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THE JAPANESE COFFEE MARKET

OPPORTUNITIES FOR DEVELOPING COUNTRIES
(WITH EMPHASIS ON COLOMBIA)

ADRIANA ROLDÁN PÉREZ



ESCUELA DE
ADMINISTRACIÓN



The Japanese Coffee Market

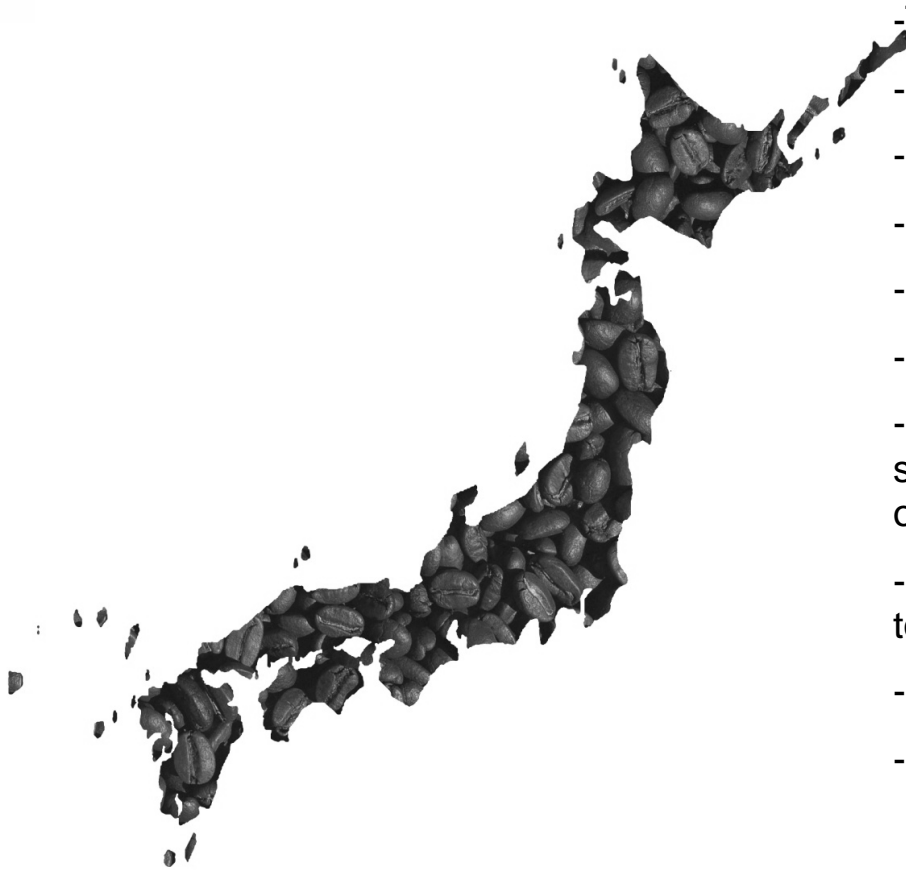
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MA International Relations

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Coffee in Japan



- The second largest economy in the world
- Japan has a strong tea tradition
- The internationalization of Japanese tastes
- High quality standards and dynamic market
- Japan relies on coffee imports for its entire supply.
- Coffee is the most consumed beverage.
- More than 80% of the coffee consumed in Japan is supplied by 6 countries. They are following strategies oriented to gain more value for their exports.
- Colombian coffee has a special merit in Japan thanks to the FNC solid presence since 1962.
- The Japanese coffee industry and traders.
- Growth in retail coffee shops and vending machines.

Methodology

Exploratory method, analysis of primary and secondary information under three approaches:

- Documental: coffee reports, economic studies and trade statistics mostly from the AJCA, ICO and Ministry of Finance of Japan (harmonized system code classification), applying concepts such as RCA and Market penetration index.
- Analysis of the survey of trends in coffee demand in Japan made by the AJCA 2004.
- Direct Interviews in Japan with coffee experts, organizations, coffee manufacturers, traders and certifiers.

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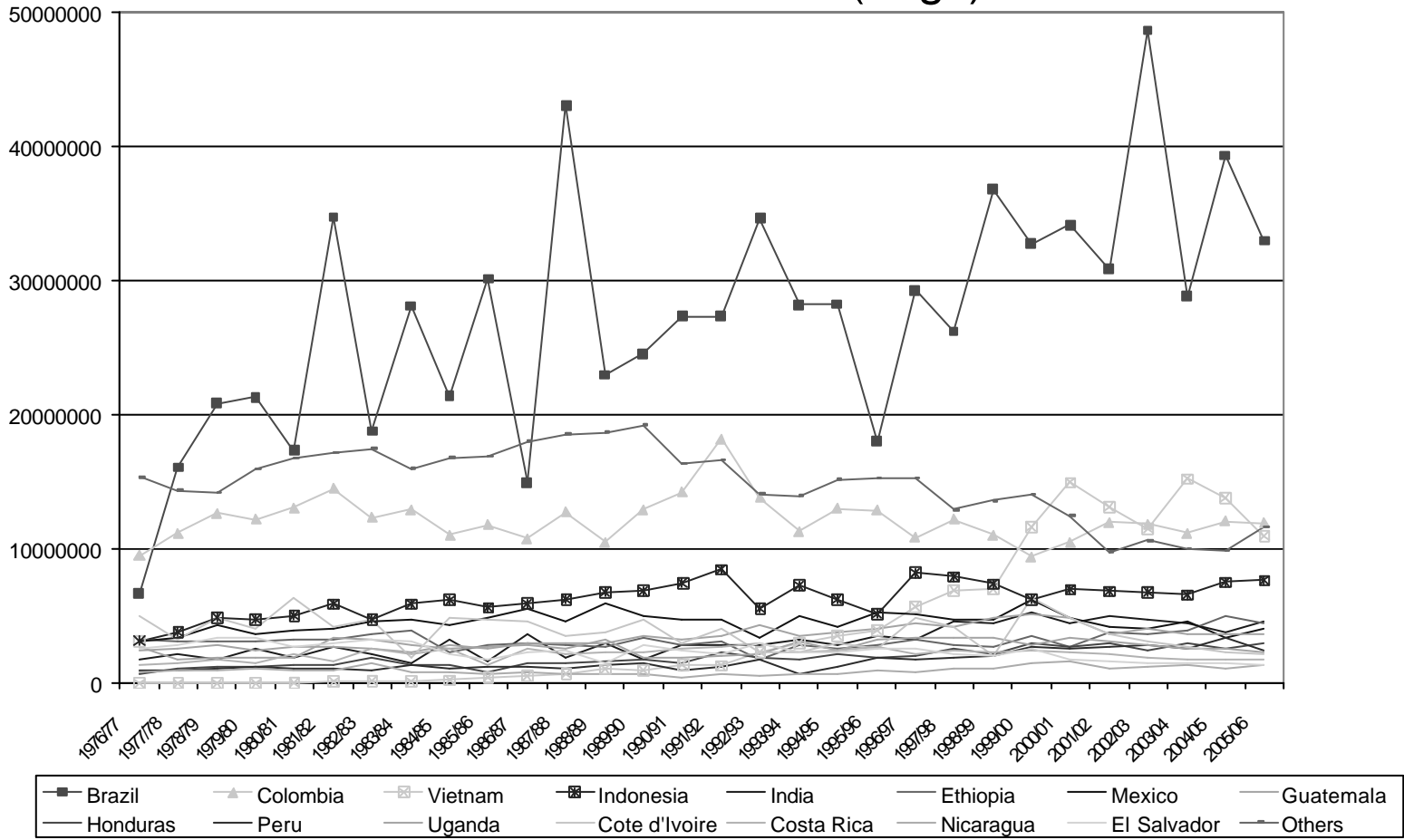
3. Main suppliers to Japanese Coffee Market

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1. Overview of coffee in the world

1.1 World Coffee Production 1976/77 – 2005/06 (bags)



Data Source: ICO. Figure by the author

1. Overview of coffee in the world

1.1 World Coffee Production by type 1999/00 – 2005/06 (bags)

Coffee year	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
World	115,599,000	115,102,000	106,655,000	121,927,000	103,854,000	113,637,000	106,399,189
Arabicas	75,833,743	73,082,231	70,013,381	81,619,723	67,040,082	73,560,125	69,830,374
Brazil	27,875,645	27,343,008	26,832,051	37,392,287	24,122,804	28,641,057	26,458,058
Colombia	9,291,882	10,555,205	11,540,667	11,760,477	11,431,690	10,817,665	11,244,675
Other America	26,976,430	23,422,503	20,677,029	21,410,100	20,635,170	20,502,052	20,221,515
Africa	7,193,715	7,539,432	6,251,195	7,136,700	6,878,390	8,757,158	7,370,459
Asia & Pacific	4,496,072	4,222,082	4,712,439	4,121,193	3,972,028	4,842,193	4,535,667
Robustas	39,765,257	42,019,769	36,641,619	40,307,277	36,813,918	40,076,875	36,663,308
Brazil	5,295,373	5,327,866	5,674,161	11,358,410	3,778,271	7,932,955	8,598,869
Other Latin America	399,651	502,629	384,689	301,551	290,636	206,051	566,958
Vietnam	11,689,787	14,978,339	12,598,562	11,659,960	14,725,567	14,320,529	10,394,237
Indonesia	5,495,199	6,031,546	5,577,989	4,824,811	5,231,451	5,254,295	6,331,035
Other Asia & Pacific	5,495,199	5,126,814	4,520,095	4,925,328	4,843,937	5,254,295	4,630,160
Cote d' Ivoire	5,894,850	4,825,237	3,366,028	2,512,923	2,615,726	2,369,584	2,078,847
Uganda	2,697,643	2,915,247	2,788,995	2,613,439	2,131,332	2,266,558	1,700,875
Other Africa	3,297,119	2,312,093	1,731,100	2,110,855	3,196,998	3,399,838	2,362,327
Share (in percentage)							
Arabica	65.6%	63.5%	65.6%	66.9%	64.6%	64.7%	65.6%
Robusta	34.4%	36.5%	34.4%	33.1%	35.4%	35.3%	34.5%

