

20. Olive Oil

1. Definition of Category

Edible and inedible oils obtained from the olive.

HS Numbers	Commodity
1509.10	Virgin olive oil
1509.90	Pure olive oil
1510.00	Other oils from olives

Notes:

Virgin olive oil: Virgin oil obtained from olive pressings. Filtered to remove impurities; no other processing.

Pure olive oil: Refined olive oil that has been treated using refining processes for edible oils such as alkali boiling, depolarization, and deodorization.

Other oils from olives: Products and derivatives other than those listed above.

2. Import Trends

(1) Recent Trends in Olive Oil Imports

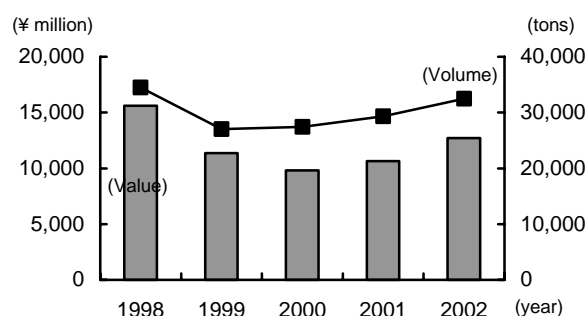
Olive oil is a product with a lengthy history, but one that has only become widely available in Japan during the latter half of 1990s. Part of the reason has to do with the growing popularity of Mediterranean and Italian food of recent years. In addition, the image has also rapidly spread of olive oil as a healthy food. The number of retail stores carrying olive oil for household use has grown rapidly. Imports of virgin and pure olive oil skyrocketed from 18,219 tons in 1996 to 34,376 tons in 1998.

Nevertheless, many people heard about the health benefits of olive oil without learning how to actually cook with it. As a result, not enough demand was generated to sustain long-term import growth. In addition, an oversupply of olive oil developed, and as a result of these factors, imports tumbled to 27,006 tons in 1999 (down 21.7% from the year before).

A shakeout occurred among importers who had newly entered the field spurred by the temporary food fad, and retailers gradually sold down the inventory of spot imports they had made. Olive oil imports showed upward again since 2000, and reached to 32,463 tons in 2002. Imports of virgin olive oil grew by 10.2% to 17,174 tons, while pure olive oil rose 11.5% to 15,125 tons. Thus, virgin olive oil leads pure olive oil, with a ratio of 53.2:46.8.

2002 saw imports of olive oil increase on a value basis even more than on a volume basis, partly because of a poor olive harvest in leading producer Italy, and partly because of strengthening of the euro in international exchange markets. Imports on a value basis reached a total of ¥12.7 billion (up 19.4%).

Fig. 1 Japan's imports of olive oil



	1998		1999		2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Virgin olive oil	18,074	9,183	13,286	6,374	13,054	5,296	15,585	6,333	17,174	7,457
Pure olive oil	16,302	6,393	13,712	4,984	14,275	4,518	13,571	4,293	15,125	5,232
Other oils from olives	112	26	7	2	76	14	161	27	163	32
TOTAL	34,488	15,602	27,006	11,360	27,405	9,828	29,316	10,653	32,463	12,721

Units: tons, ¥ million

Source: Japan Exports and Import

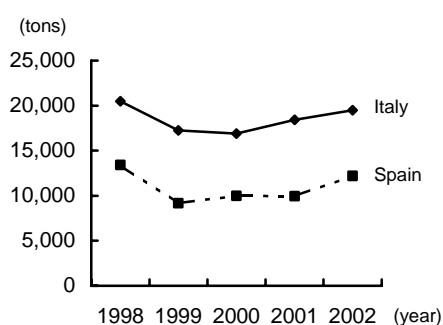
(2) Imports by Place of Origin

The leading producer nations of olive oil are the Mediterranean nations of Spain, Italy, Greece, Turkey and Tunisia. Nearly all of Japan's imports come from just two of these countries, Spain and Italy. Before the olive oil boom, it was imported mainly for commercial use and for non-food use. These customers preferred comparatively inexpensive Spanish olive oil to the more prestigious Italian brand names. But as olive oil has come into wider use in home cooking, Italy has gained a larger import share.

