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## The Japanese Nursery Sector

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### Executive Summary <sup>1</sup>

- Japan is one of the major flower and tree producing countries in the world and, at the same time, one of the principal importers in this sector. The Japanese nursery market was estimated at \$5.18 billion in 2007.
- The nursery market in Japan has been shrinking due to a prolonged recession in the country. In addition, the domestic production has been declining, partly because of the aging of farmers.
- Imports are making inroads into the Japanese market. The value of imports is increasing and the market share is expanding. The import value amounted to \$543 million and accounted for 11% of the total market in 2007.

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<sup>1</sup> This report focuses on nursery products including cut flowers (HS0603), bulbs (HS0601), live plants (HS0602), and foliages and branches (HS0604). The exchange rate of \$1=104.23 yen (which was the average exchange rate in 2008) is used as the conversion rate in this report.

- The most common distribution system in the sector is through wholesale markets, with more than 80% of products being traded by wholesalers. As the industry consists of numerous small growers and the range of products is fairly extensive, the role of the wholesale markets is critical.
- The presence of the United States in the market is rather small. This is partly due to the difference in the composition of the market between the two countries: the cut flower segment is dominant in the Japanese market whereas the tree segment is the principal portion of the U.S. nursery industry. Still, Japan is considered to be an attractive market where products are traded at higher prices. Some U.S. exporters are making inroads by developing niche markets in the Japanese nursery sector.

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## **I. Market Overview**

### **A. Market Trends**

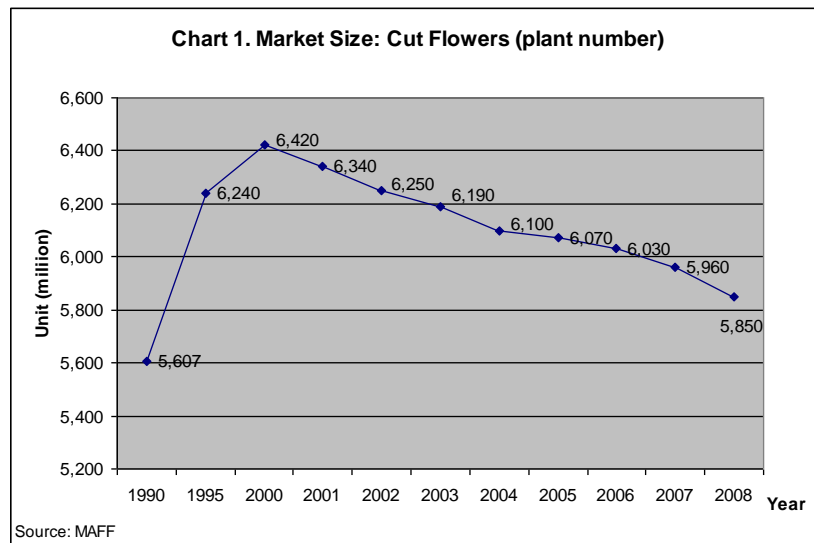
The Japanese appreciation for flowers and trees are reflected in their culture. The Japanese art of flower arrangement (ikebana) and bonsai (miniature potted trees) cultivation are extremely popular in Japan. The demand for flowers is high for ceremonial occasions such as marriage, funerals, and ancestral worship as well as for gift-giving occasions including Mother's day and birthdays. In addition, amid an ongoing gardening boom, though recently winding down, a large number of people enjoy growing flowers and trees at home.

The Japanese nursery market was on an upward trend until 1998, when it peaked at \$6.57 billion with