Data source: www.thecoffeeguide.org (2006) Original data source ICO. Table by the author

1. Overview of coffee in the world

1.2 World Coffee Consumption 1999/00 – 2004/05 (1,000 bags)

Coffee year	<i>1999/2000</i>	<i>2000/2001</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>Average growth in %</i>
Total Consumption	102,696	108,123	110,596	114,174	115,579	115,618	2.4%
Importing Countries	77,824	81,591	82,689	85,840	86,724	85,866	2.0%
US	18,681	19,430	18,699	20,206	20,666	20,387	1.8%
Germany	9,410	9,658	9,141	9,378	9,194	9,042	-0.7%
Japan	6,660	6,762	6,897	6,717	7,717	7,224	1.9%
Italy	5,122	5,221	5,212	5,402	5,476	5,563	1.7%
France	5,365	5,358	5,394	5,446	5,105	4,978	-1.4%
Producing Countries	24,872	26,532	27,907	28,334	28,855	29,752	3.7%
Brazil	12,700	13,289	13,600	14,000	14,200	14,900	3.3%
Indonesia	1,333	1,667	2,000	1,833	2,000	2,000	9.2%
Ethiopia	1,633	1,667	1,833	1,833	1,833	1,833	2.4%
Mexico	1,150	1,305	1,500	1,500	1,500	1,500	5.7%
Colombia	1,400	1,400	1,400	1,400	1,400	1,400	0.0%

Data source: www.thecoffeeguide.org (2006) and AJCA (Kankei Tokei 2006) Original data source ICO. Table by the author

1. Overview of coffee in the world

1.2 World Coffee Consumption

Per-capita consumption in selected importing countries (kg/person)

Calendar Year	<i>1999</i>	<i>2005</i>	<i>Change % 1999-2005</i>
TOTAL	4.59	4.48	-2%
US	4.24	4.22	-0.5%
Japan	2.97	3.40	14%
EU	5.15	5.21	1%
Finland	11.43	12.02	5%
Belgium and Luxembourg	5.29	7.25	37%
Sweden	8.70	7.76	-11%
Denmark	9.66	9.04	-6%
Germany	7.46	5.86	-21%
Italy	5.14	5.63	10%
France	5.50	5.07	-8%
Others Europe			
Norway	8.79	9.71	10%
Switzerland	7.25	8.97	24%

The data contained in this table are derived from the disappearance in importing countries and information on population

Data source: AJCA (Kankei Tokei, 2006&2005) Table by the author

1. Overview of coffee in the world

1.3 World Coffee Exports by country 1996-2005 (1,000 bags)

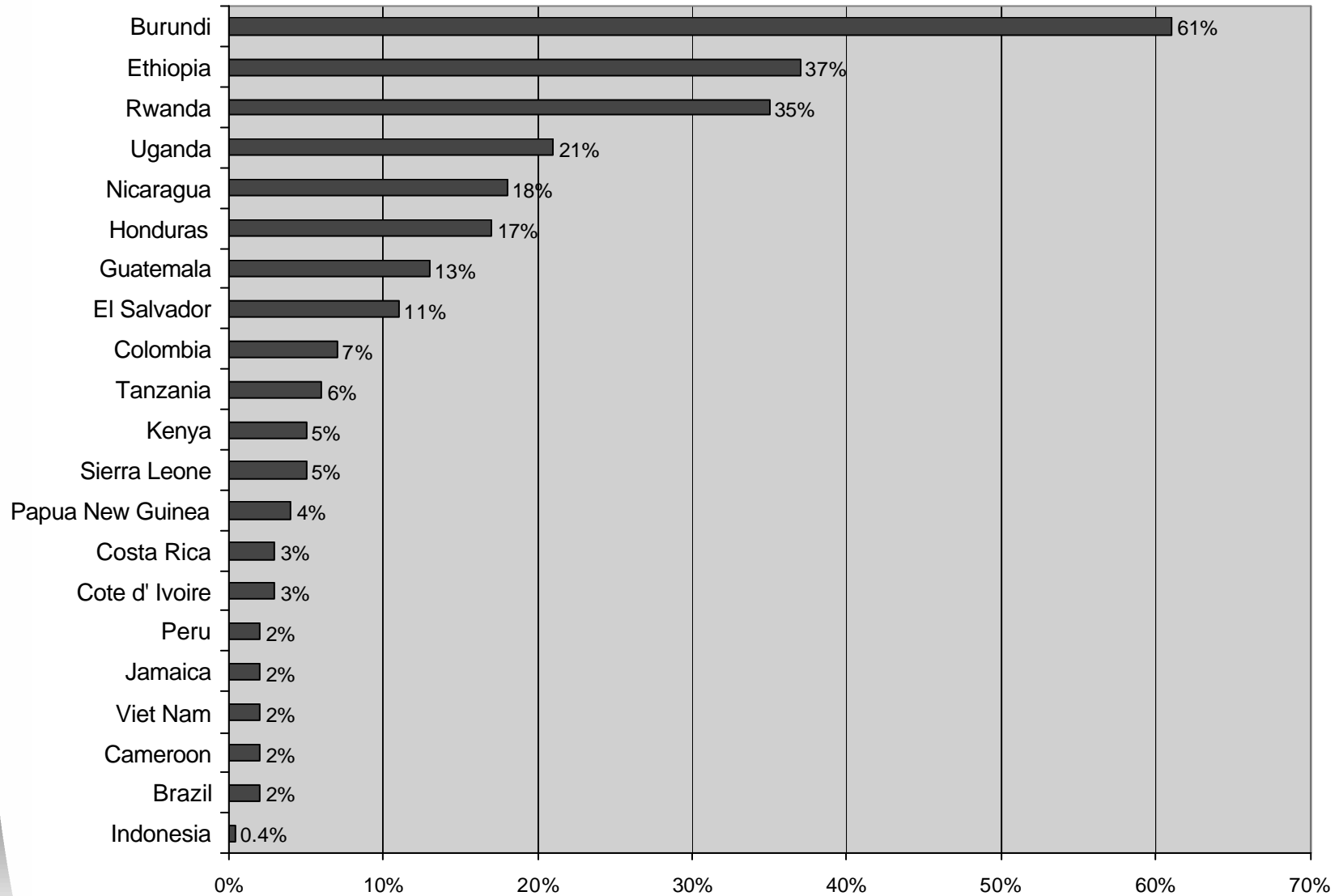
Calendar year	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>Change % 1996-2005</i>	<i>% of total exports 2005</i>
Total exports	77,549	80,264	79,919	85,766	89,243	90,517	88,457	85,904	90,703	86,222	11%	100%
Brazil	15,301	16,842	18,159	23,151	18,016	23,174	28,161	25,696	26,422	26,140	71%	30%
Vietnam	3,779	6,178	6,467	7,742	11,618	14,106	11,771	11,631	14,859	13,432	255%	16%
Colombia	10,588	10,919	11,260	9,996	9,177	9,944	10,274	10,244	10,194	10,872	3%	13%
Indonesia	6,440	5,755	5,598	5,065	5,358	5,243	4,286	4,795	5,456	6,082	-6%	7%
Guatemala	3,979	4,244	3,542	4,681	4,852	4,110	3,491	3,821	3,310	3,466	-13%	4%
India	3,120	2,640	3,482	3,613	4,229	3,730	3,550	3,707	3,647	2,743	-12%	3%
Ethiopia	1,838	1,980	1,917	1,818	1,982	1,376	2,055	2,229	2,491	2,435	32%	3%
Honduras	2,060	1,722	2,329	1,987	2,879	2,392	2,711	2,425	2,779	2,392	16%	3%
Peru	1,679	1,648	1,949	2,407	2,362	2,663	2,789	2,503	3,184	2,369	41%	3%
Uganda	4,655	3,502	3,286	3,841	2,513	3,060	3,358	2,522	2,627	2,369	-49%	3%
Mexico	4,633	4,502	3,399	4,352	5,304	3,333	2,645	2,595	2,361	1,985	-57%	2%
Costa Rica	2,430	2,099	2,045	2,195	1,965	2,018	1,784	1,702	1,424	1,466	-40%	2%
El Salvador	2,314	2,772	1,684	1,890	2,537	1,533	1,533	1,304	1,328	1,280	-45%	1%