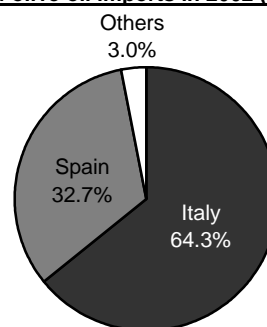
Imports from Italy generally showed an increase of 9.0% for the year, aided by the "Italy in Japan 2001" project that sponsored events all across the country. But, the poor 2002 olive harvest in Italy held Italian import growth down to a more modest 5.7%. For its part, Spain had a bumper crop of olives as well as more affordable prices. As a result, Spanish olive oil exports to Japan jumped by 22.4% from the year before, with especially strong growth in virgin olive oil. Consequently, for 2002 Italy held a 60.0% import share (19,476 tons, virgin-to-pure ratio of 51.3:48.7), while Spain gained ground to reach a 37.5% share (12,180 tons, 55.5:44.5).

Fig. 2 Principal exporters of olive oil to Japan

Trends in import volume by leading exporters



Shares of olive oil imports in 2002 (value basis)



	1998	1999	2000	2001		2002			
	Volume	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
Italy	18,354	20,473	17,263	16,890	6,445	18,418	62.8%	7,119	66.8%
Spain	9,948	13,422	9,186	9,988	3,116	9,952	33.9%	3,112	29.2%
Turkey	17	46	13	73	22	357	1.2%	106	1.0%
Greece	347	268	321	262	135	330	1.1%	173	1.6%
France	156	60	54	41	25	86	0.3%	54	0.5%
Others	241	219	169	151	85	173	0.6%	89	0.8%
TOTAL	29,063	34,488	27,006	27,405	9,828	29,316	100.0%	10,653	100.0%
(E U)	28,907	34,345	26,904	27,254	9,756	28,858	98.4%	10,489	98.5%

Units: kl, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

Domestically, olive oil is produced in a few areas such as Kagawa prefecture, but only in extremely small quantities. Imports account for almost 100% of the market.

3. Key Considerations related to Importing

(1) Regulations and Procedural Requirements at the Time of Importation

Olive oil imports as a foodstuff is subject to the Food Sanitation Law. When imported as pharmaceuticals or cosmetics, the Pharmaceutical Affairs Law regulates it.

Imports as a foodstuff

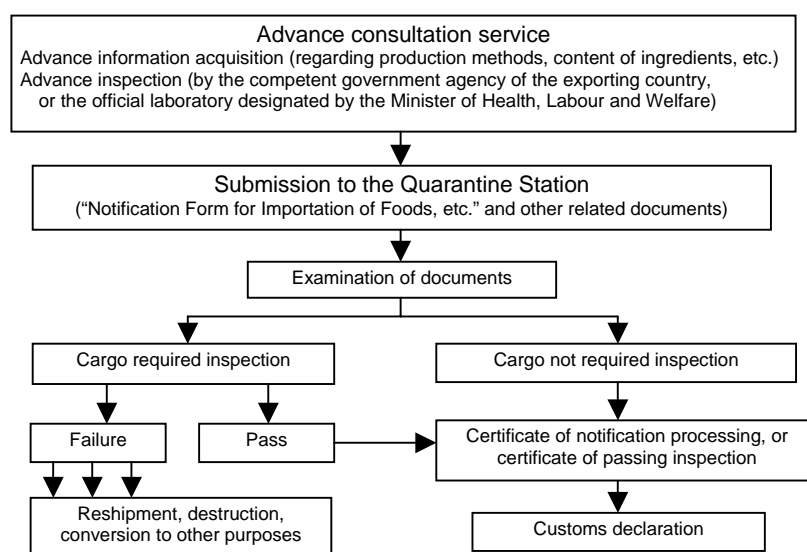
1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for olive oil being imported as a foodstuff for the purpose of sale or for other commercial purposes. Importers are required to submit the completed "Notification Form for Importation of Foods, etc." to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required.

Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites the quarantine clearance process.

The Food Automated Import Notification and Inspection Network System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour and Welfare, and verify their passwords.

Fig. 3 Procedures required under the Food Sanitation Law



Imports as pharmaceuticals or cosmetics

1) Pharmaceutical Affairs Law

When importing olive oil classified under cosmetics in business, the Pharmaceutical Affairs Law requires to obtain first an importer’s license. Then the importer must submit a name for sale, prior to importing the cosmetics. For more complete information, please consult with the pharmaceutical affairs office in the concerned prefecture.