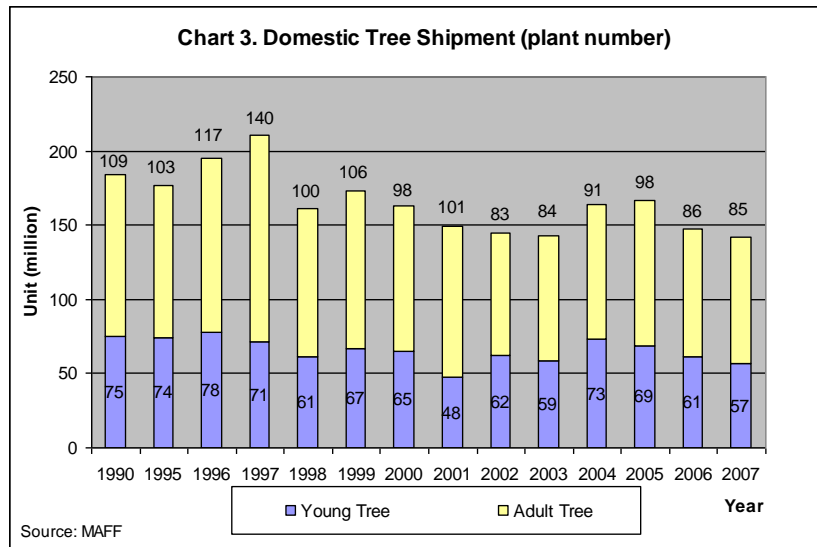
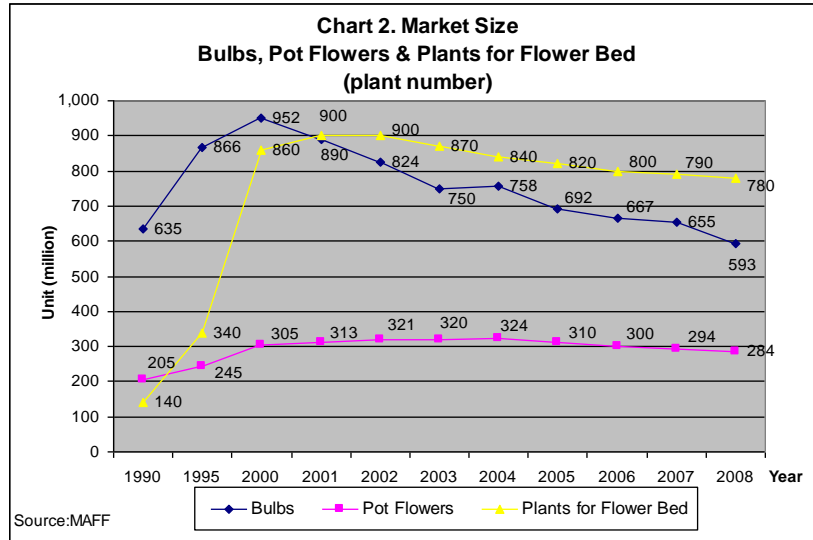
the domestic production and imports combined. The recent economic slump has put a damper on the growth of the market and shifted it to a downward trend.

The flower demand for ceremonial and business use has dropped sharply. The tree demand, which relies heavily on orders from landscape projects, is declining as well, since the number of the projects both from the public and the private sectors is decreasing<sup>2</sup>.

According to the Japanese Ministry of Agricultural, Forestry and Fisheries (MAFF), the Japanese nursery market was estimated at \$5.18 billion in 2007. When looking into the subsectors, the data indicate the overall downward trend of the market as shown in the following charts.



<sup>2</sup> The landscaping work output in Japan was \$5.22 billion in 2007, which marked 6.1% down from the previous year and recorded a downward trend of four years in a row.

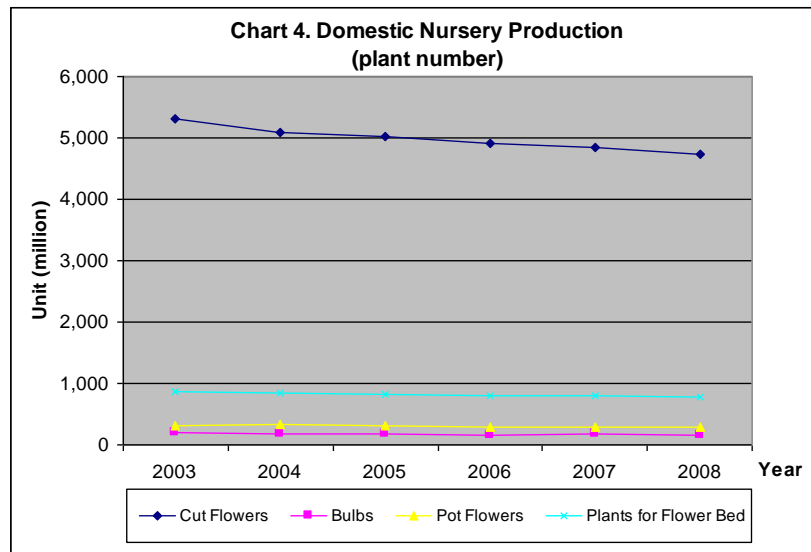


Note: The data for market size, which combine the import figures and the domestic production, are not available for “pot flower,” “plants for flower bed,” and “trees.” Therefore, the domestic production or shipments are used to show the trend of the market for the three sub-sectors.

## B. Domestic Production

Japan is one of the major flower and tree producing countries in the world. It was the biggest grower in the nineties when its production peaked at \$6.04 billion. Although its production has been declining since then, it is still the third largest producer after the United States and the Netherlands with its production amounting to \$4.6 billion in 2007.

Domestic production has been decreasing due primarily to: 1) the aging of flower and tree growers (one of the common problems across the agricultural sectors in Japan); 2) declining demand due to the sluggish economy; and 3) increasing supply from foreign countries.

