

**Voluntary Report** – Voluntary - Public Distribution

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## **Report Name:** Market Overview - Whiskey is Up in Japan

**Country:** Japan

**Post:** Tokyo ATO

**Report Category:** Agricultural Trade Office Activities, Beverages, Wine, Market Promotion/Competition, Competitor, Market Development Reports, Promotion Opportunities

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### **Report Highlights:**

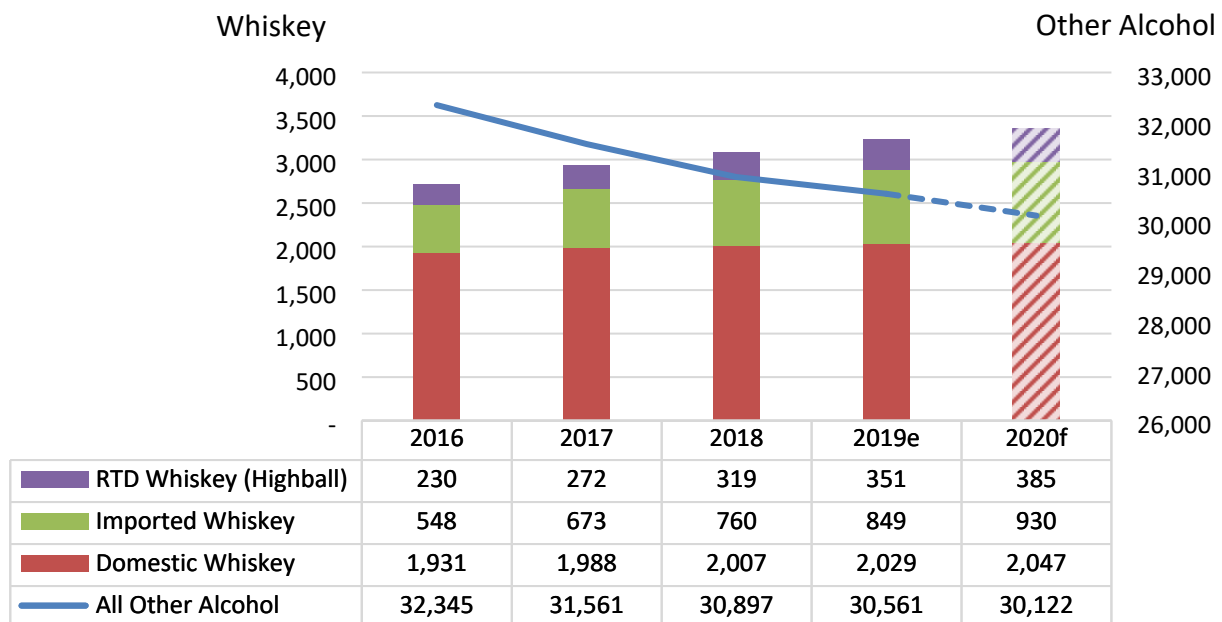
For eleven consecutive years, Japan's whiskey market has grown, despite gradually declining sales for all alcoholic beverages. This expansion correlates with Japanese whiskey's improved global reputation, increased inbound tourism, and the introduction of ready-to-drink (RTD) whiskey beverages at local retail. In 2018, increased domestic consumption and surging global demand for Japanese whiskies led to a record \$429.3 million in imports, which is often blended and bottled by local producers. The United States is the second largest supplier of whiskey, primarily Bourbon, with a 29 percent market share. In 2019, U.S. whiskey exports to Japan reached a record \$121.9 million, and accounted for 88 percent of total spirits shipments.

## I. MARKET SUMMARY

The total alcoholic beverage market in Japan is estimated around ¥6 trillion (\$57 billion) in retail value. Fuji Keizai Marketing Research calculates value at the factory-gate price and estimates the total alcoholic beverage market at ¥3.6 trillion in 2019. Fuji Keizai reported a 3.2 percent decline in sales since 2011, on lower consumption of beer, sake, shochu (Japanese spirit), and brandy. Conversely, whiskey and wine have shown a steady increase in sales. In 2019, the total whiskey market (at factory) price was estimated at ¥324.5 billion (\$2.95 billion) and accounted for 8.6 percent of the total alcoholic beverage market (see Figure 1).

