

VINELAND

## What the Japanese are drinking

By WILLIAM CAMPBELL

Recent government data confirm that Japan remains a nation of beer drinkers, with beer and beer-like beverages accounting for nearly two thirds of the 9 billion liters of alcohol consumed last year.

Overall wine consumption grew significantly for the first time in many years, and customs data indicate that France, Italy and the United States accounted for the lion's share of the gains. Imports from down under fell sharply however, dropping Australia two notches to sixth place in the ranking of global wine suppliers to Japan.



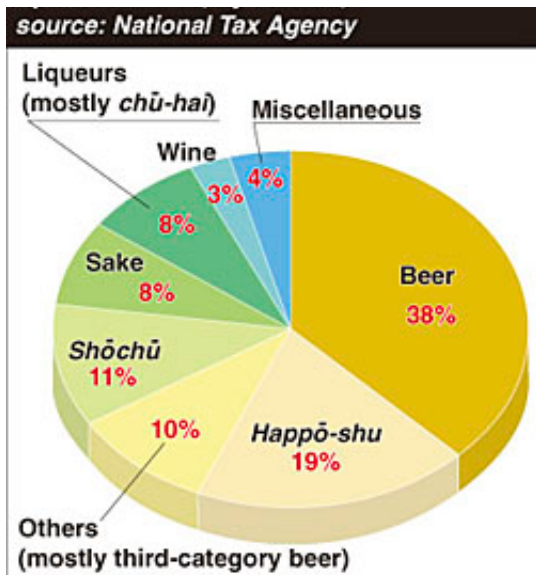
Makers of cheaper nonmalt drinks known as "third-category beers" also toasted a surge in sales. YOSHIAKI MIURA PHOTO

One advantage of alcohol's highly regulated status is that detailed government data are available -- albeit with some delay. Each spring, the National Tax Agency releases per-capita liquor consumption data for the previous fiscal year ending March 31 (better late than never, we suppose), and the Ministry of Finance's Customs Bureau announces final import numbers for the just-concluded calendar year.

Over the last fiscal year, the average adult consumed nearly 60 liters of beer and quasi-beer. While the 2006 totals were only marginally down from 2005, the aggregates masked large, tax-driven changes within the sector.

**Breakdown of the 9 billion liters of alcohol consumed in Japan last year**  
Apr. '05-Mar. '06, by volume;

According to a report in the monthly Wands Review, which analyzes the Japanese beverage



market, the Big Four -- Kirin, Asahi, Sapporo, and Suntory -- reported that sales of what would traditionally have been classified as "real" beer fell by 72 million liters (beer is technically defined as having a malt content of at least 67 percent and is taxed at 77 yen/liter).

Demand for the formerly low-taxed *happo-shu* beer-equivalent drink (defined as having a malt content below 25 percent and now taxed at 47 yen/liter) dropped by 177 million liters following a series of tax hikes.

The real winners were the *dai-san no biru*, or third-category beers (zero malt, taxed at only 28 yen/liter), which saw a surge in sales of 210 million liters. The net drop among all three classes of "beer" came to only 40 million liters, a literal drop in the bucket compared to total production of 6.2 billion liters, yet it is interesting to note how price-sensitive Japanese beer drinkers have become.

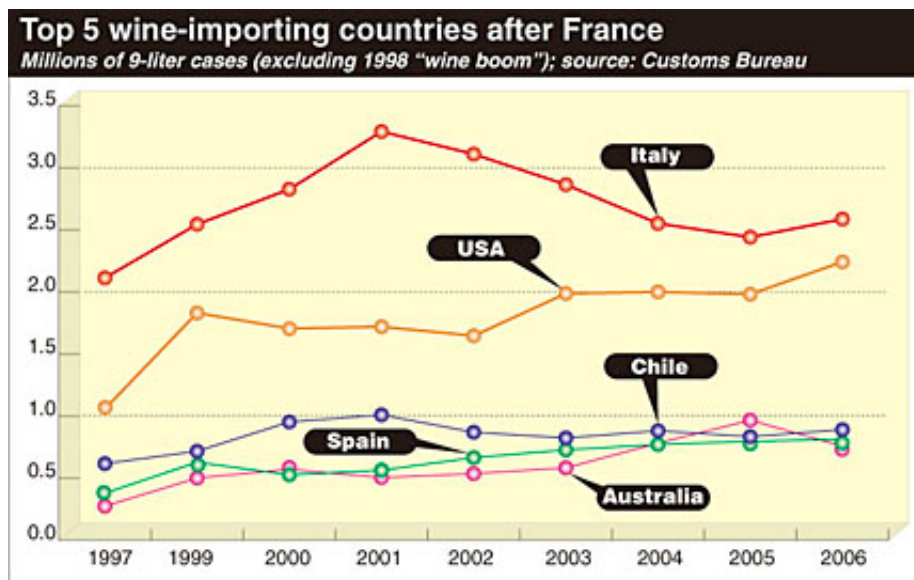
After beer, the next most popular drink is *shochu*, the inexpensive distilled spirit known by both friends and foes as "Japan's white lightning." Consumption inched up 1.6 percent last fiscal year, to 9.6 liters per adult. Japanese also consumed 7.1 liters of "liqueurs," a tax category which somewhat confusingly includes *chu-hai* (shochu cocktail mix), *ume-shu* (plum wine), and "medicinal liquors." Consumption in this category was up 6.4 percent year on year.