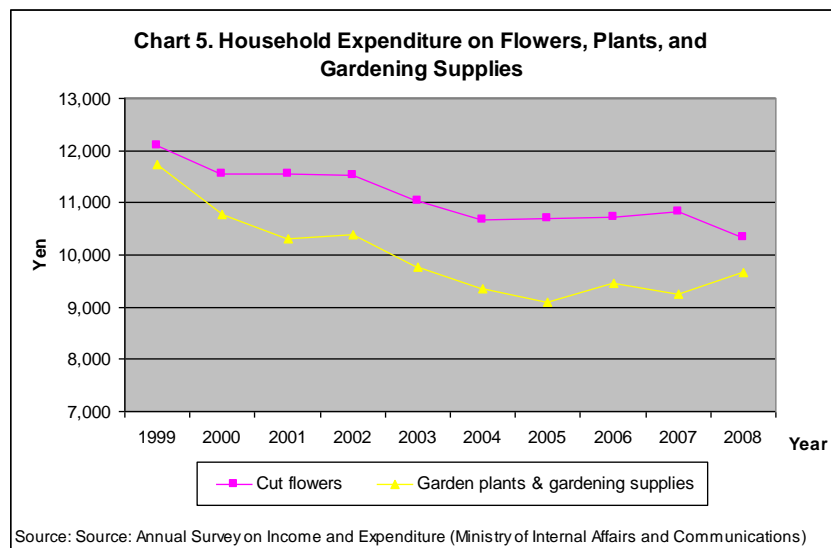


(Unit: million)	2003		2004		2005		2006		2007		2008	
	unit	+/-	unit	+/-	unit	+/-	Unit	+/-	unit	+/-	unit	+/-
Cut Flowers	5,305	-2.0%	5,096	-4.0%	5,020	-2.0%	4,918	-2.0%	4,835	-2.0%	4,726	-2.0%
Bulbs	207	-14.0%	185	-9.0%	171	-7.0%	165	-3.0%	168	1.0%	157	-6.0%
Pot Flowers	320	0.0%	325	2.0%	310	5.0%	300	-3.0%	294	-2.0%	284	-3.0%
Plants for Flower Bed	870	-4.0%	838	-4.0%	815	-3.0%	801	-3.0%	793	-1.0%	778	-2.0%

### C. Future Demand in Japan

The social trends of a declining birthrate as well as an aging population suggest that the Japanese market will decrease in the future. In addition, the average household expenditure on flowers and plants has been declining since the gardening boom in Japan has been cooling down lately along with the slowing of the Japanese economy.

However, there exists room to increase demand. The number of households that purchase cut flowers at least once a year is still 40% in Japan. Flower consumption is mainly supported by households in their fifties and over. Therefore, it is conceivable that the market could expand if the younger generation in Japan begins to purchase more cut flowers. In fact, MAFF announced in 2005 its basic policies to promote the flower industry and expand the demand in Japan. MAFF is targeting an 8% increase in the demand from 2003 to 2015.



Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Cut flowers (yen)	12,094	11,551	11,555	11,531	11,036	10,669	10,692	10,722	10,828	10,327
Garden plants & gardening supplies (yen)	11,726	10,774	10,301	10,388	9,777	9,345	9,094	9,458	9,255	9,671

**Table 1. Household Expenditure by Age Group**

Household Age	20s	30s	40s	50s	60s	70s & over
Cut flowers (yen)	2,263	4,174	5,950	11,607	14,491	13,697
Garden plants & gardening supplies (yen)	1,968	3,675	5,067	8,832	15,735	13,022

Source: Annual Survey on Income and Expenditure (Ministry of Internal Affairs and Communications)

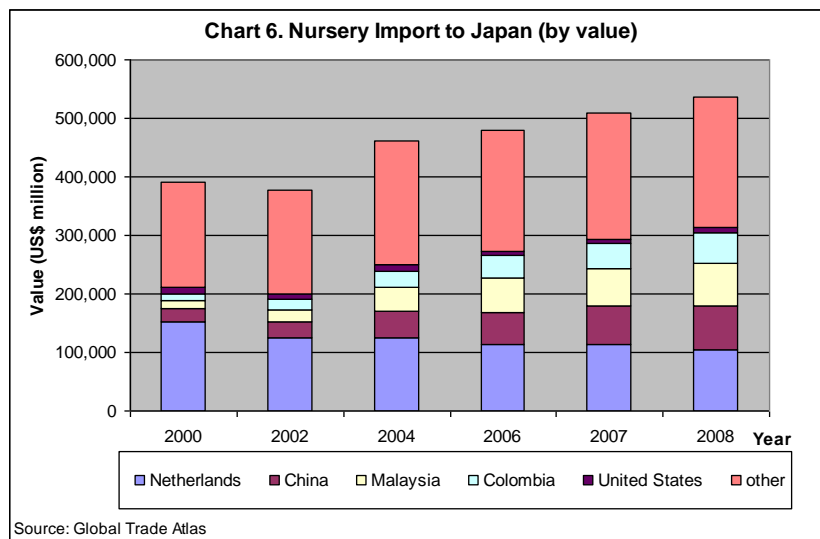
## II. Market Opportunities

### A. Japanese imports

#### 1. General Trend

Contrary to the trends of the overall market as well as the domestic production, imports have been on an upward trend. The value of imports amounted to \$543 million in 2007, accounting for 11% of the Japanese market. Exporting countries are increasing their market share by offering lower prices while improving the quality of their products.