Data source: AJCA (Kankei Tokei 2006) Original data source ICO. Table by the author

1. Overview of coffee in the world

1.4 Share of coffee in the total exports by value

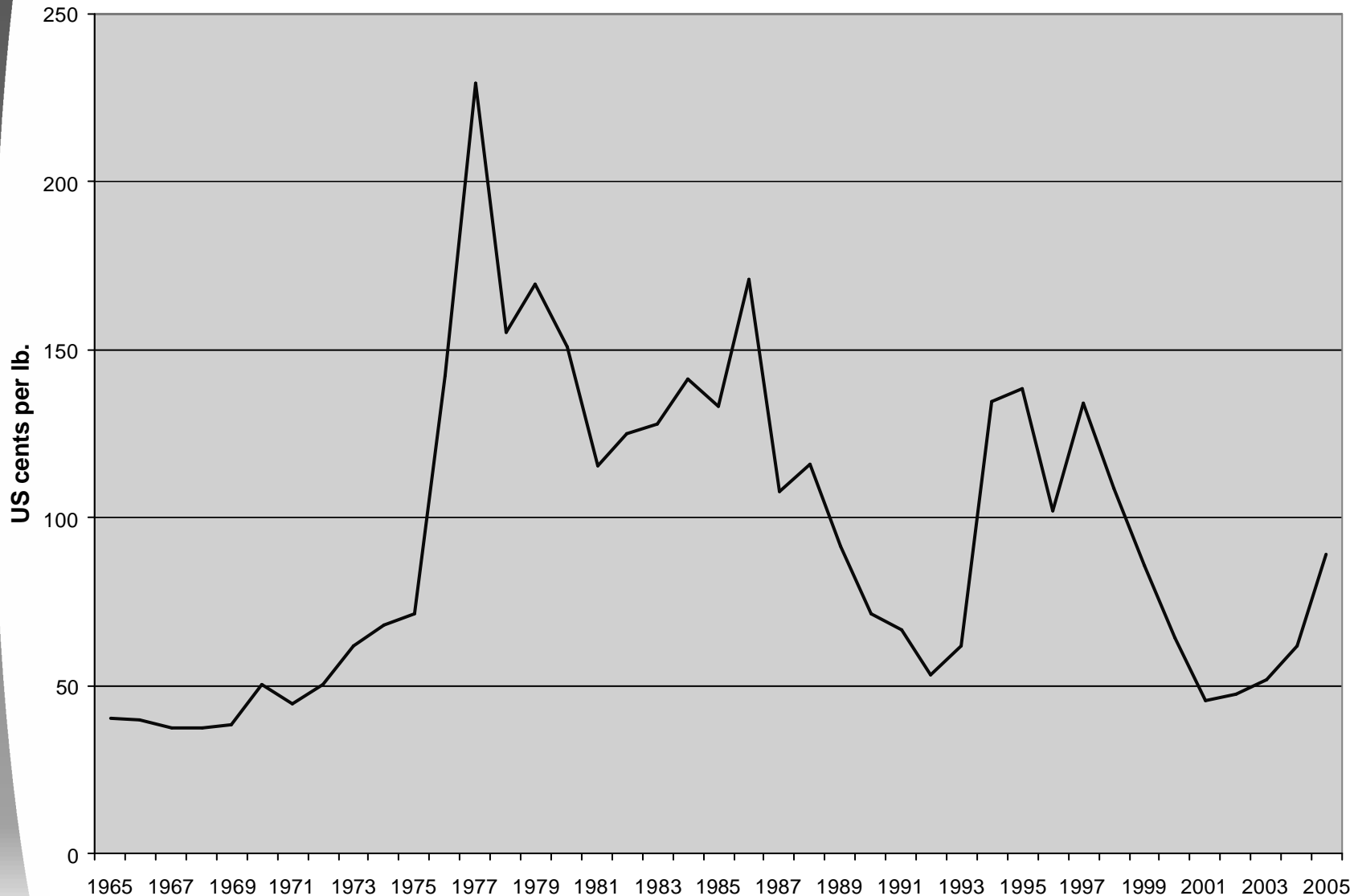
2000 - 2005



Source: data ICO Graph by author

1. Overview of coffee in the world

1.5 Coffee composite prices evolution 1965 – 2005 (us cents per lb)

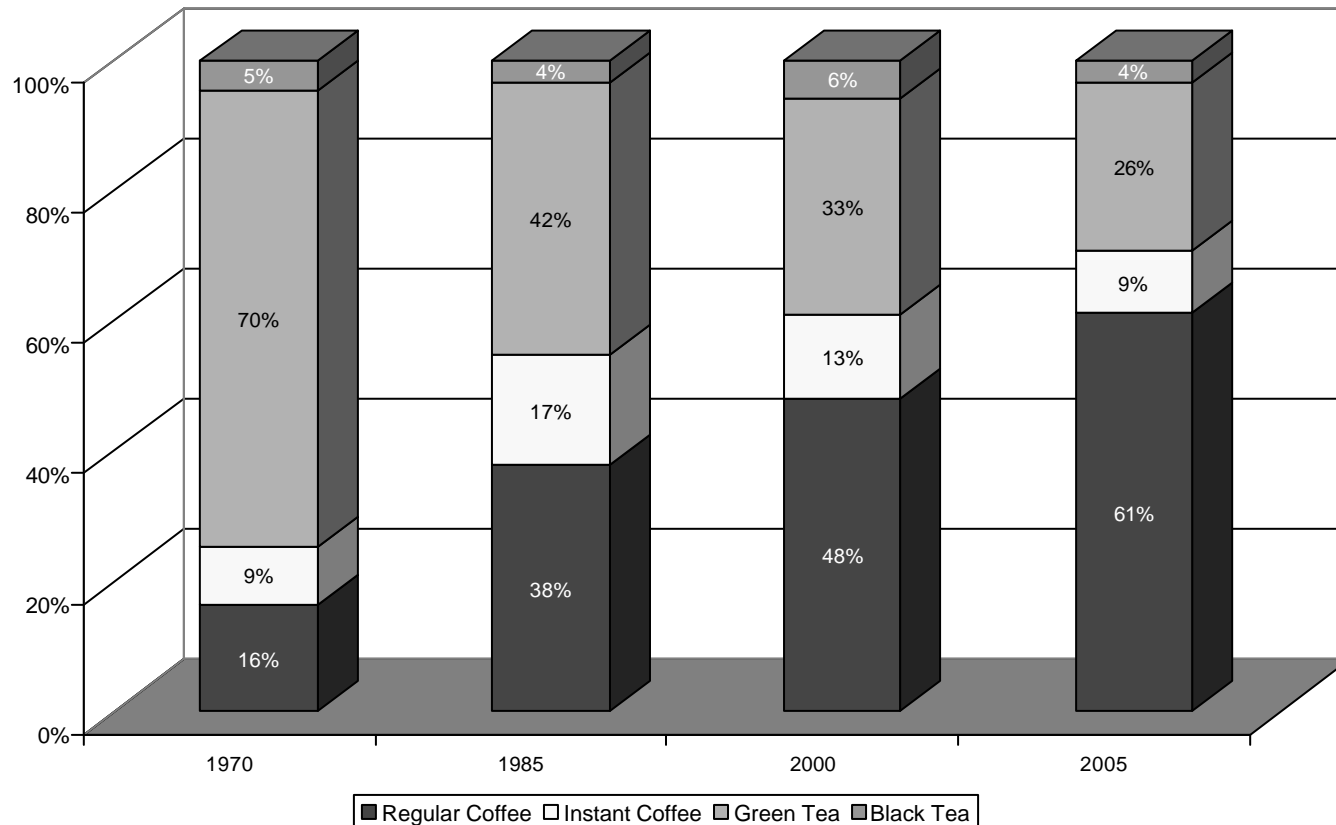


Data source: AJCA (Kankei Tokei 2006) Original data source ICO. Figure by the author

2. Analysis of Japanese Coffee Market

2.1 Coffee Consumption Trends in Japan

Share evolution of coffee and tea consumption in Japan 1970-2005 (%)



2. Analysis of Japanese Coffee Market

2.1 Coffee Consumption Trends in Japan

Internal coffee and tea consumption in Japan 1970-2005 (ton)

Year	<i>Regular Coffee</i>	<i>Index</i>	<i>Instant Coffee</i>	<i>Index</i>	<i>Green Tea</i>	<i>Index</i>	<i>Black Tea</i>	<i>Index</i>
1970	23,042	16.3	12,562	30.6	98,476	99.4	6,672	40.2
1975	47,242	33.5	25,495	62.0	111,108	112.1	7,497	45.2
1985	86,983	61.7	39,043	95.0	95,953	96.8	8,082	48.7
1996	141,063	100.0	41,111	100.0	99,096	100.0	16,582	100.0
1997	138,405	98.1	39,102	95.1	102,088	103.0	19,783	119.3
1998	140,657	99.7	38,333	93.2	88,347	89.2	18,340	110.6
1999	141,583	100.4	38,636	94.0	99,792	100.7	13,807	83.3
2000	148,420	105.2	39,791	96.8	102,944	103.9	17,950	108.2
2001	244,097	173.0	41,928	102.0	106,940	107.9	15,181	91.6
2002	253,834	179.9	40,650	98.9	95,228	96.1	15,029	90.6
2003	243,941	172.9	42,517	103.4	101,382	102.3	15,500	93.5
2004	264,916	187.8	41,648	101.3	116,823	117.9	16,299	98.3
2005	269,944	191.4	41,774	101.6	114,091	115.1	15,445	93.1