Japan’s Ministry of Finance statistics show the whiskey market has seen continuous growth since 2008. In the last five years, whiskey sales (including domestic and imports) have risen 50 percent in volume. Growth in consumption correlates with Japanese whiskey’s increased global recognition as a high-quality product, a surge in tourism, and innovation in domestic production, e.g. the introduction of ready-to-drink (RTD) beverages.

Figure 1. Japan Alcohol Beverage Market (Million US\$)



Source: Fuji Keizai Food Marketing Directory, Figure: Factory/Warehouse-Gate Price  
Exchange Rate: 109.01:1 (2019 Average), applied to all years due to annual fluctuations

## II. TRENDS

### A. PRODUCTION

In recent years, demand for Japanese whiskey has risen. Since 2012, production has continually increased. The reputation of Japanese whiskey overseas has benefited from the accumulation of prestigious awards at prominent global competitions, most notably for “Best Whiskey in the

World” in 2015 from the widely respected World Whiskey Bible. This correlates to an increase in exports, which, according to Trade Data Monitor data, are up 233 percent since 2013, from \$40.8 million to \$135.8 million. However, producers are struggling to keep up with soaring demand, as quality aged whiskey is a labor-intensive product and requires long lead times.

Before 2008, more than a decade of stagnant consumption led to the closure of several distilleries and industry consolidation. Also, manufacturers cut back the volumes set aside for aging. Now, over 90 percent of Japanese whiskey is produced by two companies, Suntory Holdings (Japan’s largest producer—owner of Yamazaki, Hakushu, and Chita distilleries) and Asahi Group Holdings (which owns Nikka Whiskey Distilling Co., Ltd., and Yoichi and Miyagikyo distilleries). Additionally, out of 75 distillers that hold a distilling/production license for whiskey, less than 20 specialize in distillation, rather, they retain their licenses to blend whiskies.

As a result of the sudden increase in demand and shortfall in premium aged whiskies, prices have risen. In response, manufactures often remove age statements and domestic producers have increased imports of bulk whiskies to create new blends. This has led, in part, to a jump in imports over the last five years.

## B. CONSUMPTION

Innovation in production and marketing has also led to positive consumption trends. Beginning in 2008, Suntory ran a highly successful advertising campaign to promote the consumption of “highballs” (whiskey with soda). This introduced whiskey as a fun casual drink for the younger generation, as opposed to being an older “salarymen’s” drink. Later, Suntory and major competitors released canned highball RTD beverages, which are now sold at convenience stores and vending machines.

### Snap Shots: Highball Products

		
<p>Highballs at izakaya pubs are regularly served from a tap.</p>	<p>Suntory canned highballs (regular and stronger) sold at major convenience stores.</p>	<p>Jim Beam Bourbon highball RTDs, are also available at retail.</p>

Robust annual sales growth for Suntory’s canned highballs continues, up 19 percent to 16.7 million cases (8.4 liter/24 cans pre a case) in volume between 2017 and 2018. Japan’s alcohol market is price sensitive at the retail level. The Government of Japan (GoJ) imposes a higher tax on beer compared with other liquors—four times higher on an alcohol by volume (ABV) basis.

As a result, canned beer’s average retail price is 225 yen (\$2.00/12 oz), whereas canned highballs average around 160 yen (\$1.45/12 oz).