Note that the Pharmaceutical Affairs Law does not regulate imports of olive oil as an ingredient for use in the domestic manufacture of pharmaceuticals or cosmetics.

(2) Regulations and Procedural Requirements at the Time of Sale

The sale of olive oil as a foodstuff is subject to provisions of the Food Sanitation Law, the JAS Law, the Measurement Law, the Health Promotion Law (former Nutrition Improvement Law), and the Act Against Unjustifiable Premiums and Misleading Representations.

Additionally, the Pharmaceutical Affairs Law regulate the sale of olive oil as pharmaceuticals or cosmetics. The sale of olive oil as cosmetics is also subject to provisions of the Fair Competition Code under the Act Against Unjustifiable Premiums and Misleading Representations.

Regardless of usage, containers and packaging may also be subject to identifier labeling provisions of the Law for Promotion of Effective Utilization of Resources, and recycling provisions of the Containers and Packaging Recycling Law. Please contact one of the agencies listed below for more complete information about affected packaging, the definition of specific providers (certain small-scale providers are exempt from regulation), and labeling methods.

Sale as a foodstuff

1) Food Sanitation Law

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When selling olive oil as a foodstuff, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

2) JAS Law

(Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products)

The JAS Law establishes quality labeling standard for all food and beverage products sold to ordinary consumers. (see 4. Labeling)

3) Measurement Law

Edible olive oil sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Act Against Unjustifiable Premiums and Misleading Representations

The Act prohibits a form of improper labeling exaggerated or false labeling that misleads consumers about the nature or quality of products. Also, vague or confusing labeling that makes it difficult to discern the actual country of origin is also prohibited as a form of improper labeling..

5) Health Promotion Law (former Nutrition Improvement Law)

The Health Promotion Law was adopted in August of 2002 (and goes into effect in May of 2003). The former Nutrition Improvement Law was repealed, and the regulatory system in effect under the former Law will continue in force under the new Law. When employing labeling for nutritional ingredients or calories, labeling must be in accordance with the requirements under the Law. (see 4. Labeling)

Sale as pharmaceuticals or cosmetics

1) Pharmaceutical Affairs Law

This law states that any business that sells pharmaceuticals directly to ordinary consumers, hospitals, clinics, etc. must be licensed to sell such products. However, a business license is not required when selling to pharmaceutical manufacturers, pharmaceutical sales firms, or pharmacy owners. The sale of cosmetics and quasi drugs does not require any special license.

Applications are to be submitted to the governor of the prefecture in which the business is located, together with documents demonstrating compliance with physical criteria for each store and with personal criteria for the applicant. For more information, please consult the pharmaceutical affairs office in the concerned prefecture for further information.

2) Act Against Unjustifiable Premiums and Misleading Representations

Based on the Act, the industry has voluntarily adopted fair competition code for labeling of cosmetics. (see 4. Labeling)

(3) Competent Agencies

- Food Sanitation Law
Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau,
Ministry of Health, Labour and Welfare
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- JAS Law
Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 <http://www.maff.go.jp>
- Measurement Law
Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment
Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
- Health Promotion Law (former Nutrition Improvement Law)
Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- Pharmaceutical Affairs Law
General Affairs Division, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
Evaluation and Licensing Division, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and
Welfare
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- Act Against Unjustifiable Premiums and Misleading Representations
Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
TEL: 03-3581-5471 <http://www.jftc.go.jp>
- Law for Promotion of Effective Utilization of Resources / Containers and Packaging Recycling Law
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau,
Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 <http://www.env.go.jp>
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 <http://www.maff.go.jp>

4. Labeling

(1) Legally Required Labeling

Sale as a foodstuff

When olive oil is to be sold for human consumption, following items must be listed all together on the label under provisions of the Food Sanitation Law, the JAS Law, and the Measurement Law. Under provisions of the JAS Law, olive oil must be labeled in accordance with the Processed Food Product Quality Labeling Standards and Edible Oil Product Quality Labeling Standards.

