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Japan's Peanut Market Report

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Report Highlights:

For around 12 months, starting in late 2007, China temporarily halted exports to Japan of large size peanuts due to the increase in incidents of pesticide violations. U.S. suppliers took advantage of China's actions. For example, U.S. supplies of raw peanuts to Japan doubled in 2008 to 9,082 metric tons, valued at approximately \$15.8 million (CIF). According to trade sources, the Japanese peanut and snack industry continue to search for reliable suppliers.

General Information:

1. Market Summary

Domestic consumption has declined slightly over the last few years because of weak consumer demand for snack and confectionary items. The Japanese peanut trade estimates that consumption was 94,376 MT in 2008. In late 2007, China's market share declined due to the voluntary ban on large peanut exports to Japan. According to market sources, China voluntarily stopped exporting peanuts to Japan due to increasing incidents of pesticide violations. China lifted its temporary

moratorium in November 2008 and began to export to Japan a limited supply of large peanuts. The problem with China has left Japanese peanut and snack industry with a severe shortage. Japanese peanut industry executives realize that they relied too heavily on China and are now securing additional long term suppliers.

2. Key Suppliers and Domestic Consumption

Total peanut imports have been stagnant in recent years, reflecting weak consumer demand for snack and confectionary items. As indicated in Table 1, China has been the key supplier to Japan of raw peanuts as well as peanuts in finished products. Large production quantities and low production costs were the reasons that China has been successful in the Japanese market. However, the United States has recently gained market share in the raw peanut market in Japan because of the problems with China.

Table 1. Japanese Peanut Consumption 2006 – 08

Ingredient Peanuts	2006 (MT)	2007 (MT)	2008 (MT)
- Large Sized Peanuts			
China	18,384	13,442	620
USA	20	60	206
Australia	0	0	1,020
Others	0	0	0
Total	18,404	13,502	1,846
- Small Sized Peanuts			
China	11,760	10,731	11,589
USA	2,948	4,244	8,876
South Africa	7,246	5,549	6,512
Paraguay	449	490	627
India	90	0	769
Australia	439	1,341	1,386
Argentina	0	209	317
Brazil	0	0	378
Others	8	0	56
Total	22,940	22,564	30,510
- Ingredient total	41,344	36,066	32,356
Finished Products			
China	58,039	49,169	42,620
Imports Total	99,383	85,235	74,976
Domestic Production	20,000	18,800	19,400
Total Consumption	119,383	105,766	94,376

Source: Japanese peanut industry and the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF)

3. Domestic Production

Peanut farms average about one hectare and are almost exclusively family operations. There is no foreign investment in peanut production. Japan's Ministry of Agriculture, Forestry and Fisheries tracks production and sales but does not have any subsidy or compensation programs for peanuts. Support for domestic production is limited to a tariff quota for imported peanuts.

Most peanut producers use peanuts as a soil enricher, rotating production with other crops such as vegetables. The small farm size limits the use of machines, making peanut production very labor intensive. As a result, however, Japan produces high-quality peanuts that are mainly consumed whole for snacks. The quality of domestic peanuts is very consistent and there are no reported problems with diseases such as aflatoxin. The farmers sell their peanuts directly to wholesalers, who then provide them to processors. Long-term relationships between the producers and wholesalers have helped create a stable distribution channel. The high quality of the peanuts, and the fact that they are domestically grown, is used as a marketing tool for domestic sales.

Table 2. Production of Peanuts in Japan

Calendar Year	Planting Area (ha)	Yield per 10 Are (kg)	Production (MT)
1993	15,400	153	23,500
1994	14,400	242	34,900
1995	13,800	189	26,100
1996	13,100	226	29,600
1997	12,500	245	30,400
1998	11,800	210	24,800
1999	11,300	224	23,100
2000	10,800	247	26,700
2001	10,300	224	23,100
2002	9,950	241	24,000
2003	9,530	231	22,000
2004	9,100	234	21,300
2005	9,000	238	21,400
2006	8,600	233	20,000
2007	8,310	226	18,800
2008	8,070	240	19,400
Source: MAFF			

Peanut production continues to decline, partly due to urbanization of the major production areas. For example, production declined around 44 percent from its high, from 34,900 MT in 1994 to 19,400 MT in 2008. Only a few prefectures produce peanuts. In fact, 75% of total domestic supply is from only one prefecture, Chiba, which is located just east of the Tokyo district.

