

Presentation by Mr Keiji Ohta, All Japan Coffee Association (AJCA)

Based on his experience of over 40 years in coffee industry in Japan, Mr. Ohta spoke about the history of Japan's coffee market by showing some slides and giving his view of future trends. He also briefly outlined the current market situation of three neighboring countries. The slide show was composed of three parts: development of Japan's coffee market; future trends, and views on neighboring country markets.

1. Japanese coffee market

Coffee was first introduced to Japan in the 18th century. Coffee consumption, however, developed after World War II in Japan, particularly in the 1980s as a result of socio-economic development, western lifestyle including food culture and the sector's continuous R&D efforts in products and promotional activities. Today, Japan is the third largest importer in the world with around 7 million bags of coffee per annum. Coffee consumption is still growing even in the traditional tea drinking market. We should never forget the contribution of Japanese coffee houses to attract coffee lovers and spread coffee culture in Japan. In parallel with consumption in food service establishments, coffee drinking at home has also been developed. This was initiated by soluble coffee (SC). Roasted and ground coffee (R&G) has been popular at home too. Now we have lots of products for home use. We should note the efforts of roasters in R&D for new products and also in market exploitation including sales channels. Ready-to-drink (RTD) coffee (i.e. liquid coffee in a tin), was a Japanese innovation in 1969 and has accounted for sales of around 1 trillion Yen, together with an increased number of automatic vending machines in Japan. R&G has grown steadily as well. The various promotional activities by all members in the sector have also contributed to the increase in coffee consumption. Our association, the All Japan Coffee Association (AJCA), will celebrate its 30th anniversary this year and has been conducting important activities such as surveys of coffee drinking trends and contributing to research related to coffee and health, etc. These studies include, for example, the positive effects of coffee on diabetes II or uterine cancer, and may contribute to encouraging coffee consumption.

2. Future trends

Knowing that Japan is becoming an aging society with a lower birth rate, we should continue to take proactive steps to either encourage elderly people to more enjoy coffee drinking or the younger generation to take more interest in coffee. We will also need to promote social contribution or CSR with organic or certified coffees. These coffees seem to have great potential.

From the environmental viewpoint, we have been working to find new uses for silver skins and coffee ground waste etc. Furthermore, we have been undertaking R&D for new products including using the aroma or chlorogenic acid of coffee not just in drinks but in other areas such as pharmaceuticals. New technologies have been applied to packaging for longer preservation of freshness to help customers to enjoy coffee. In this regard, R&G coffee packed for individual use for easy brewing is also a new product and is becoming more popular with about 30% share of in-home consumption.

3. Views on three neighboring countries

The Republic of Korea has a population of about 48 million people with an average annual income of about US\$20,100 per person. According to our information, its annual imports of coffee are estimated to be about 2 million bags and its domestic consumption is about 84,000 tons, with per capita consumption of around 1.7 kg (Note: ICO data shows 2.07kg). Coffee culture is relatively popular, compared to Taiwan and China. Soluble coffee dominates the market, and an ICMix product, known as '3 in 1' (soluble coffee with sugar and powdered cream) is the most popular item.

Taiwan has a population of about 23 million people with an average annual income of about US\$17,600. According to the information available, its domestic consumption is about 12-13,000 tons. There is a high correlation between the Japanese and Taiwanese markets as they share a strong cultural attachment to western lifestyle. R&G and SC have around 30% and 70% market share respectively. RTD is also quite popular. Due to a high economic growth rate, high foreign currency reserves and progress of western style in food culture, Taiwanese coffee consumption is expected to steadily increase.

China has a population of 1.35 billion people with an average annual income per person of about US\$2,500. According to our information, its domestic consumption is about

30,000 tons which means 22g per person or 2 cups a year. SC is predominant. Coffee consumption is increasing sharply, mainly in the area of special economic zones along the coast. Taking into account its huge population, China will be one of the biggest importing countries in the future. Meanwhile the details of domestic production in Yunnan province are not well known.

We will do our best to continuously develop the coffee industry and promote consumption both in Japan and neighboring countries.