Index: Base year 1996=100

Data source: AJCA (Kankei Tokei 2006) Table by the author

2. Analysis of Japanese Coffee Market

2.1 Coffee Consumption Trends in Japan

Internal beverage consumption in Japan 1970-2005 (ton)

Year	<i>Sodas</i>	<i>Index</i>	<i>Colas*</i>	<i>Index</i>	<i>Juices</i>	<i>Index</i>	<i>Cafe latte & Capuccino</i>	<i>Index</i>	<i>Canned Coffee</i>	<i>Index</i>
1970	2,008	69.3	920	82.7	443	23.4	-	0.0	-	0.0
1975	2,799	96.6	835	75.1	903	47.7	190	7.7	128	5.8
1985	2,944	101.6	905	81.4	1,987	105.0	1,325	53.4	1,265	56.8
1996	2,898	100.0	1,112	100.0	1,892	100.0	2,483	100.0	2,226	100.0
1997	3,006	103.7	1,152	103.6	1,814	95.9	2,568	103.4	2,261	101.6
1998	2,853	98.4	1,149	103.3	2,107	111.4	2,562	103.2	2,184	98.1
1999	2,892	99.8	1,170	105.2	2,280	120.5	2,600	104.7	2,188	98.3
2000	2,804	96.8	1,160	104.3	2,335	123.4	2,610	105.1	2,063	92.7
2001	2,649	91.4	1,170	105.2	2,025	107.0	2,688	108.3	2,061	92.6
2002	2,608	90.0	1,175	105.7	2,090	110.5	2,757	111.0	2,015	90.5
2003	2,581	89.1	1,124	101.1	1,562	82.6	2,743	110.5	2,039	91.6
2004	2,754	95.0	1,123	101.0	1,765	93.3	2,717	109.4	2,005	90.1
2005	2,734	94.3	1,052	94.6	1,828	96.6	2,896	116.6	2,067	92.9

Index: Base year 1996=100

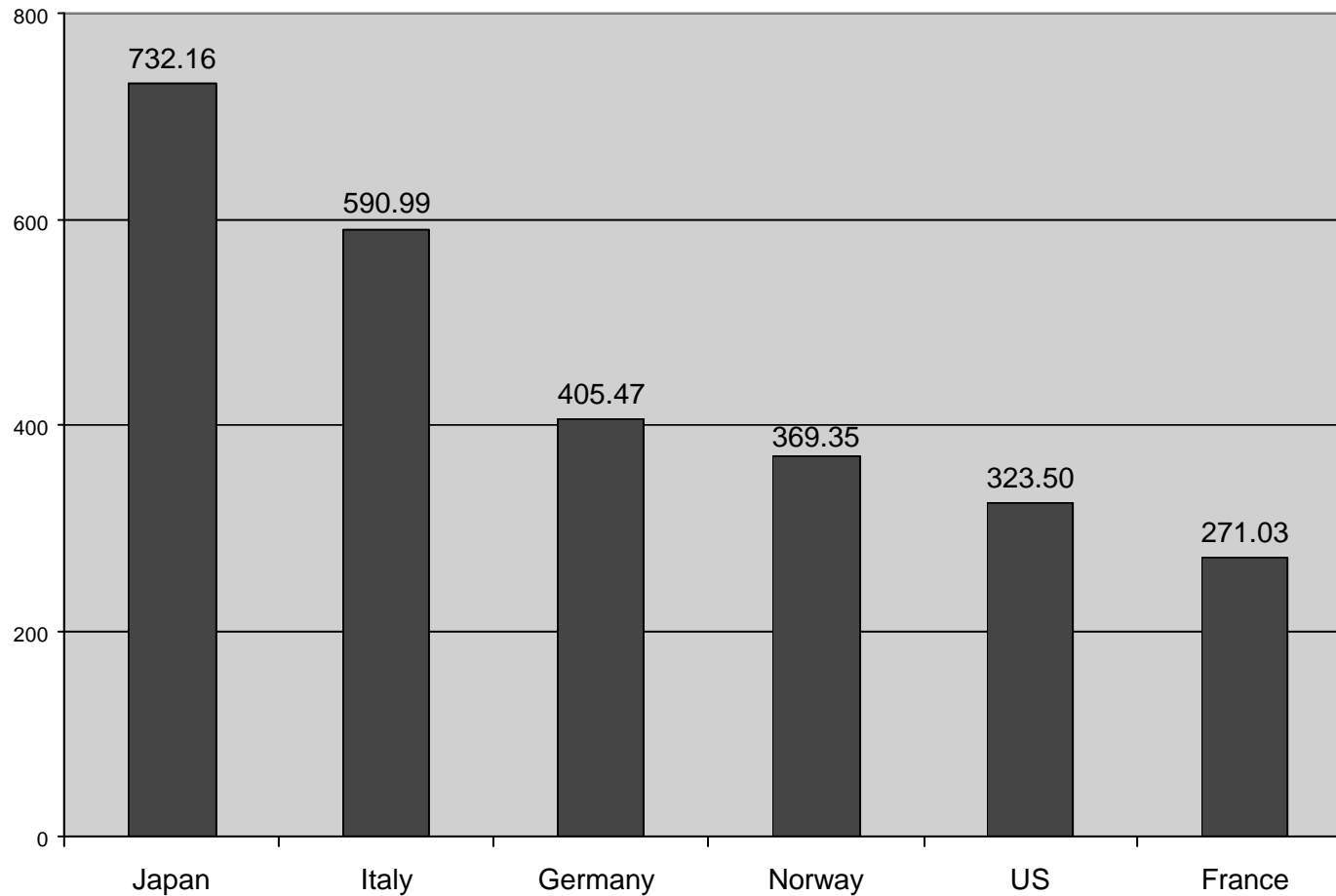
* Colas are the black sodas.

Data source: AJCA (Kankei Tokei 2006) Table by the author

2. Analysis of Japanese Coffee Market

2.1 Coffee Consumption Trends in Japan

Consumer's price for regular coffee in some countries 2005 (US cents/lb)

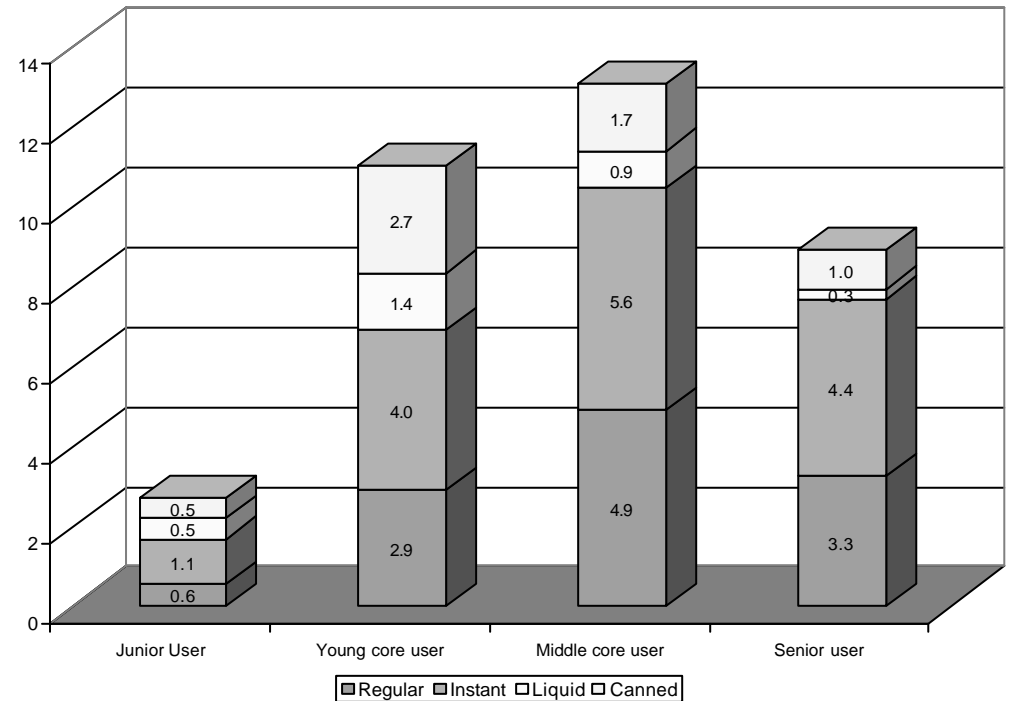
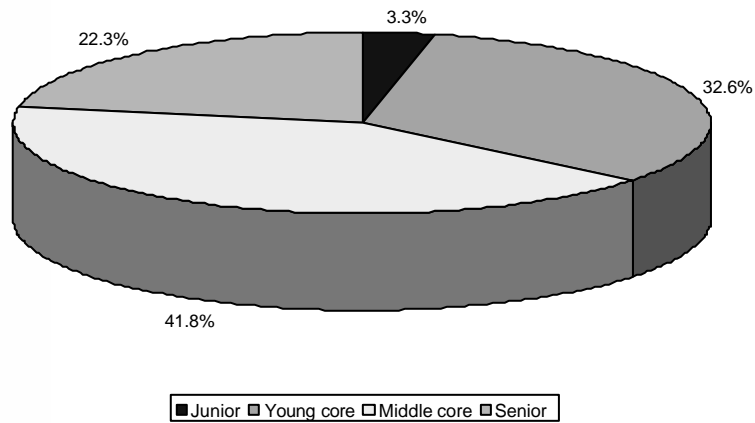