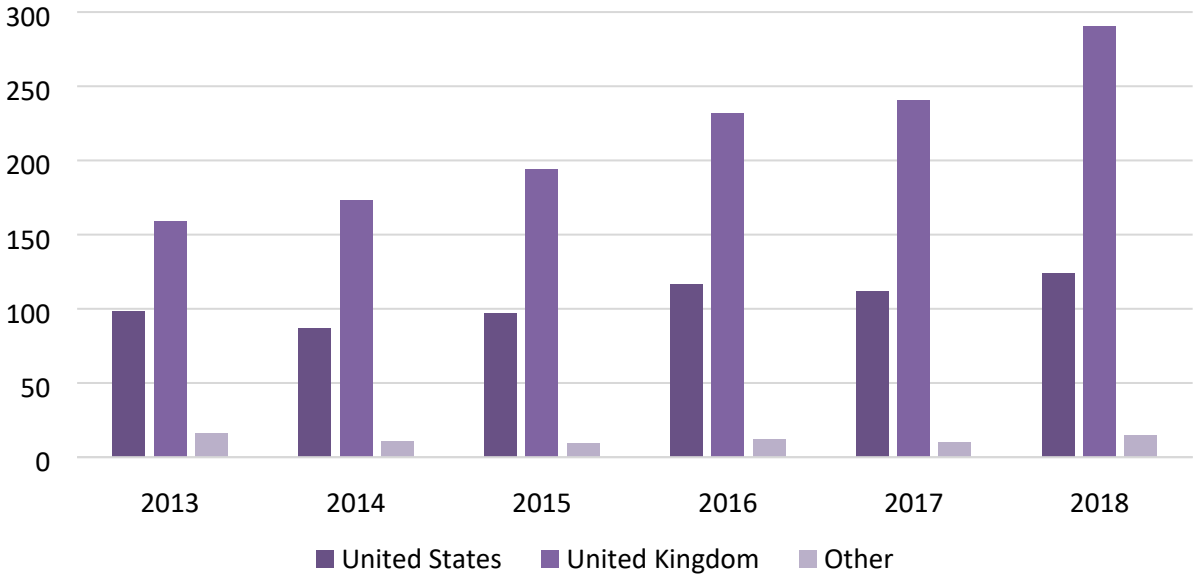
In the past, on-premise drinking establishments, such as *izakayas* (Japanese style pubs), sushi bars, karaoke clubs, and casual restaurants often stocked only one type of whiskey. However, a greater variety of Scotch whiskeys and bourbons are now often carried for mixing highballs. High-end drinking establishments also carry a variety of whiskey, along with other spirits, for mixing cocktails.

According to the statistics of the Japan National Tourism Organization, the number of inbound visitors is up four-fold since 2012, to 31.2 million in 2018. This trend was stimulated by an easing of visa requirements, an increase in affordable regional flight options, and a weaker yen. Often, inbound tourists purchase premium Japanese whiskeys as high-end souvenirs.

**C. IMPORTS**

In 2018, according to the Trade Data Monitor, total whiskey imports reached a record \$429.3 million (48,330 KL), up 18 percent from the previous year. The United Kingdom accounted for 68 percent of imports at \$290.4 million, up 21 percent year-over-year. Imports were also up 11 percent from the United States (Japan’s second largest supplier), to \$124.2 million (12,958 KL). These two countries accounted for nearly 97 percent of total imports. Global Agricultural Trade System (GATS) data shows U.S. whiskey exports to Japan reached \$121.9 million in 2019 and accounted for 88 percent of all spirits shipments.

Figure 2. Japan Whiskey Imports (Million US\$)



Source of Data: Trade Data Monitor (Japan Ministry of Finance, Year January through December)  
Japan Whiskey Imports and Partner Country, Annual: HS Code 2208.30

Japanese producers typically manufacture single malt whiskies, like Scotch, which has led to increased demand for U.K. whiskey to overcome domestic production shortfalls. In addition to single malt whiskies, consumers have shown a preference for Bourbon from Kentucky, Tennessee, and other historical U.S. production regions. Strong competition among liquor stores and Japan’s liquor tax structure contribute to relatively reasonable retail prices.

**Retail Prices of Major Whiskies:**

			
Glenmorangie Original Single Malt, 10 years, 700 ml, 40 percent. Price ¥3,230 (\$29)	Macallan Fine Oak Single Malt, 12 years, 700 ml, 40 percent, Price ¥4,402 (\$40)	Knob Creek Straight Bourbon 750 ml, 50 percent, Price ¥3,137 (\$29)	Blanton’s Single Barrell Bourbon 750 ml, 40 percent, Price ¥3,808 (\$35)

Resource: Kakaku.com (<https://kakaku.com/drink/whiskey/>), the second lowest price on Dec/2/2019

Unit: ml = milliliter, percent = ABV

Price = Retail price including 10 percent consumption tax, excluding delivery cost

**III. PROSPECTS FOR U.S. EXPORTERS**

Generally, Japanese consumers are able and willing to pay for high quality food products. In this market, craft whiskies may have opportunity for success. However, a craft spirits movement, like the one currently occurring in America, has yet to occur in Japan.

Representatives of Japan Wines and Spirits Importers Association affirmed that consumers overwhelmingly prefer aged Scotch and Bourbon as their premium whiskey choices. Demand for young and unique whiskies, usually marketed by craft producers, has not been cultivated. Until the supply chain for craft spirits emerges (including distribution channels), the dynamics of distribution through wholesaler networks present unique challenges. Small-scale producers have gradually begun to receive some attention but remain scarce. Distilling licenses are somewhat difficult to acquire, which limits the rise of small-scale independent producers.