In terms of value, the major exporters are the Netherlands, China, Malaysia, Colombia, Taiwan, and Thailand. The Netherlands has been the leading exporter to Japan for decades. However, other newly developed flower producing countries such as China, Malaysia and Colombia are rapidly catching up and expanding their market share. The United States was the 12<sup>th</sup> largest exporter to Japan with \$8.2 million and 1.54 % market share in 2008.

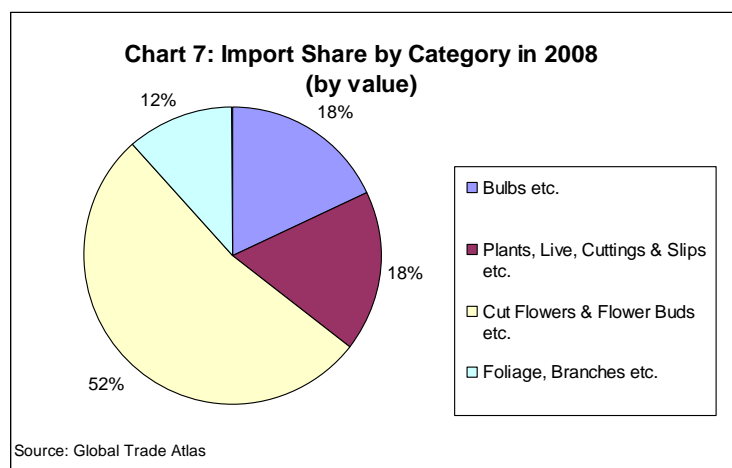


Exporting Country	Year (Unit: US\$ million)						Share %
	2000	2002	2004	2006	2007	2008	2008
Netherlands	153,042	126,024	124,996	113,695	114,018	105,678	19.70
China	22,341	26,223	44,910	54,445	64,752	73,836	13.77
Malaysia	12,647	20,100	405,28	59,135	63,610	71,759	13.38
Colombia	12,225	18,445	29,246	37,770	42,908	53,898	10.05
U.S.A	12,178	9,577	9,418	8,230	8,685	8,239	1.54
World total	389,951	377,293	461,715	479,796	509,828	535,752	100.00

Note: There are some gaps between import data from MAFF and those from Global Trade Atlas. The data from MAFF in 2007 (Imports: \$543 million) are used to indicate the total import figures in order to maintain consistency with other relevant figures released by MAFF such as the total nursery market size (\$5.18 billion) and domestic production (\$4.6 billion). The data from Global Trade Atlas are used in this report to analyze the import trends in detail.

## 2. Trend by Category

The following describes the trend of each product category classified by the HS code.

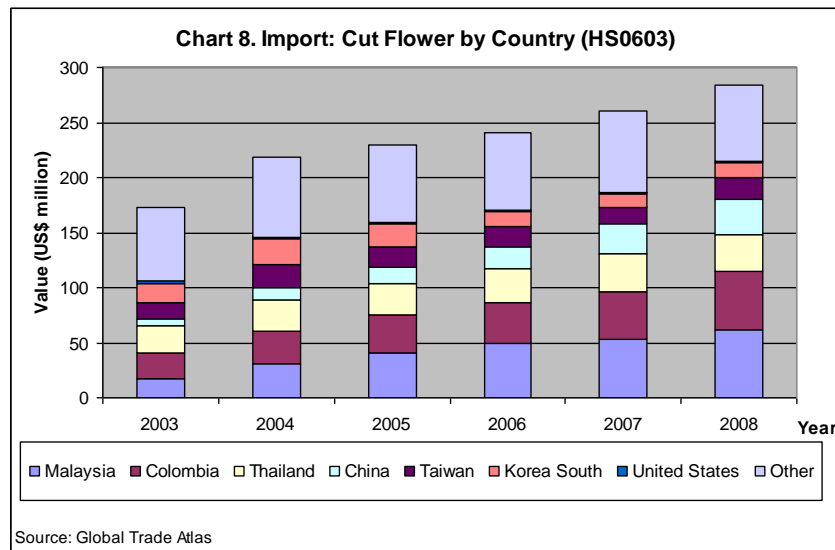


HS code	Description	Import Value (US\$ thousand) in 2008 and share	
HS 0601	Bulbs etc.	96,111	17.9%

HS 0602	Plants, Live, Cuttings & Slips etc.	94,050	17.6%
HS 0603	Cut Flowers & Flower Buds etc.	283,519	52.9%
HS 0604	Foliage, Branches etc.	62,071	11.6%
	Total	535,752	100%