Data source: AJCA (Kankei Tokei 2006) Figure by the author

2. Analysis of Japanese Coffee Market

2.1 Coffee Consumption Trends in Japan

Coffee consumption in Japan per market segment 2004



2. Analysis of Japanese Coffee Market

2.1 Coffee Consumption Trends in Japan

Type of coffee drunk in Japan per food service establishment

Establishment	N*	<i>Straight coffee</i>	<i>Blend coffee</i>	<i>Iced coffee</i>	<i>Cappuccino</i>	<i>Café latte</i>	<i>Espresso</i>	<i>Café au lait</i>	<i>Iced café au lait</i>	<i>Vienna coffee</i>	<i>Flavored coffee</i>	<i>Others</i>	<i>No response</i>
Traditional coffee shops	1710	17.3%	67.8%	28.1%	8.8%	5.7%	5.0%	13.2%	4.8%	7.2%	1.6%	1.6%	3.2%
Self service type coffee shops	1020	8.6%	54.4%	25.3%	12.5%	17.8%	5.5%	14.5%	7.5%	1.6%	4.5%	1.5%	5.3%
Café type coffee shops	1045	9.1%	41.9%	20.1%	14.7%	22.4%	7.4%	14.8%	6.8%	2.3%	15.1%	2.6%	5.9%
Fast food outlets	1065	3.1%	59.1%	37.0%	3.5%	3.8%	1.2%	8.1%	4.3%	0.7%	0.6%	0.8%	6.5%
Family restaurants	1435	4.1%	66.7%	31.5%	9.7%	7.8%	5.4%	8.6%	3.5%	1.3%	1.0%	1.9%	4.1%
Ordinary restaurants	1134	8.4%	69.0%	21.0%	4.1%	2.1%	5.1%	5.5%	1.6%	1.5%	0.6%	1.7%	6.1%

* Number of respondents. Base: Drinkers of each type

Data source: AJCA Survey of trends in coffee demand 2004. Table by the author

2. Analysis of Japanese Coffee Market

2.2 The Expansion of Differentiated Coffee

- 1. Geographic Indications of origin**
- 2. Specialty Coffees (SCAJ)**
- 3. Sustainable Coffee**
 - Organic Coffee**
 - Fairtrade Coffee**
 - Eco-friendly**

2. Analysis of Japanese Coffee Market

2.3 Japan Market Structure

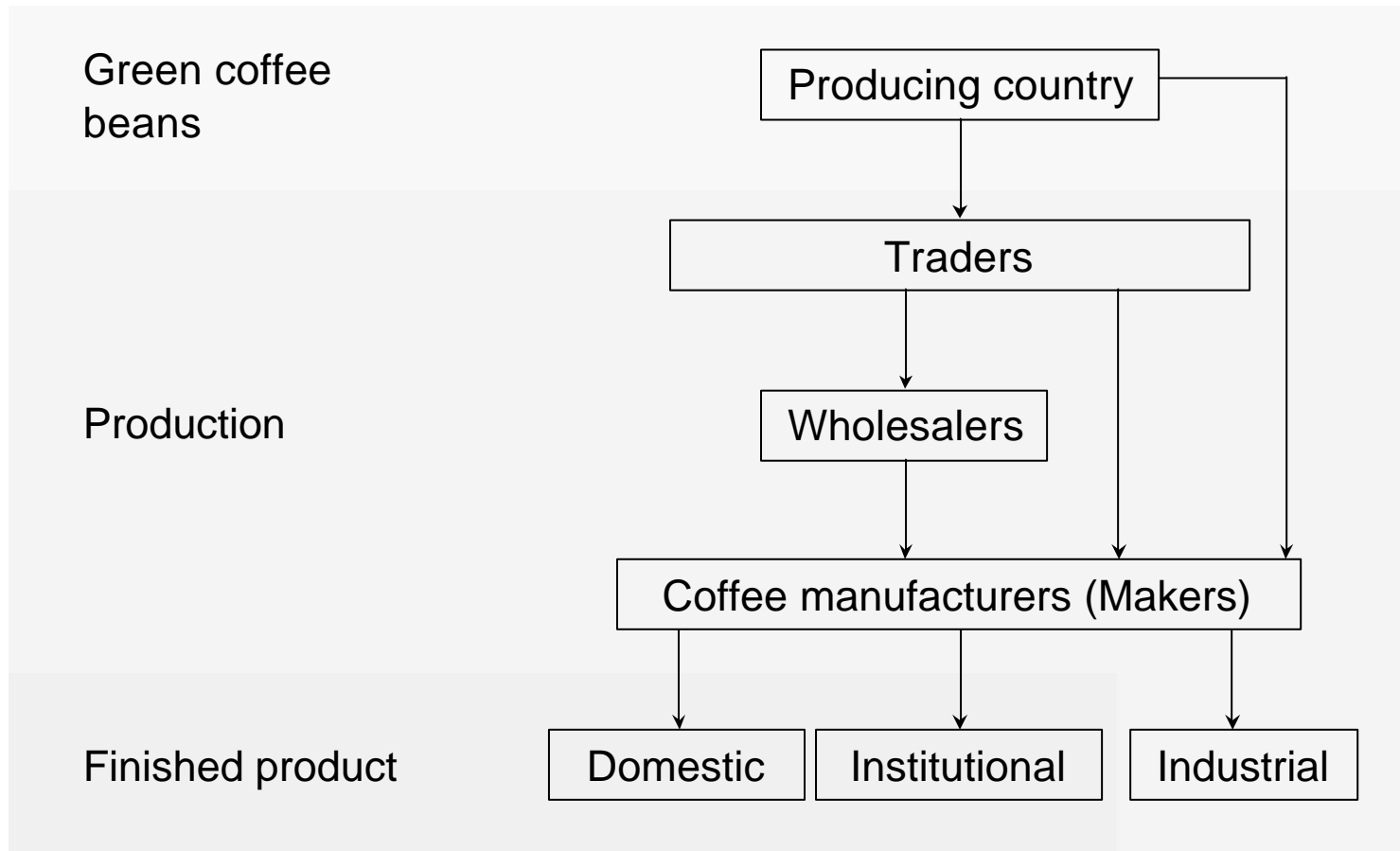
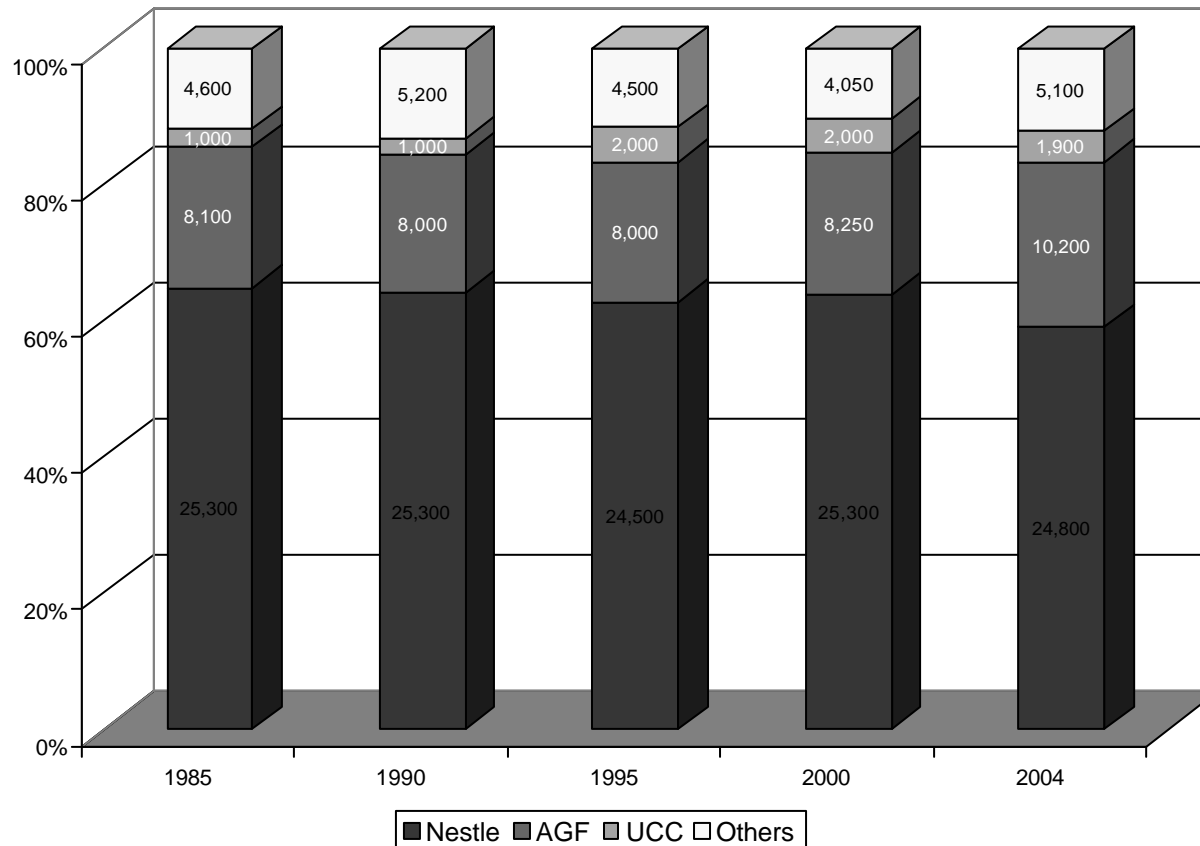


