

Consumer Tastes Are Changing

Since 1965, wine consumption in Japan has risen more than threefold. Wines still account for only 6.3 percent of the alcoholic beverages purchased in the country, but tastes are changing.

Beer, which accounts for more than half of Japan's total alcohol consumption, and sake, the traditional Japanese rice wine, are slowly declining in popularity. Consumers, particularly young adults, are gravitating to wines. In urban areas, wines are becoming the drink of choice; 60 percent of all premium wines are consumed in Tokyo alone.

Although beer and sake are preferred in rural areas and regional cities, there is still market potential for U.S. wines there, particularly for lower priced labels. If lower end wines can build a presence in these areas, overall demand for wines in Japan will expand significantly.

There was an explosion of consumer interest in red wines in the 1990s, driven by scientific reports touting their health benefits. During the period, consumption of red wines more than doubled. White wines are still popular; however, the early Japanese preference for sweet, fruity wines has been eclipsed by interest in red wines, which now account for almost 60 percent of consumption. Rosé has failed to catch on in Japan.

As Japanese consumers have become more familiar with wines and more discriminating in their tastes, price has become slightly less important in the choice of which wine to buy. In this climate, domestic wine sales have suffered, appealing primarily to consumers looking for a bargain.

Competition for the Market

More than half of all wines consumed in Japan are imported. Although France remains synonymous with wine for many, the rising popularity of New World wines, including those from the United States, Australia and South Africa, reveals that Japanese consumers are willing to experiment.

Recovering from the stagnation that followed the wine boom of the 1990s, U.S. wine exports to Japan are now enjoying expanding sales. In calendar 2003,

exports of U.S. bottled wines to Japan jumped 20.7 percent by volume compared to 2002, recovering some of the market share lost in recent years.

U.S. wines predominantly target the lower end of the market, particularly at retail. Three major California wines are the primary drivers of Japan's market for less expensive wines. They are popular in supermarkets and discount and convenience stores. These mass-market wines are taking market share from domestic competitors.

U.S. wines in the middle price range account for roughly 20 percent of sales. They face stiff competition from French, Italian and Chilean wines, which dominate this segment. In addition, demand from mid-priced restaurants appears to be falling.

On the other hand, sales of U.S. premium wines are rising steadily. It appears



U.S. WINE SALES ARE ON THE REBOUND IN JAPANESE MARKET.



43246

that the “California Wine by the Glass” campaign, in which about 300 Japanese restaurants served California wines, is helping to build and expand awareness of these products. Other wine-producing states, including Washington and Oregon, are also attracting market interest. Indeed, U.S. wines can now be found at Chinese, Japanese and even French restaurants, in addition to those that serve American cuisine. In retail stores, however, U.S. wines still have limited shelf space.

Deregulation Presents Opportunities

In September 2003, the Japanese government loosened restrictions on the granting of liquor licenses. This long-awaited deregulatory measure is certain to boost the number of liquor-selling retailers throughout the country and will have

a profound impact on the way alcoholic beverages are sold in Japan. As supermarkets and convenience stores find it easier to get licenses and sell wines, U.S. wines are likely to find new outlets, particularly given their strength in the inexpensive product segment.

In addition, the decline in the value of the dollar versus the yen and the euro has enhanced the position of U.S. wines compared to their European counterparts. The rise in the euro versus the yen since 2000 translates into a 25-percent increase in the price of European wines in Japan.

Import duties on wines exported to Japan have gradually been reduced since the implementation of the Uruguay Round Agreement under the General Agreement on Tariffs and Trade. The final reduction was in April 2000, when the

tariff rate on bottled wines fell from 21.3 to 15 percent. However, in May 2003, Japan increased its liquor tax rate by 30 percent. So far, this tax has hurt domestic wines more than imports. ■

The author is the agricultural trade officer in the FAS Agricultural Trade Office in Tokyo, Japan. For more information on the Japanese wine market, contact that office at: Tël: (011-81-3) 3224-5115; Fax: (011-81-3) 3582-6429; E-mail: ATOTokyo@ni.bekkoame.ne.jp

For details, see FAS Report JA3536. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