### a. Cut Flower (HS 0603)

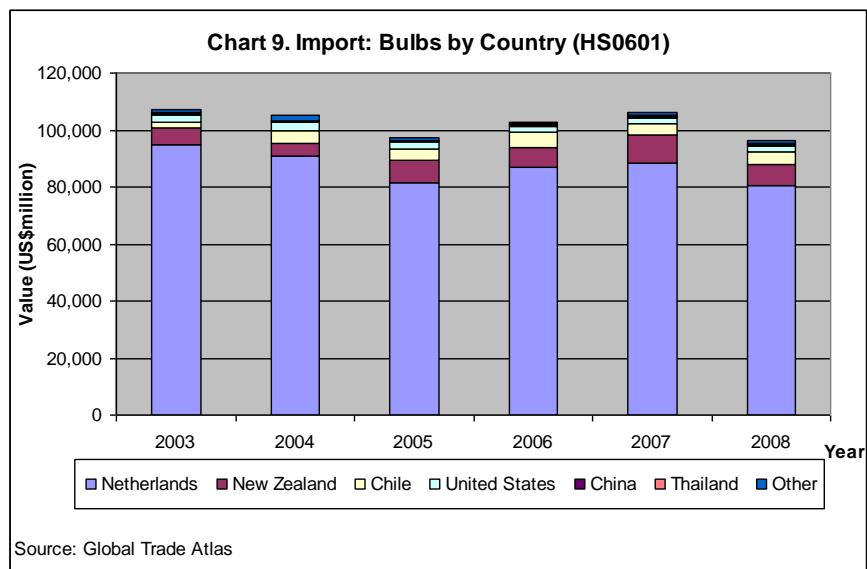
Cut flower imports account for more than half of the total nursery imports to Japan and they are the major driver of the increase in import level. The main traded flowers are chrysanthemums, orchids, carnations, and roses. The leading exporters are Malaysia, Colombia, Thailand, China, Taiwan, and South Korea. Malaysia has a dominant share of 70% in the chrysanthemum import. Colombia is the leading exporter of carnations with a 71% market share. Roses come mainly from India and Kenya. Thailand is the main exporter of orchids to Japan, while South Korea is the principal supplier of lilies with 89% share. The United States is lagging behind coming in 18th with \$787,468 in value and a 0.28% market share. Anthurium from Hawaii is one of the main cut flowers imported from the United States to Japan.



### b. Bulbs (HS 0601)

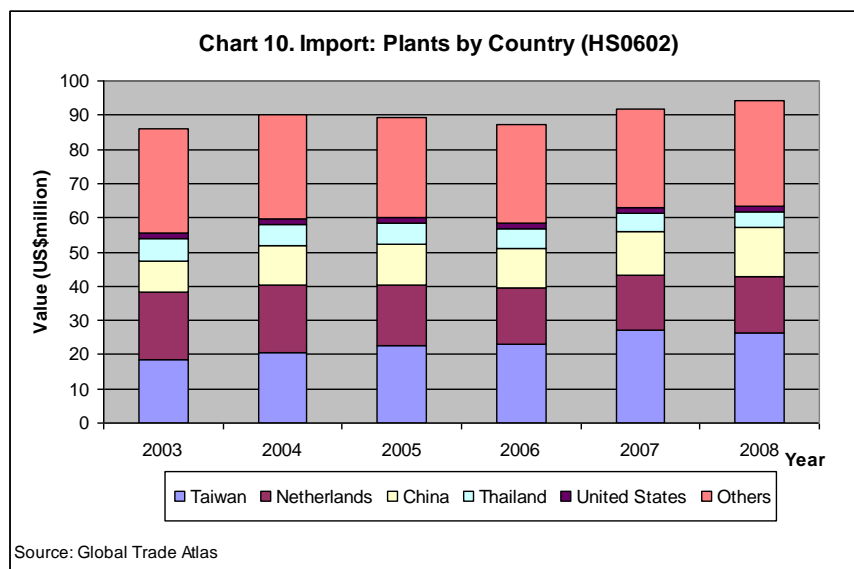
Bulb imports to Japan have been on a downward trend since around 2000 with the last 4 to 5 years hovering around US\$100 million. The Netherlands is the leading exporter with an overwhelming share of 89.1% in volume and 83.6% in value in 2008, followed by New Zealand and Chile. The United States comes in a distant fourth with \$1.96 million, or a 2.04% market share. The main products exported from the United States are calla lilies and gladioli.