Figure by author

2. Analysis of Japanese Coffee Market

2.3 Japan Market Structure

Instant coffee companies' share in Japan 1985 – 2004 FY (tons)

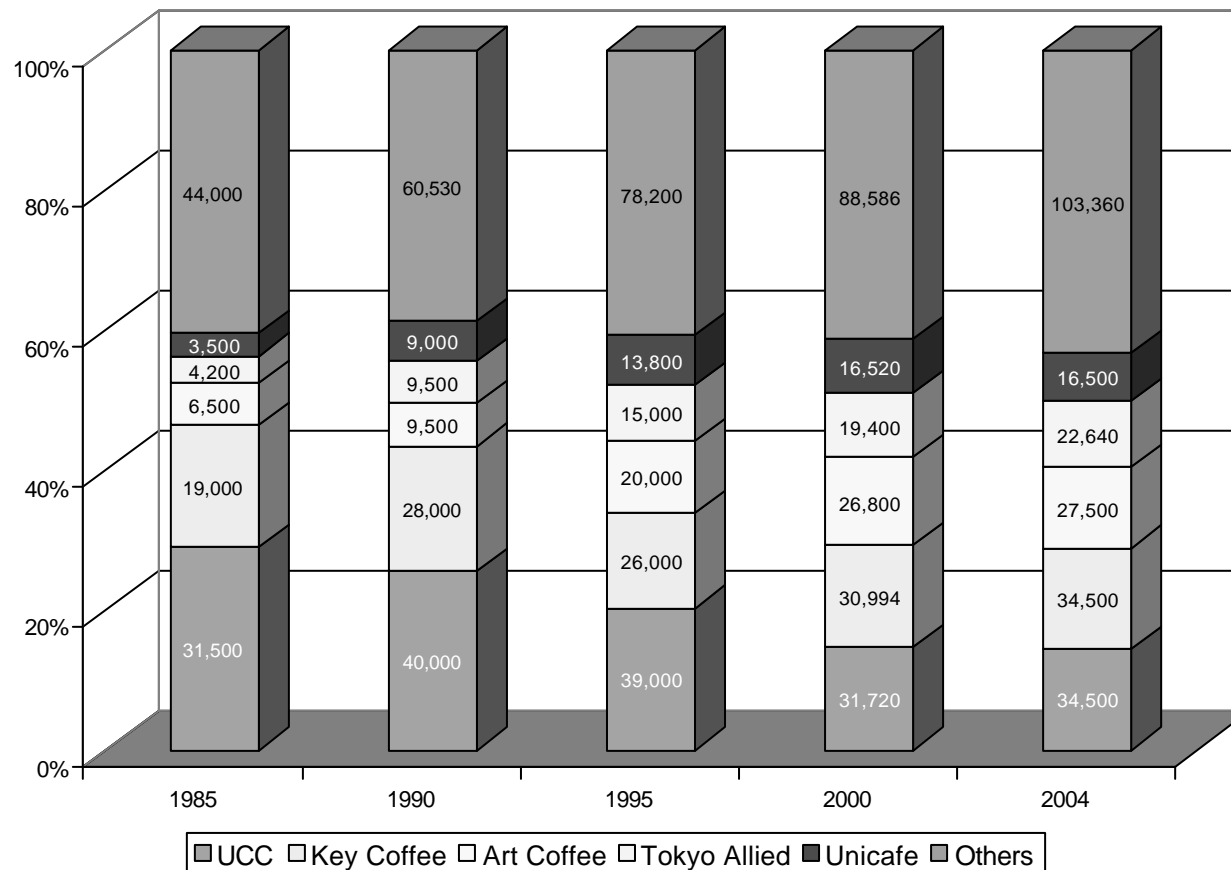


Source: Nikkan Keizai Tsushinsha. Japanese fiscal years (April 2004-March 2005). Figure by author

2. Analysis of Japanese Coffee Market

2.3 Japan Market Structure

Regular coffee companies' share in Japan 1985 – 2004 FY (tons)



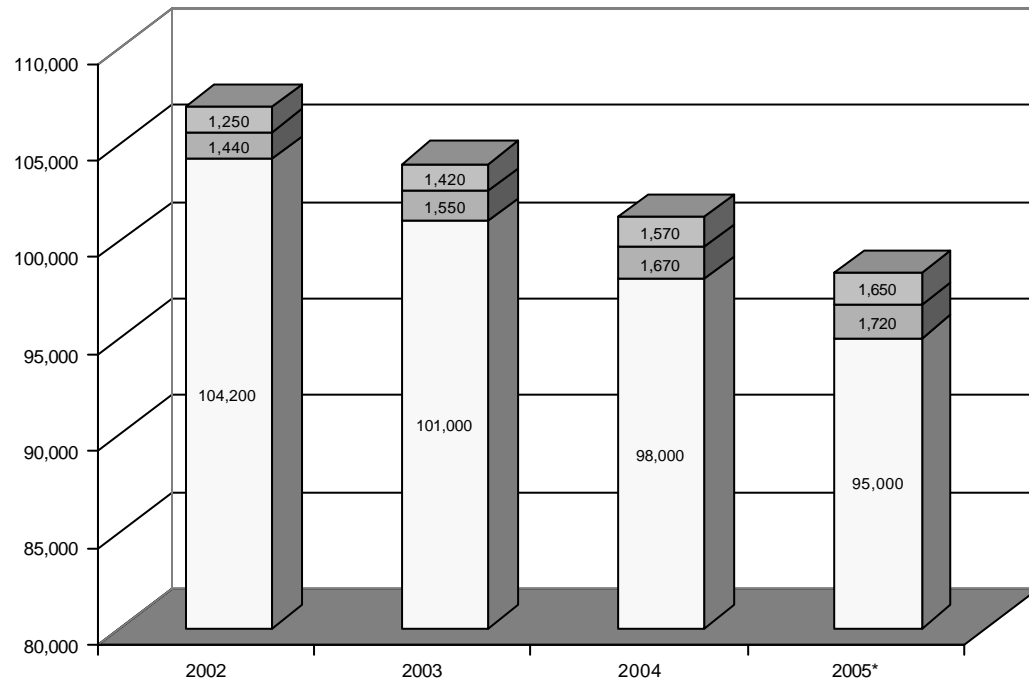
Source: Nikkan Keizai Tsushinsha. Japanese fiscal years (April 2004-March 2005). Figure by author

