

Remarks by Vice-President Ueshima at the World Coffee Conference
Panel discussion held at 4:55 p.m. on May 18, 2001

1) Overview of the coffee market in Japan

In calendar year 2000, Japan imported a total of 6.93 million bags in terms of green coffee beans, or 416,000 tons of coffee to reach near 7 million bags, and set the highest record in the past. This means that the volume of import has increased more than double in 20 years from 3.3 million bags imported in 1980, and this made Japan the third-largest importer of coffee in the world, only behind the United States and Germany. According to the ICO statistics, however, per capita consumption of Japan in 1999 was only 3.01 kilograms. This ranked Japan 17th among major importing countries and was only 64 percent as high as the international average.

During the first ten years of the last 2 decades, Japan was aided by the promotion fund donated by the producing countries through ICO for the promotion of consumption. Over the next ten years, however, Japan continued business activities to promote consumption resting entirely on Japanese funding, and such efforts contributed to a further increase of consumption. Full use of scientific data from Western countries such as Cosic and NCA to enlighten consumers also helped to increase the consumption. However, we believe the biggest factor was the successful work by the industry to come out with products that meet the high standards of consumers in terms of quality.

The 'Fair Competition Rules, Regulations and Guidelines concerning the Labeling of Regular Coffee and Instant Coffee' issued by All Japan Coffee Fair Trade Council would be the adequate example. This aims to ensure appropriate product selection by general consumers; preventing unfair inducement of customers; and securing fair competition. Standards for the labeling of blended coffees were established in Japan in accordance with these rules.

Concerning the regular coffee, when the label is dominated by the producing country, the variety, or the brand of green coffee, the blend must contain at least 30% of that type of green coffee beans. In addition, the blended coffees are labeled with major green coffee bean producing countries lined up in order of volume. In case of the canned coffee, when the label holds the producing countries and the variety, it must contain more than 50 % of that type of green coffee.

We believe that these strict regulations assure the consumers of safety and

reliability.

2) Trends in each market sector

* Institutional market

The number of conventional Japanese-style coffee shops peaked at about 160,000 in the early 1980s and has been declining ever since. However, there is also increased demand associated with workplaces and new types of coffee bars. As a result, we estimate that consumption out of home especially regular coffee, would still account for about 20 percent of the total.

* Home-use market

Consumption in the home-use market has been increasing rapidly in recent years. Most of this market consists of soluble coffee, including that given as gifts, but the regular coffee market is also steadily expanding, thanks to the development of a variety of new products and the spread of coffee makers. However, the biggest factor is the industry's pursuit of ever higher levels of quality and diversity of products for both regular and soluble coffee, to satisfy the wants and needs of consumers. Such a steady work as the freshness control concludes that the qualitative improvement is inviting quantitative growth.

* Liquid coffee market

Canned coffee is a distinctive field of the Japanese market and plays a key role in expanded consumption. Although its growth has slowed, liquid coffee in PET bottle has continued to expand overall throughout the year. Liquid coffee still accounts for about one-third of the entire Japanese coffee market.

3) Outlook for the market as viewed from the findings of surveys of trends in beverage consumption

A survey of trends in beverage consumption conducted by All Japan Coffee Association found that the average number of cups of coffee consumed by person per week increased from 7.4 in 1980 to 11.04 in 2000.

Although it is true that green tea has been the top beverage in Japan, an increase in the yearly per capita consumption of coffee from three kilograms to four would definitely not be out of the question. We in the industry hope to stimulate consumption by continuing to maintain and improve quality.

And moreover, through the Japan Coffee Culture Society, we research on the relationship between coffee and culture to expand further consumption by enlightening consumers. We learn various ways to enjoy coffee and different cultures by interchange between the East and the West, and at the same time, North and South exchanges enable us to have the high quality green coffee from the producing countries. We hope that these exchanges enlighten Japanese consumers on the diversity of global coffee culture and eventually lead the expansion of consumption.

Q&A

New espresso-based chain coffee shops, mainly from the United States, have entered Japan in recent years. They have proven to be popular, especially with youth, and are stimulating the market. Their import of regular coffee, however, accounts for only 0.8 percent of the total market. As this figure shows, their popularity carries little weight in absolute terms.