<Labeling items to be listed all together>

- | | |
|--------------------------------|--|
| 1) Product name | 2) List of ingredients, list of food additives (if used) |
| 3) Net content | 4) Best-before date |
| 5) Preservation method | 6) Country of origin |
| 7) Importer's name and address | |

Sale as pharmaceuticals or cosmetics

When olive oil is sold as pharmaceuticals or cosmetics, products must display certain information as specified in the Pharmaceutical Affairs Law. From a standpoint of health and hygiene, the display of false or potentially misleading information on the container or in the attached instructions is prohibited.

- 1) Product name
- 2) Contents (weight, volume or number of pills, etc.)
- 3) Manufacturing number or symbol
- 4) Name and address of manufacturer or importer

<Labeling under the Law for Promotion of Effective Utilization of Resources>

Under the Law, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

< Example >



External packaging



Individual packaging

(2) Voluntary Labeling Based on Provisions of Law

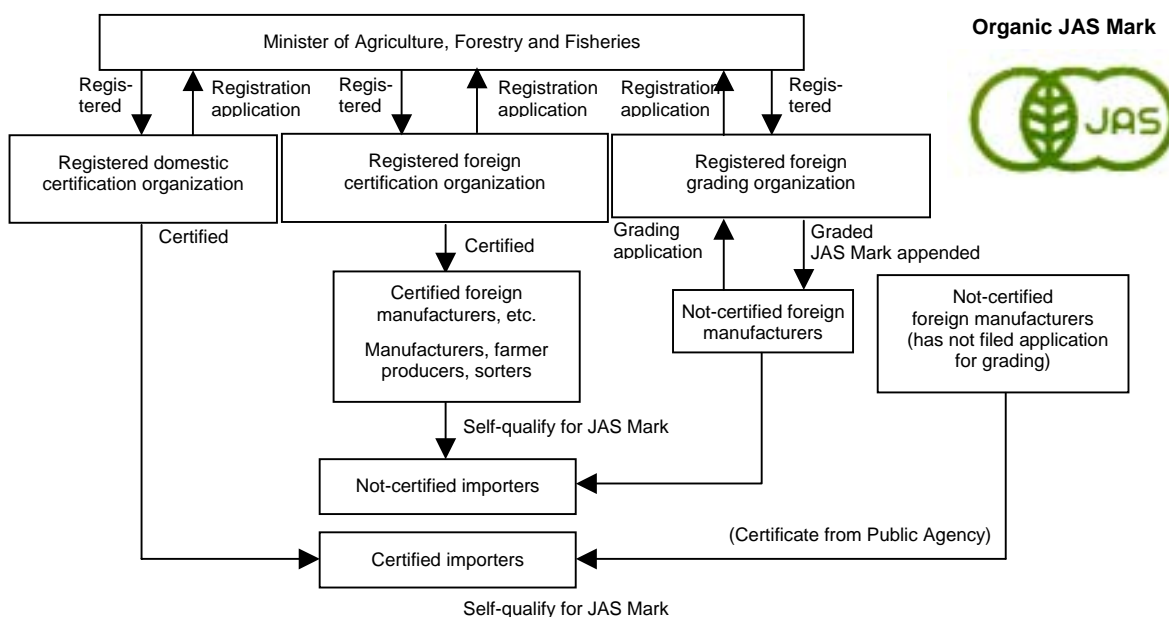
1) Labeling based on provisions of the JAS Law

<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

The JAS Law establishes a “special JAS standard” for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase “organic” and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase “organic” and to display the Organic JAS Mark.

- 1) Product is qualified by a foreign grading organization registered with Japan's Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
- 2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization.
This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.
- 3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

Fig. 4 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



Contacts:

Center for Food Quality, Labeling and Consumer Services Headquarters
 Standard and Labeling Department TEL: 048-600-2371 <http://www.cfqlcs.go.jp>

2) Labeling under the Health Promotion Law

When employing labeling for nutritional ingredients or calories in Japanese, either on the packaging or in accompanying documentation, labeling must be in accordance with the requirements under the Law.

<Example> Labeling must contain the quantities of calories, proteins, fats, carbohydrates, sodium, and other nutritional ingredients present, in descending order by content volume.