2. Analysis of Japanese Coffee Market

2.3 Japan Market Structure

Retailers in Japan

1. Department stores
2. Superstores
3. Supermarkets
4. Convenience Stores
5. Coffee shops



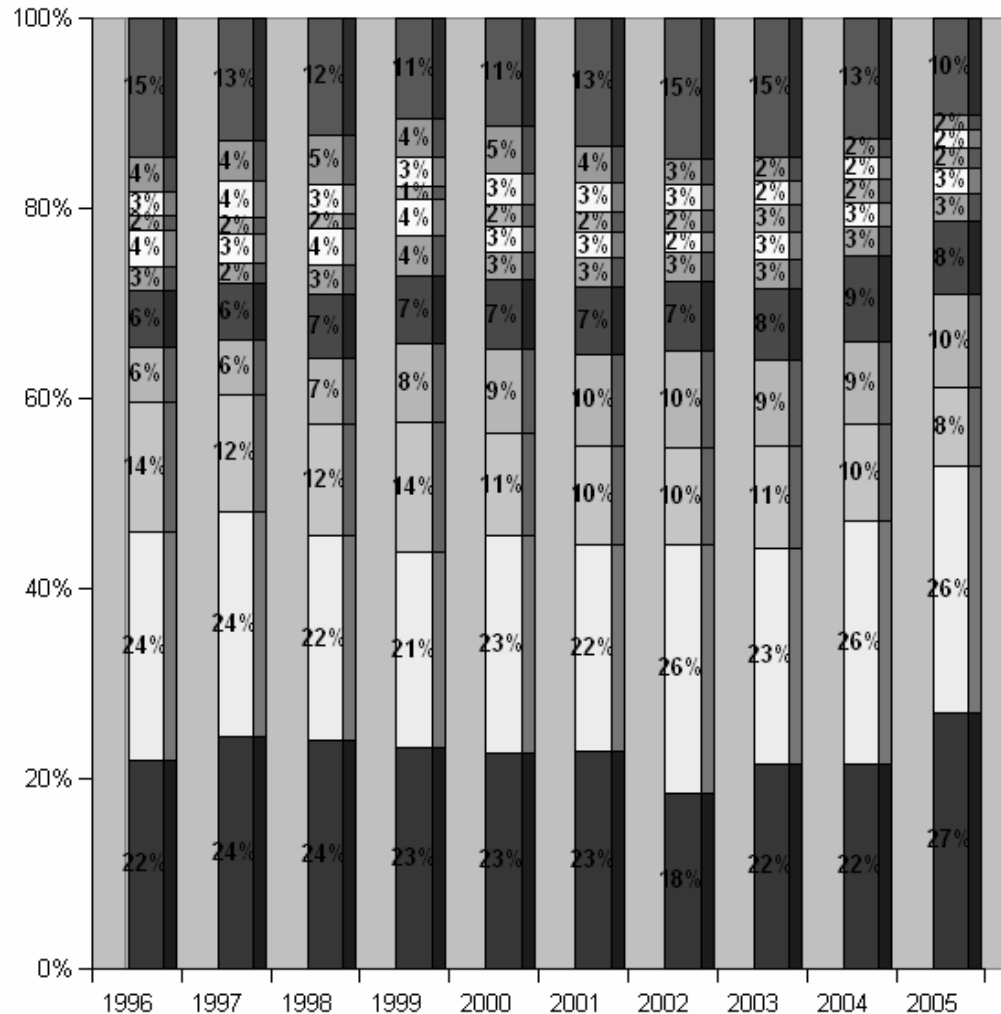
	2002	2003	2004	2005*
Kissaten	104,200	101,000	98,000	95,000
Teikakaku	1,440	1,550	1,670	1,720
Koukakaku	1,250	1,420	1,570	1,650
Total	106,890	103,970	101,240	98,370