However, the Japanese market has few policy restrictions on the sale and marketing of whiskey and tariffs and taxes on spirits are relatively low. Positive craft spirits trends may hinge on the marketing efforts by U.S. or other suppliers and their ability to expand and redefine the image of young and small batch whiskey.

#### IV. DUTIES AND LIQUOR TAX

In 2002, GoJ abolished whiskey import duties, in line with WTO agreements. There have been no significant changes in tariff codes or rates since. Additionally, a ten percent consumption (sales) tax is levied on all spirit products when shipped from bonded areas. The Government of Japan did revise the national liquor tax law in 2017. As a result, liquor tax rates for beer and wine will be changed in three stages over the next ten years, including a 2026 change for RTD beverages of less than ten percent ABV. This revision did not include whiskey import duties. For more information, please read GAIN [JA8502](#).

The Japanese liquor tax categorizes whiskey, fruit brandy, gin, rum and other spirits into one category which has a liquor tax rate of ¥370,000/KL for up to 37 percent ABV. For alcohol content beyond 37 percent, an additional ¥10,000 per one percent ABV is added.

##### Japan Import Duties for Spirits

HS Code	Type of Spirits	Import Duty	Consumption Tax (percent)
2208-30	Whiskey	Free	10
2208-40	Rum and spirits obtained by distilling fermented sugarcane	Free	10
2208-50	Gin and Geneva	Free	10
2208-60	Vodka	Free	10
2208-70	Liqueurs and Cordials	Free	10

##### Japan Liquor Tax for Distilled Spirits

Spirits	Liquor Tax Per Kiloliter
Not exceeding 37 percent ABV (fixed)	¥370,000
Per additional percent ABV beyond 37 percent	¥10,000
Example: Whiskey of 40 percent ABV	¥400,000

Source: Japan National Tax Agency  
Including whiskey, brandy, and spirits

#### V. RESOURCES FOR U.S. EXPORTERS

Japan is a very competitive market and buyers in the food and beverage industry are inundated with meeting requests, therefore, they often do not respond to “cold calls” or requests for meetings with individual companies. Instead, they prefer to find new products at large trade shows, or specially targeted trade showcases, where they can look at many products at once. Hence, the best way to find buyers here is to participate in one of the food related trade shows or showcases.

The Tokyo ATO organizes USA Pavilions at the Supermarket Trade Show in February and FOODEX Japan in March, and offers support to exhibitors including market briefings, business meeting lounge, etc., as well as inviting many buyers to stop by the pavilion. In addition, annual trade shows like the Tokyo Bar Show and Tokyo Whiskey Festival could present opportunities for interested exporters, though these shows do not include USA Pavilions and often sellout relatively early.

## **VI. KEY CONTACTS**

*USDA Japan frequently updates reports, which can be found by searching the [FAS Japan Reports website](#).*

### **ATO Tokyo**

U.S. Embassy  
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Fax: 81-3-3582-6429  
E-mail address: [atotokyo@usda.gov](mailto:atotokyo@usda.gov)

### **ATO Osaka**

American Consulate General  
2-11-5, Nishi Tenma, Kita-ku, Osaka City  
Osaka 530-8543  
Tel: 81-6-6315-5904  
Fax: 81-6-6315-5906  
E-mail address: [atoosaka@usda.gov](mailto:atoosaka@usda.gov)

### **USDA Japan Webpages**

<http://www.usdajapan.org/> (FAS Japan, English)  
<https://twitter.com/usdajapan> (FAS Japan, English)

### **USDA Cooperators and SRTG Contacts**

Industry organizations, known as Cooperators, and SRTGs work closely with USDA to help food and agricultural companies advance their exporting goals. To learn more about these groups, and which ones may be working in Japan, please see:

<http://www.usdajapan.org/tradeservice/cooperators-industry-partner-groups/>

For spirits, the USDA Cooperator is the Distilled Spirits Council of the United States, or DISCUS:

<https://www.distilledspirits.org/>

### **USDA Reports**

Secondly, FAS publishes a variety of reports, which can help exporters prepare for entering the Japanese market such as the Exporter Guide, Food and Agricultural Import Regulations (FAIRS), and the Retail Guide. Links to most recent versions of these reports can be found here:

<https://www.fas.usda.gov/regions/japan>. These and many other reports are also available on our website at [Global Agricultural Information Network \(GAIN\)](#).

### **Attachments:**

No Attachments.