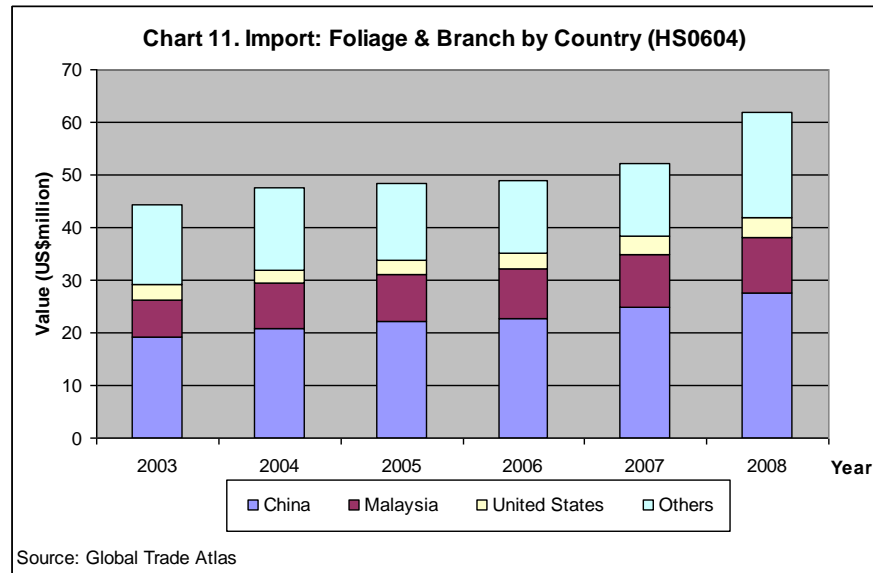
### c. Plants (HS 0602)

The import of this subsector is generally on an upward trend with some minor fluctuations. The leading exporters are Taiwan, the Netherlands and China. The United States is in tenth place with \$1.6 million in exports to Japan in 2008, with only 1.7% percent of the import market.



### d. Foliage, Branches and Others (HS 0604)

Imports amounted to \$62.1 million in 2008. The leading exporters are China, Malaysia and the United States. The United States is one of the main suppliers of foliages such as bear grass, leather fan and lemon leaf.



## B. Key Market Issues

### 1. Highly Competitive Market

Japan is a major flower and tree importer, where products are traded at high prices. This attracts a number of new exporting countries, which makes it a highly competitive market. Some countries new to the market have been actively promoting their products and expanding their market share.

### 2. Complicated Import Procedures

The range of plant varieties dealt with in the sector is extensive. The import regulations and restrictions vary among plant varieties and are highly complicated. Therefore, smooth import procedures would require a deep understanding of the relevant regulations as well as a profound knowledge of the products. Especially, the import of plants with roots requires special attention and experience in order to fully abide by the import regulations. This is demonstrated by the state of Colorado, which has contracted specialists both in Colorado and Japan to assist its product export to Japan.

### 3. Patent Royalty Business

In addition to the import figures shown above, cross border business is being conducted in the form of patent royalty payments. Foreign plant growers provide Japanese importers and growers with parent plants. The latter grow and sell plants in the Japanese market, and pay royalty to the former, generally based on sales amount of their products.

### 4. Hardiness Zones in Japan

Japan is an archipelago stretching a total of 3,500 kilometers from northeast to southwest and its

climate differs greatly from region to region. Plant exporters need to take this point into consideration when selecting items to promote in the Japanese market. The hardiness zones of Japan range from 4-5 in Hokkaido to 9-10 in Kyushu and up to 11 in the Okinawa islands.

More detailed information on the hardiness zones in Japan is provided on the following website: <http://www.jelitto.com/english/japan.htm>

## **5. New products from the United States**

The tree segment is the principal portion of the U.S. nursery industry, while cut flowers are the major products being traded in the Japanese market. Partly due to this difference in the industry composition, the presence of the United States in the Japanese market is relatively small. However, there are niche markets being cultivated by U.S. exporters.

### **a. Christmas Trees**

Celebrating Christmas is becoming popular in Japan. Even though the Christian population is limited in Japan, a growing number of people enjoy decorating trees for the holiday. Traditionally, artificial trees were used for Christmas. However, as more and more Japanese experience the Christmas culture of the United States, the demand for real trees has increased. Live Christmas trees have been exported mainly from the Pacific Northwest region of North America to Japan over the last several years and are now gaining popularity in the Japanese market.

### **b. Pumpkins for Halloween**

Although Halloween is still relatively new to the Japanese culture, the number of people celebrating the festival is increasing. In fact, Halloween decorations are frequently seen at shopping malls as well as department stores now. There is a growing demand for pumpkins and squash, especially miniature pumpkins, for the holiday decorations in Japan. Some U.S. exporters are beginning to supply these products to Japan.

### **c. Distribution System**

The most common distribution system for flowers and trees in Japan is through central and regional wholesale markets to florists, mass merchandisers and other retailers as shown in Figure 1. As numerous varieties\* of plants are cultivated by a number of small growers, the role of the wholesale markets in distribution is significant.