Peanuts are planted exclusively for human consumption. Only damaged and shriveled kernels not suitable for human

consumption, a negligible amount, are used by the crushing industry. Both domestic and imported peanuts are generally processed--roasted, fried, sugared, etc.--into a variety of snack items.

Domestic peanuts are sold at a premium price. With the prefectures name labeled on the packaging these products are sold at local gift shops and limited supermarkets and other outlets. Perhaps not as prevalent as in the past, there used to be a preference difference for peanuts from eastern and western Japan because a strong peanut flavor and dark color. The color and flavor difference was determined by the roasting time.

4. Market Entry

Japan maintained a quota system on raw peanuts until the end of Japan Fiscal Year (JFY) 1994 with a minimum annual quantity of 75,000 metric tons. However, under the Uruguay Round Agreement, the quota system was replaced by a tariff quota system. Under this system, 10 percent of the tariff is maintained within a quantity stipulated each year by the Cabinet. The quota uses 75,000 metric tons as a basis and is adjusted depending on other considerations such as the quantity of prospective domestic production and the international market situation.

According to the Ministry of Agriculture, Forestry and Fisheries (MAFF) notification issued on April 1, 2009, tariff quota for raw peanuts in Japan fiscal year 2009 (April 1, 2009 – March 31, 2010) is set as follows:

General (Raw Peanuts)	MT (Shelled Weight)
Virginia	10,000
Non-Virginia	26,600
Okinawa	900
TOTAL	37,500

The conversion factor of shelled weight is in-shell weight multiplied by 0.75.

Source: MAFF

If Japan's importation of peanuts (raw) within the tariff quotas in Japan fiscal year 2009, applied import duty is 10% and if the imports exceed the quota the duty is significantly higher (617 yen/kilogram). According to importers, imports have never exceeded the tariff quotas because of weak demand.

Table 4. Import Tax

Item		HHS	Tax
Raw	For Oil	1202.10-010	None
		1202.20-010	
	Within Quota	1202.10-091	10%
		1202.20-091	
	Above Quota	1202.10-099	617 Yen/kg
		1202.20-099	
Roasted		2008.11-291	21.30%
		2008.11-292	
Fried		2008.11-299	21.30%
Peanut Butter	Sugar adjusted	2008.11-110	12%
	No sugar	2008.11-210	10%
Other Sugar Adjusted		2008.11-120	23.80%
Source: Japan Tariff Association			

5. Best Prospects

There are a variety of peanut products that include straight peanuts, roasted shell, snack mixes, chocolate covered and flavored. However, most peanuts seem to be fried with no skin.

Most U.S. peanuts are used in bakery and confectionery products. U.S. products such as Planter Peanuts and American Eagle canned series are also found in gourmet and specialty stores, such as Seijo-Ishii, Meidi-ya, Sony Plaza and imported brand stores. Sales volumes are low due to high prices, but consumers are always looking for new snacks and flavors.

You will be treated to a mosaic of colorful packaging and a variety of package sizes when you visit the snack section of Japanese supermarkets. In the snack section, peanuts salted and unsalted are probably the most popular followed by fried peanuts and roasted shelled. Fried peanuts used to be deep-fried, buttered and salted. Nowadays, butter is no longer used in order to keep down costs.

One of the longest selling peanut product favorite for children is the “Choco-Ball”, which is a chocolate covered peanut that sells for approximately \$1.00 per 25g box. This year, we have seen a few more new brands that offer chocolate covered peanuts. Likewise, “Kaki-Pea” is a well established brand in Japan. Kaki-Pea is a snack mix that includes peanuts and a spicy rice cracker, called kaki-no-tane. First marketed in 1966 by Kameda Seika Co., Ltd. many manufactures now offer the same snack. Originally Kaki-Pea had a mix ratio of Kaki-no-tane 7: Peanuts 3. However, according to Kameda Seika, consumer preference showed that more peanuts were desired. The ratio is now 6:4. In a sense, it has become the Japanese version of beer nuts.

A variety of flavored peanuts are also available. Miso (fermented soybean paste) coated, cocoa coated and mayonnaise flavored peanuts are just a few.

A recent trend has been small sizing packages. This is the industries way to keep price the same or reduce prices by reducing the quantities. We also have seen more packages with small quantities to price these products at \$1.00/pack.

