

Coffee, Tea & Drink Ingredients

October 2, 2015

THE JAPANESE COFFEE CULTURE

Currently, coffee is produced in over 60 countries across the globe and Japan imports from over 40 countries. The top 7 exporters of green coffee beans to Japan are indicated in the chart below. Principal exporting countries, Brazil, Vietnam, and Columbia, account for 67% of the total import volume in 2014, increasing their share in the market. Import volume in 2014 declined as a result of rise in international price and low domestic inventory level.

Exporters of Green Coffee Beans to Japan

Country	(Unit: ton, yen/kg)					
	2012		2013		2014	
	Qty	Unit Price	Qty	Unit Price	Qty	Unit Price
Brazil	121,438	375	157,275	334	134,765	344
Vietnam	75,725	182	79,473	208	78,687	222
Colombia	46,112	416	60,730	364	61,915	435
Indonesia	48,200	238	45,402	249	41,888	263
Guatemala	29,031	417	38,045	366	24,648	458
Ethiopia	11,285	334	23,475	326	22,414	411
Tanzania	10,657	394	11,956	320	12,222	350

Source: Ministry of Finance "Trade Statistics"

Japan is the 4th largest coffee consuming country next to the US, Brazil, and Germany. The annual consumption volume of Japan is estimated at around 450,000 tons or 48 billion cups. As a major consumer of coffee, Japan has been introducing many types of coffee culture to the world. Canned coffee, a leading product in the Japanese coffee market, was first developed in Japan. Most canned coffee products are sold in vending machines. The numbers of vending machines that sell domestic canned coffee add up to about 2.6 million as of 2014 (beverage machines have the largest share with its number totaling about 5 million) and annual sales of beverages alone amounts to 2.2 trillion yen. Considering the population and land area, Japan has the most vending machines in the world.



Coffee machines at convenience stores



Number of beverage machines exceeds 2.6 million in Japan

In addition to that, convenience-store coffees that can be purchased for only 100 yen surprise many foreign visitors. Store-brewed coffee that can be purchased at convenience stores such as 7-Eleven has grown into a large market selling 1.3 billion cups in a year. Its popularity is backed by the reasonable price and high quality. They are able to provide good coffee at such a low price by securing stable supply of high quality coffee beans from contract farmers of Brazil through major Japanese importers.

On the other hand, consumers are showing greater needs for unique coffee that can be enjoyed in a calm and relaxing atmosphere, even if they are somewhat pricy. In order to meet this demand, Key Coffee is supplying high-grade coffee to high-class "meister" cafes that they have selected. One example for this is a high-grade coffee bean called TOARCO TORAJA. A minor ethnic group called Toraja makes this special bean in an unexplored mountainous region of Indonesia. Key Coffee has a farm that they directly manage in this region and has been providing support in coffee bean harvest and sales.

(The Key of TORAJA)

There used to be many cafes located on the street corners of Japan. Since 1990, coffee chains such as Starbucks replaced many of these cafes. Hand drip coffee was thought to be a relic of the past, but this type of service is recently starting to be seen in a more positive light.



Blue Bottle Coffee



Good old Japanese cafes that are being replaced

One example is Blue Bottle Coffee from the US. They visit local farms to purchase the coffee beans and only serve coffee using beans roasted within 48 hours. The way they carefully hand drip each cup of coffee is exactly the same style as the traditional Japanese café. The founder of Blue Bottle Coffee, James Freeman, was greatly inspired by the delicate way of making coffee when he visited Japan at the age of 19. Blue Bottle Coffee entered the Japanese market and opened its first store in February 2015. The

traditional way of making coffee and its flavor that Japan has announced to the world is now being imported back into Japan.

As these examples show, the historic relationship between coffee and the people of Japan is long and deep. Not only does Japan instruct ways of harvesting in different regions of the world and purchase the beans, but they also have established a way of making and drinking coffee and delivering it to the world.

〈 Japanese Market Trends of Coffee 〉

In 2014, the domestic consumption volume of coffee grew for 4 consecutive years marking a record high of 449,908 tons, up 0.8% from the previous year. This brings high hopes for future growth. In 2015, business use coffee beans are expected to grow because convenience store coffees are thriving and specialty coffee boom is getting up its speed. As for home use, how major coffee manufacturers upgrade their spring and summer products will become the key. By developing high quality products using new roasting technology, they plan to vitalize the market by meeting the needs of consumers who have acquired a taste for good coffee outside their homes. Manufacturers are also working on measures that respond to the rising demands for iced coffee.

The sales amount of 2014 for the home use coffee market increased from the previous 4 year for regular, instant (soluble), and stick coffee. Regular coffee made a double-digit growth compared to 4 years ago reaching a market size of about 155 billion yen. Single serving regular and stick types are popular and growing for its convenience. This trend has been continuing for the past few years due to increasing two-person and single-person households.

While large volume bags of coffee over 400g has been leading the home use regular coffee market with a share of about 70% in volume and 50% in value, it is gradually decreasing due to the falling number of person per household. On the other hand, small to medium sized bags under 399g are getting popular. As the number of persons per household decreases, more consumers will look for coffee that is good and fresh.

The aim of major coffee manufacturers' spring and summer products is to get more consumers who learned the taste of regular coffee at cafes and convenience stores to drink coffee at home. They will make new products using new manufacturing techniques and applying that to their reliable long sellers. [UCC](#) has developed a groundbreaking roasting technique to boost their flavors and [AGF](#) is also developing a roasting technique that matches with soft water of Japan. Key Coffee has developed iced coffee with their

main brands.

As for single-serve machines, regular soluble "Nescafe Gold Blend Barista" or the capsule type "Dolce Gusto" from [Nestle Japan](#) has a remarkable share in the Japanese market. In addition to spreading the machines in the office, Nestle also tries to spread their Nescafe machines in the household by reinforcing sales in the supermarket.

What makes us feel that the coffee boom is not temporary is high popularity of coffee related seminars. Coffee workshops held at major cafe chains and manufacturers are attracting many participants and more people are attending intermediate and advanced classes. UCC has a "Coffee Academy" where people can easily stop by after work.

Interest towards coffee is higher than ever and high quality products with great flavor that can be easily enjoyed at home are increasing. As consumers put more emphasis on quality over price, the challenge for a healthy market vitalization is to continue providing high technology and high quality ingredients as well as shifting from simply pushing the "product" to promoting "experience" by branding. In other words, what does the customers want? This is not about the value of the item such as the product and service, but the benefit that the product provides, or the "value of experience."