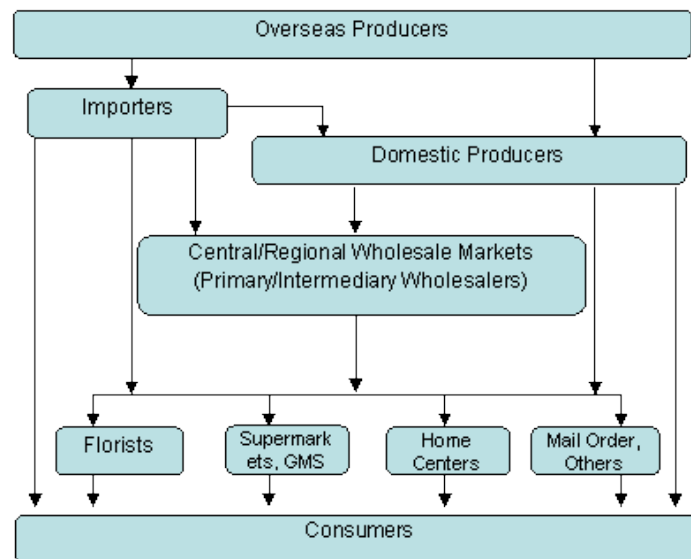
\* Note: As of February 2009, the number of JF codes (Japan Flower code: 5-digit code to identify plant varieties) amounted to 69,000.

In the case of cut flowers, a total of 85.4% of cut flowers were distributed through the wholesale markets in 2006, surpassing the figures of vegetables (75.8%) and seafood (62.1%). At the retail level, individual retailers are playing an important role in cut flower distribution with 57.1% sold through florists, followed by supermarkets and discount stores with a 26.4% share.

Bulbs are distributed not only to customers but also to flower growers so that they can produce and supply cut flowers and pot flowers to the market. Roughly 65% of imports are sold to flower growers and the rest are sold to consumers. Recently, an increasing number of exporters are selling directly to Japanese retailers.

The Japanese flower and tree wholesale markets are going through a series of deregulation and competition. Several revisions were made in the Wholesale Market Law in 2004 and 2009. Restrictions enforced on the operation of wholesalers were relaxed in 2004, which made it possible for primary wholesalers to deal directly with retailers, while allowing intermediary wholesalers to deal directly with producers. Furthermore, the nation-wide standardized consignment fees that wholesalers charge on transactions were liberalized in April 2009.

**Figure 1. Distribution Channels**



Source: Basic Policies for Flower Industry Promotion (August 2009, MAFF)

### III. Market Access

#### A. Regulations

The Plant Protection Law and the Seeds and Seedlings Law are the main relevant regulations that the importation of plants is subject to, including cut flowers, bulbs, plants and foliage etc.

#### 1. Plant Protection Law

The aim of the Plant Protection Law is to prevent the entry and spread into Japan of harmful

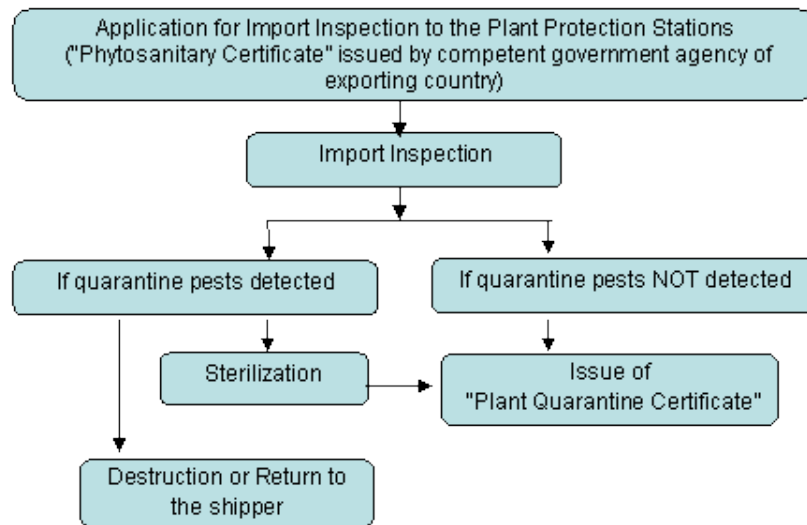
microorganisms, insect pests, and parasites that have high risk of causing tremendous damage to agricultural crops in the country. The law prohibits the entry of plants with soil attached. It also prohibits plants which are capable of being hosts to the above mentioned harmful microorganisms, insect pests, and parasites etc.

MAFF, which is the government department responsible for enforcing this law in Japan, has available on their website a list of plants from foreign countries that are prohibited in Japan. ([http://www.pps.go.jp/english/law/list2-\(091020-\).html](http://www.pps.go.jp/english/law/list2-(091020-).html) )

All plant products to be imported into Japan are subject to a plant quarantine inspection at the point of entry to Japan. Only those articles which pass the inspection can be imported. Importers are required to submit an “Application for Import Inspection” to the Plant Protection Station as well as a “Phytosanitary Certificate” issued by the competent government authorities of exporting countries.