The long nightmare for sake makers continued, with consumption dropping 3.9 percent last year to 6.9 liters/person, down dramatically from the 9.2 liters/person level seen five years ago.

In a subject near and dear to our hearts, total wine consumption, meanwhile, rose 5.5 percent in the fiscal year to 2.4 liters per adult, reversing the marginal downtrend that had prevailed over the last five years.

The majority of the wine consumed in Japan is imported,

rather than produced domestically. A look at the monthly customs data for wine imports -- recently updated through the end of calendar year 2006 -- shows that France retains its dominant position as Japan's supplier of choice. French wine imports in 2006 totaled 6.2 million cases (wine data are typically reported in 9-liter case equivalents), which means that France nearly outsold all the next five runners-up combined [see pie chart].



While the overall wine market rose, not all countries benefited equally. French imports rose 2.9 percent, while second-place Italy reversed a four-year slide to grow 6 percent [see chart]. Californian imports broke a two-year hiatus to rise 13 percent (the Customs Bureau doesn't break out U.S. imports by state, but given that California wine production outpaces runnerup Washington by more than 30-to-1, it seems reasonable to assume that California wine accounted for most of the U.S. import growth).

Fourth-place Chile and fifth-place Spain continued to inch higher, growing 6.7 percent and 2 percent, respectively.

The big surprise in 2006 came from Australia, which saw exports to Japan drop by 21.7 percent. To be sure, Aussie imports had been on a roll, rising 66 percent between 2003 and 2006, which puts the drop somewhat in context.

Market participants also point to external factors involving two of Australia's largest export brands -- Yellow Tail and BRL Hardy.

Following the launch of Yellow Tail in late 2004, Japanese

import agent Sapporo built up inventory in 2005, perhaps to somewhat overoptimistic levels that had to be drawn down in 2006. BRL Hardy, meanwhile, changed distribution strategies, which could have also contributed to anomalous import data.

The National Tax Agency's per-capita consumption numbers are based on actual consumer sales, while the customs data track wine arrivals at Japan's ports. Over time, the sales figures will, of course, ultimately reflect the import data, but new product launches and inventory buildups and/or stock liquidations can result in short-term discrepancies between import data and final sales numbers.

Masahiro Kayama, general manager of the wine and spirits division of Sapporo Beer, says that the importers of many major Australian brands had built inventory "backlogs." While this may have accounted for the sharp reduction in Aussie imports in 2006, he said that actual sell-through remained strong, with sales of Yellow Tail "hitting 150,000 cases in 2005 and 145,000 cases in 2006."

A number of other importers and brokers of Australian wines contacted indicated that underlying sales remained solid. This suggests that the 21.7 percent drop in Aussie imports in 2006 was more likely to have been a return to normalcy rather than any indication of a drop in demand. Time will tell, and we'll report back next year with updated results.

Following last month's article on the Academie du Vin's introductory wine course in English, a helpful reader pointed out that the JAL Academy in Ginza, Tokyo, is actually offering the entire six-month Wine and Spirits Education Trust's qualification course in English. The next series of classes begin April 16, and will be taught by noted Provencal wine specialist James Dunstan (contact JAL Academy at [03] 3573-6717 or e-mail [culture@jaca.jp](mailto:culture@jaca.jp)).

Sandra Shoji will also be teaching her long-running "Mastering Wine Basics" course at Temple University in Tokyo. Beginning May 26, the course will be compressed into five sessions of four hours each, making for what sounds like an interesting series of Saturdays (for more information, please contact Temple at [03] 5441-9864, or e-mail [conted@tuj.ac.jp](mailto:conted@tuj.ac.jp)).

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