

## Alcoholic Beverages

December 4, 2014

## WINE MARKET CONTINUES TO EXPAND

**Transition of Japanese Wine Market**

The current wine market is experiencing a record high boom. Over the past four decades, the wine market has been rapidly expanding with a series of booms as the Japanese economy developed and lifestyles diversified. Why do Japanese people choose to drink wine? The reasons are as shown below.

1. Wine matches with different types of food.
2. There is a wide variety in types and prices.
3. Consumers can enjoy choosing from a broad range of countries and regions.
4. Wine is the solution for consumers who want to brighten up their mealtime and eat healthy at the same time.

It became widely known that polyphenol in red wine is good for health. A red wine boom began at the end of 1997, leading to a significant expansion of the Japanese wine market in 1998.

Since 2000, wine has been enjoyed as a type of alcohol to drink while eating. It is not only purchased for celebrations, but also can be found in a wide variety of restaurants. Wine can be bought easily at supermarkets or convenience stores and is becoming fixed as an everyday alcoholic beverage in Japan.

As for imported wine, some popular types are the low-priced wine from the New World or Spanish wine due to the Spanish bar boom. As for domestic, "Japanese wine" made from 100% Japanese grapes are getting popular.

Since 2005, Champaign and sparkling wine became popular. Due to this, the ratio of white and rose wine increased. Rose wine is favored for its flavor that can be matched with different types of dishes and for its refreshing image. Figures for rose wine is steadily growing thanks to the promotion activities that were carried out in spring and the introduction of Beaujolais Nouveau Rose. The distribution ratio by wine category of 2013 is 54% red, 37% white, and 9% rose.



## Trends of Imported Wine

The volume of imported wine marked a record high in 2013. Compared to 10 years ago, the volume of imported wine rose about 60%.

**Wine Shipping Quantity (2003-2013)**

Year	Domestic wine		Imported wine		Total		Composition ratio		Converted quantity (10,000 cases)	
	Qty(KL)	y/y	Qty(KL)	y/y	Qty(KL)	y/y	Domestic	Imported	Domestic	Imported
2003	92,793	87.4%	158,196	96.3%	250,989	92.8%	37.0%	63.0%	1,074	949
2004	81,993	88.4%	164,694	104.1%	246,687	98.3%	33.2%	66.8%	1,118	966
2005	96,579	117.8%	155,881	94.6%	252,460	102.3%	38.3%	61.7%	922	966
2006	83,474	86.4%	157,192	100.8%	240,666	95.3%	34.7%	65.3%	955	992
2007	79,681	95.5%	154,835	98.5%	234,516	97.4%	34.0%	66.0%	1,085	1,720
2008	83,432	104.7%	157,945	102.0%	241,377	102.9%	34.6%	65.4%	1,149	1,755
2009	82,533	98.9%	169,186	107.1%	251,719	104.3%	32.8%	67.2%	1,209	1,880
2010	85,731	103.9%	181,173	107.1%	266,904	106.0%	32.1%	67.9%	—	2,013
2011	93,769	109.4%	197,143	108.8%	290,912	109.0%	32.2%	67.8%	—	2,190
2012	99,279	105.9%	243,999	123.8%	343,278	118.0%	28.9%	71.1%	—	2,711
2013	104,448	105.2%	249,879	102.4%	354,327	103.2%	29.5%	70.5%	—	2,776
Compared with 2003	—	112.6%	—	158.0%	—	141.2%	—	—	—	—

Note 1) KL=kilo litter.

Note 2) 1 case = 720ml x 12 bottles for domestic wine and 750ml x 12 bottles for imported wine.

Sources: Prepared by Mercian from statistics data of National Tax Agency

Bottling imported wine within Japan is active, and BIB (Bag in Box) is also brisk now. The major domestic wine company, Mercian, imports Chile wine in bulk at a low price and sells it in Japan for less than 500 yen by bottling it domestically. Japan continues EPA talks with Australia and plans to remove the current tariff on Australian wine over 7 years. Some industry professionals assume that more wine will be imported in bulk and be bottled inside Japan in the years ahead.

Bottled wine from Chile surpassed Italian wine in 2013 and came in second. In January and May of 2014, Chilean wine won the first place for the monthly volume, almost reaching French wine. In addition to the mild flavor that matches the taste of the Japanese, reduced tariffs due to the EPA between Japan and Chile are also supporting this growth. Imported wine has a tariff of 15% of its price or 125 yen per liter. The current tax rate for Chilean wine has been reduced to 5.8%. From April 2019, this rate will be down to zero.

Another important movement is that according to an industrial statistic, the rate of plastic bottles used for wines in Japan was 26% in 2013 and will reach 30% in 2014. The reason for this is because plastic bottles don't break easily, it is light, easy for women and elderly to carry around, and it can be recycled. For a 720ml wine, plastic bottles are about 250 grams lighter than glass bottles. Although it is true that a majority of Japanese consumers feel that wine should be in glass bottles, the trend towards plastic bottles cannot be ignored.

In order to broaden the range of wine, the proposals on ways to drink wine is changing. Ever since washoku (traditional Japanese cuisine) was added to the list of UNESCO's Intangible Cultural Heritage, the number of proposals to match wine with washoku is increasing. Wine such as Kokubu's "Oroya Sushi Wine" from Spain or Pernod Ricard Japan's "Jacob's Creek Wa" are developed to match with washoku.



From left: Jacob's Creek Wa White Wine and Red Wine, and Kokubu's Oroya Sushi Wine

With strong euro and increasing wholesale prices and shipping fees, wine has to compete with its "price" rather than "value." While importers want to deliver wine that shows the faces of the producer, reality is not so easy. It is said that Japanese wine market is

supported by 10% heavy users. If the number of consumers that drink fine wine increases, we can expect a further growth of the wine market. Recently, there is a movement towards premium beer. People have stronger desires to enjoy a small luxury on the weekends. For food items such as chocolate, there is high interest towards imported goods of the high price range. It feels like it will benefit both if more wine with "value" and not only "price" that are introduced to the Japanese market so that Japanese consumers can enhance the pleasure of their meals.