If cases of infection are detected during the inspection, the importer will be ordered to sterilize, dispose of, or return the shipment to the shipper.

**Fig. 2. Plant Protection Law Procedures**



Source: JETRO Marketing Guidebook for Major Import Products 2005, Bulbs and Cut Flowers

## 2. Seeds and Seedlings Law

As a signatory of the Union for the Protection of New Varieties of Plants (UPOV Convention), Japan protects the rights of cultivators of new varieties of plants. The current law went into effect in 1998 and several revisions were made in 2003. Following a series of infringements committed in China and Korea, the monitoring procedure at Japan’s borders has been strengthened.

### a. Tariff Duties

The following table shows the tariff duties on bulbs, cut flowers and other nursery products.

**Table 2. Tariff Duties on Nursery Products**

HS No.	Description	Duty		
		General	WTO	Preferential
06.01	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant, in growth or in flower; chicory plants and roots other than roots of heading 12.12:			
-10	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant:	Free	(Free)	
-20	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, in growth or in flower; chicory plants and roots	Free	(Free)	
06.02	Other live plants (including their roots), cuttings and slips; mushroom spawn:			
	Unrooted cuttings and slips			
-10	Trees, shrubs and bushes, grafted or not, of kinds which bear edible fruit or nuts	Free	(Free)	
-20	Rhododendrons and azaleas, grafted or not	Free	(Free)	
	Roses, grafted or not			
-30	Other:	Free	(Free)	
-40	Cut flower and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared:	Free	(Free)	
-90	Fresh	Free	(Free)	
06.03	Roses			
	Carnations			
	Orchids			
	Chrysanthemums			
	Other:	Free	(Free)	
-11		Free	(Free)	
-12		Free	(Free)	
-13		Free	(Free)	
-14		Free	(Free)	
-19	Foliage, branches and other parts of plants, without flower buds, and grasses, mosses and lichens, being goods of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared:	Free	(Free)	
	Mosses and lichens			
0604	Other:			
	Fresh			
	Other			
-10		5%	3%	
-91		5%	3%	Free
-99		5%	3%	Free Free

Source: Customs Tariff Schedules of Japan 2008 published by Japan Tariff Association

Note Preferential rate, WTO rate, General rate are applied in descending order.

### IV. Key Contacts and Further Information

## **A. Agricultural Trade Office Post Contacts in Japan**

Tokyo	Osaka
U.S. Agricultural Trade Office	U.S. Agricultural Trade Office
U.S. Embassy, Tokyo	U.S. Consulate General, Osaka-Kobe
1-10-5 Akasaka, Minato-ku	2-11-5, Nishi-tenma, Kita-ku,
Tokyo 107-8420	Osaka 530-8543
Tel: 81-3-3505-5115	Tel: 81-6-6315-5904
Fax: 81-3-3582-6429	Fax: 81-6-6315-5906
E-mail: <a href="mailto:atotokyo@fas.usda.gov">atotokyo@fas.usda.gov</a>	E-mail: <a href="mailto:atoosaka@fas.usda.gov">atoosaka@fas.usda.gov</a>

## **B. Websites of Foreign Agricultural Service / Agricultural Trade Offices in Japan**

<http://www.fas.usda.gov> (FAS, English)

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

<http://www.us-ato.jp> (ATO Japan, B2B web site, English & Japanese)

## **C. Gain Reports**

Reports are available from FAS website at: <http://gain.fas.usda.gov/Pages/Default.aspx>

## **D. Regulations & Standards**

Plant Protection Act

[http://www.japaneselawtranslation.go.jp/law/detail\\_main?id=25&vm=&re=](http://www.japaneselawtranslation.go.jp/law/detail_main?id=25&vm=&re=)

(English and Japanese)

## **E. Other Information Sources**

Ministry of Agriculture, Forestry and Fisheries: <http://www.maff.go.jp/e/index.html>

Plant Protection Station: <http://www.pps.go.jp/english/index.html>

Japan External Trade Organization (JETRO): <http://www.ietro.go.jp>

Japan Customs: <http://www.customs.go.jp/english/index.htm>

Japan Flower Trade Association

2-1-5-324, Omori-minami, Ota-ku. Tokyo 143-0013

Tel: 81-3-5705-7056 / Fax: 81-3-3513-6980

[jfta@zas.att.ne.jp](mailto:jfta@zas.att.ne.jp)

Japan Nurserymen's Association: <http://www.ueki.or.jp/>

6-4-22, Akasaka, Minato-ku, Tokyo 107-0052

Tel: 81-3-3586-7361 / Fax: 81-3-3586-7577