* 2005 estimated

Source Data: UCC Coffee statistics 2006. Table and figure by the author

3. Main Suppliers to Japanese Coffee Market

3.1 Main Suppliers Share (1996 - 2005) Coffee Beans (% value)

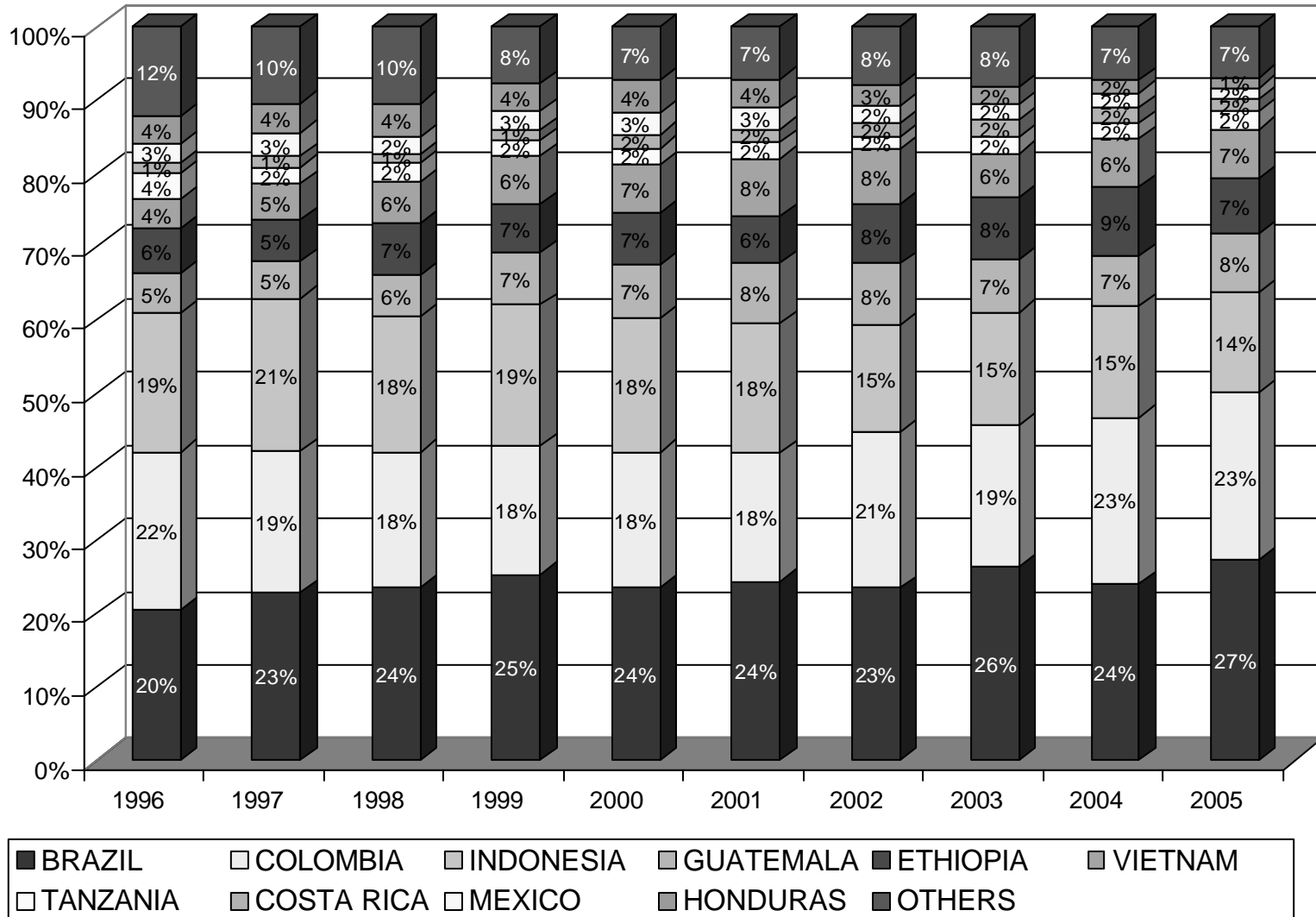


■ BRAZIL □ COLOMBIA □ INDONESIA □ GUATEMALA ■ ETHIOPIA □ VIETNAM □ TANZANIA □ COSTA RICA □ MEXICO □ HONDURAS ■ OTHERS

Source: data MOF Japan, Coffee Beans 0150101, Graph by author

3. Main Suppliers to Japanese Coffee Market

3.1 Main Suppliers Share (1996 - 2005) Coffee Beans (% quantity)

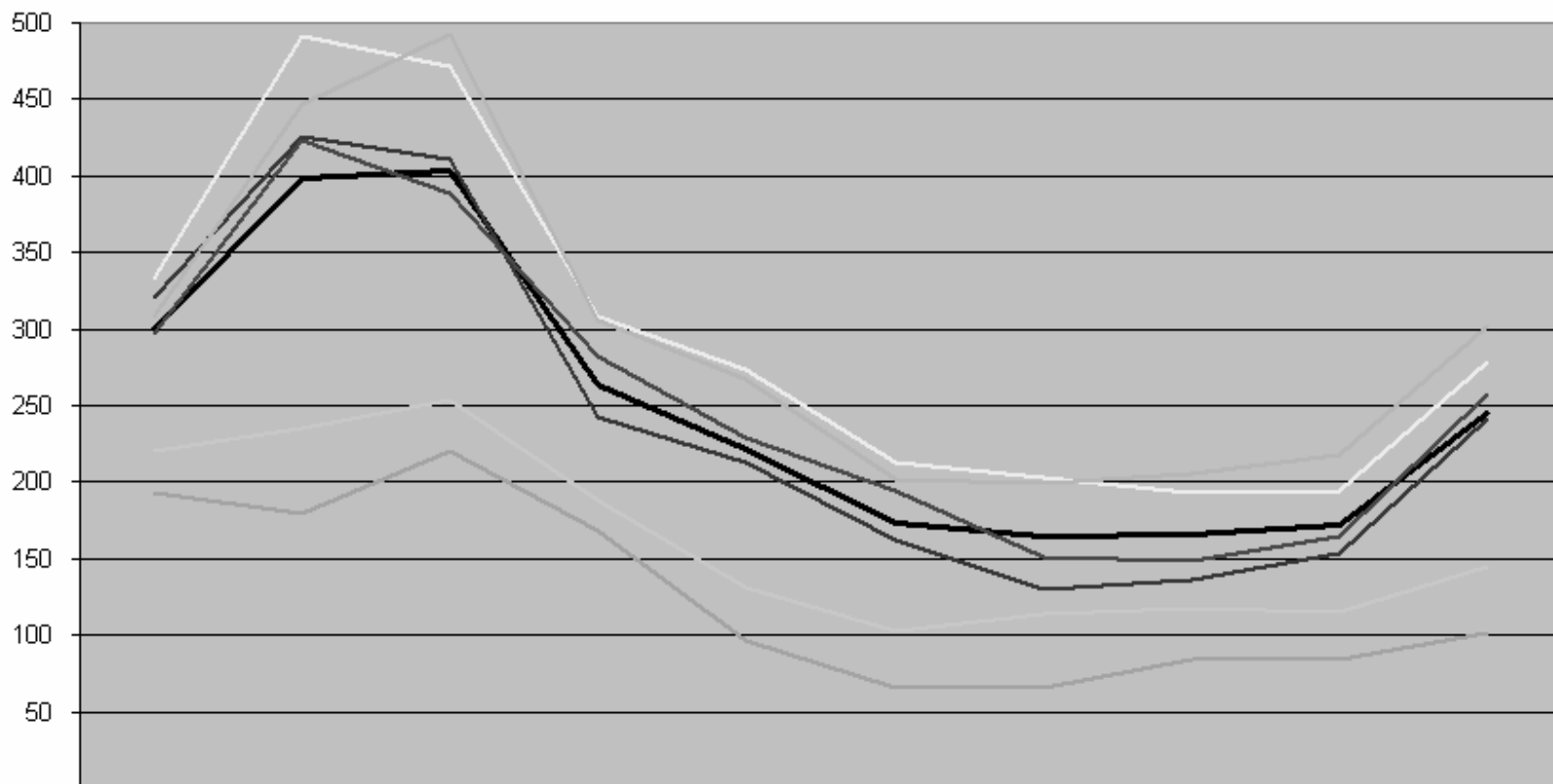


Source: data MOF Japan, Coffee Beans 0150101, Graph by author

3. Main Suppliers to Japanese Coffee Market

3.1 Japan Main Suppliers

Average Price Yen/Kg CIF (1996-2005) Export Unit Value



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Japan	300	399	403	264	221	173	165	166	172	245
Brazil	321	425	411	243	213	163	130	136	154	242
Colombia	333	491	472	309	273	213	203	193	194	278
Indonesia	220	235	253	189	131	103	114	118	115	145
Guatemala	308	447	493	306	267	201	200	206	218	302
Ethiopia	296	424	388	282	228	194	151	148	165	257
Viet Nam	193	180	220	168	96	65	65	84	84	102

Source: data MOF Japan, Coffee Beans 0150101, Graph by author

3. Main Suppliers to Japanese Coffee Market

3.2 Strategies of Main Suppliers in Japan



Colombian Coffee in Japan

15% of Total Colombian Coffee exports come to Japan and they have increase from 13% in 2000 to 15% in 2005.

1. A strong presence in Japan throughout the FNC.
2. Colombian Coffee indispensable for Japanese coffee blends. Colombian Milds in order to guarantee and acid taste and aroma
3. Colombian Specialty Coffees
4. Strong relationship with coffee industry in Japan
5. Colombian Coffee and Juan Valdez trademark
6. Emerald Mountain

Brazil's some strategies

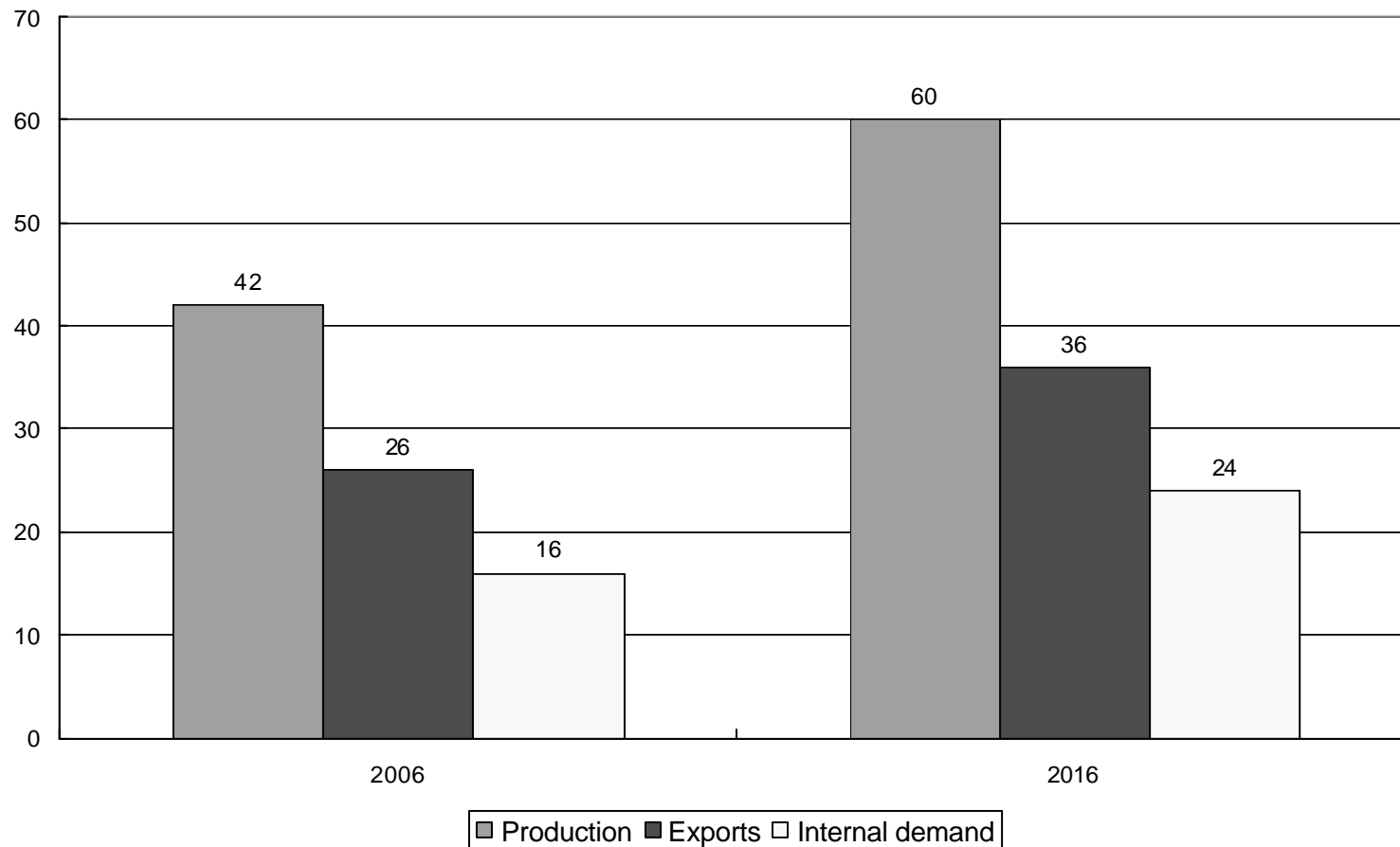
- Larger producer of Natural Arabica (willingness of the industry to use them to replace other Arabica or Robusta in their blends).
- Brazil is very prone to drought and frost and the Brazil climatic stability highly influence the world coffee market. Recover and gain productivity position.
- High production of Instant coffee in Brazil. However Japanese imports are only 2% of total coffee imports. Brazil is the main origin of instant coffee for Japanese market 3.5 Million kg in 2005 and is the second origin of roasted coffee after USA.
- More than 50% of Robusta exports are in instant form.
- Strong efforts to increase domestic consumption.

Concrete projects from Japanese traders in Brazil

- Marubeni has a JV with Brazilian investors and produce Café Iguazú in Brazil.

Brazil's some strategies

Brazil future demand and supply 2006 – 2016 (million bags)



Data source: Brazil Ministry of Agriculture (January 2006)

Indonesia Strategies

Indonesia produces Arabica and Robusta. Coffee useful for blends.

-In 1975 Key Coffee invest in Sulawesi Island in Indonesia. Toarco Toraja Coffee.

- In 1981 UCC invested directly, firstly in Jamaica, followed by Hawaii and Indonesia.

In February 1995, UCC opened the P.T. UCC LINTONG MANDHELING COFFEE ESTATE with Sumatra's largest agricultural product trading firms P.T. GUNUNG LINTONG and P.T. Tunggal Menara Jaya. Aiming to provide a stable supply of high-quality Lintong Mandheling coffee and to ensure its top quality, UCC planted about 300,000 coffee trees on the 100 hectares estate.

UCC is also developing some projects in Aceh zone (sensible conflict zone that has been improving the security situation).

Guatemala and Central America Strategies

-The share of coffee in total Central America exports has been very important but after the crisis the share of coffee in total exports has dropped to less than half mainly due to the decline in prices.

1. Improve Quality

- Guatemala has defined 7 appellation regions for its coffee (Antigua the best known in Japan and around the world) Brand recognition

2. Increase value-added

3. Market price risk and volatility

Ethiopia's Strategies

In the last ten years has been gaining participation in Japan. Japanese market represents 21% of Ethiopian coffee exports.

Ethiopia has established important brands in Japan such as: Harra, Jimma and Sidamo. Brand recognition.

Eastern Africa Fine Coffee Association (EAFCA) promotes coffee.

Other important African coffee in Japan is Kilimanjaro from Tanzania.

Vietnam's Strategies

Only 3.5% of Total Vietnam Coffee exports come to Japan.



1. Shifting of the cultivation structure
 - Decrease Robusta by 100,000-150,000 ha and Increase Arabica to 100,000 ha.
2. Reduce production cost to boost economic effectiveness
3. Improving coffee quality
4. Diversify coffee products
5. Produce high quality products such as organic coffee and specialty coffee
6. Enlarging the overseas consumption market and promote the domestic market



GRACIAS!!