Table 5. Companies and Products in the Japanese Market

Products from 2007

	Type of Products	Yen	Grams	Yen/g
Planters	Cocktails Peanuts	520	340	1.5
	Mixed Nuts	670	326	2.1
	Honey Roasted	578	340	1.7
Shoei Foods Corp.	Butter Peanuts	158	160	1.0
	Mixed Peanuts	298	125	2.4
Kyoritsu Foods Co., Inc.	Butter Peanuts	NA	NA	
	Mixed Peanuts	298	140	2.1
	Mixed Peanuts 10 packs	525	30 grams x 10 packs	1.75
	Deluxe Mixed Peanuts	110	298	0.4
Morinaga & Co. Kameda Seika Co., Ltd.	Choco-Ball	100	25	4
	Rice cracker with Peanuts	NA	260	
Ubukatashouten, Inc.	Butter Peanuts	525	180	2.9
	Miso Peanuts	525	180	2.9
	Spicy Mayonnaise	525	190	2.7

Products from 2009

Company	Type of Products	Yen	Grams	Yen/g
Tajimaya	Butter Peanuts	100	140	0.7
	Rice cracker with Peanuts and dried squid	100	40	2.5
	Rice cracker with peanuts	100	120	0.8
	Rice cracker with peanuts economy seize	3 for 1000	240	0.7
Den-roku	Peanuts chocolate	208	142	1.5
Daitokushoukai	Flavored Peanuts	498	400	1.2
Fijiya	Peanuts chocolate	398	4.6gram×51	1.7
Takano Bussan	Almond and sesame Peanuts	3 for 1000	240	0.7
Ichiei Shokuhin	Mixed Peanuts	3 for 1000	240	0.7
Kyoritsu Food Co., Inc	Mixed Nuts	298	110	2.7
Morinaga & Co.	Choco-Ball	74	25	3
Kameda Seika Co., Lid	Rice cracker with Peanuts	280	260 (43g×6 packs)	1.1
Shoei Foods Corp.	Mixed Nuts	298	110	2.7

Source: USDA/Japan Agricultural Trade Office

6. Comments from the Japanese Trade

Future Market Trends: The Japanese peanut market consumption should be relatively stable in the coming years. However, supply will be constrained by growing demand for peanuts in China and Russia.

Substitute Supplier Countries: The peanut tariff quota has generally not been filled in recent years because of stagnant demand. As China has voluntarily stopped exports, the Japanese industry is developing new supplier countries. According to one Japanese company, South Africa, the number two supplier of peanuts to Japan, does not have enough supply to meet the increase in demand. U.S. exporters have a window of opportunity to become a supplier to Japan. Other options would

be Australia, Argentina, and Paraguay.

U.S. Peanut Quality: The Japanese trade has stated that China in most cases harvests their peanuts manually, which prevents unwanted debris from getting into product and leaves little damage to the peanuts. On the other hand, U.S. harvests with machines that lead to damages and size fluctuations.

Pesticide and disease control is a major concern. The more lots necessary to assemble one container load for export means that there is a greater chance that one lot contaminated with pesticide or disease could prevent importation for the many other lots. U.S. exporters can assemble one container for export with peanuts from one to only a few lots, because each lot produces a sizeable amount. In contrast, China's lots can only produce small amounts, which forces Chinese exporters to fill one container with many different lots. Based on past and present issues of pesticide use in China, there is a perception that a container of Chinese peanuts will have a greater chance of carrying pesticide and/or disease, which leads to higher confidence in U.S. peanuts.

Barriers to Trade: MRL and aflatoxin are consistent problems. A major Japanese company stated that the United States suffers from aflatoxin, which is a barrier for U.S. shellers to meet Japanese regulations. At present, only a limited number of U.S. shellers meet Japanese regulations. The company also stated that U.S. pricing is also an issue.

Accommodating Japanese Processing Specifications: A Japanese company indicated that processing specifications are met by Chinese shellers meet their processing specifications, but meeting these specifications are questionable for U.S. shellers.

Logistical Efficiency: The trade indicated that Chinese peanuts can reach supermarket shelves in one week from export.

7. Recommendations

The Japanese peanut industry realizes that it needs other reliable suppliers in the future to avoid shortages. Therefore, in order to take advantage of this opportunity, U.S. shellers will need to meet Japanese MRL and aflatoxin regulations, develop the ability to accommodate Japanese specifications, and build strong and long term relationships with importers and sellers.

8. Post Contact and Further Information

For inquiries and comments, contact the Agricultural Trade Office for commercial issues and the Agricultural Affairs Office for policy issues. Phone numbers and email addresses are listed below.

Agricultural Trade Office: Tel. 81-3-3224-5115, email atotokyo@fas.usda.gov

Agricultural Affairs Office: Tel. 81-3-3224-5105, email agtokyo@fas.usda.gov