(3) Voluntary Industry Labeling

<Fair Competition Code Concerning Representation of Cosmetics>

The Cosmetics Fair Trade Council has laid out certain rules for fair trade regarding the labeling of cosmetics. Cosmetic olive oil that contain more than 90% olive oil may be sold under the name of olive oil.

Contacts:

• Cosmetics Fair Trade Conference TEL: 03-3501-2643

5. Taxes

(1) Customs Duties

Olive oil is all duty free.

(2) Consumption Tax

CIF x 5%

6. Product Characteristics

Olive oil is a non-drying oil obtained from olives and characterized by a unique taste and aroma. It is the vegetable oil, which can be used in pressed state without going through refining process by heat treatment or chemical modification etc. along with sesame among other plants. The International Olive Oil Council (IOOC), an inter-governmental association, specifies international quality standards for olive oil, which defines it as “only that oil which is made from 100% olives.”

Olive trees naturally alternate between years of more and less abundant yield, and this results in a cycle of higher and lower olive oil production. According to IOOC, total world production has fluctuated between 2.0 million and 2.5 million tons annually. In the past, non-Italian olive oil producers would export their olive oil in bulk to Italy, where it was skillfully blended into olive oil products sold under Italian brand labels. But as Spain and Greece improve their technical capabilities, they are working to develop their own country’s brand names, and they are relying less on exportation to Italy.

Olive oil is an essential ingredient in the diets of the Mediterranean peoples. In Japan it has long been used as a pharmaceutical, to protect the skin, and as a cosmetic, for washing the skin. The boom in the popularity of Mediterranean cuisine has brought about a sharp increase in demand for human consumption. The various types of olive oil can be characterized as shown below.

<Edible olive oil>

Compared with other vegetable oils, olive oil is more resistant to oxidation. It also contains oleic acid, which is effective in lowering cholesterol, and anti-oxidants, which are useful in the prevention of aging and heart disease. As a result, it has recently attracted attention as a healthy oil for human consumption.

Edible olive oil can be broadly divided into three categories based on its acidity and whether or not it has been refined: 1) virgin olive oil; 2) refined olive oil; and 3) olive oil. Virgin oil that is pressed without refining is considered to be of the highest quality because of its rich taste and aroma. The third category of olive oil is sometimes referred to as “pure oil” in industry circles.

1) Virgin olive oil

Oil obtained from olives by a mechanical or other physical method under temperatures that do not affect the quality of the oil. The oil is transparent and may range from pale yellow to green in color. It has a unique aroma and taste. Virgin oil is further divided into “extra virgin,” “virgin,” and “ordinary virgin” varieties based on acidity and taste test results.

2) Refined olive oil

Oil from which the strong sensory stimulation and high acidity have been removed by a refining process. Virtually tasteless, odorless, and colorless.

3) Blend olive oil

A blend of virgin and refined olive oil. Transparent with hints of yellow and a mild aroma and taste. In Japan, olive oil is often used in Mediterranean cooking and pasta dishes as well as in processed foods like pasta sauces and marine foods packed in oil.

<Olive oil used in pharmaceuticals and cosmetics>

Olive oil destined for use in pharmaceuticals and cosmetics is refined, making it nearly odorless and transparent with a hint of yellow. It is listed in the Japan Pharmacopoeia and is commonly used for skin protection and moisturizing. Because it does not stimulate the skin, people with sensitive skin have long used it. It is also used to wash the bodies of bedridden individuals or of infants and elderly individuals with sensitive skin, as well as to remove make-up. Hospitals often use it as the foundation for medicinal salves.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

According to people in the industry, before 1994, when olive oil imports totaled only 5,000-6,000 tons per year, most demand was for commercial food use (45%) or for non-food use (35%). Demand for olive oil for home use accounted for only about 20% of the total. Growth in the olive oil market in recent years has been spurred primarily by soaring demand for household use. By the time household use accounted for about 60% of total demand, while commercial food use accounted for 30% and non-food use just 10%.

<Edible olive oil>

The edible olive oil market grew at a rapid pace from 1996 through 1998, then contracted suddenly in 1999 only to turn upward again in 2000. During that time fad-driven consumption disappeared, and little-known brands fell by the wayside as demand returned to normal levels. Today’s market is characterized by increasing polarization between upscale product consumers and those who want affordable products. The former are particular about product differences and want organic extra virgin olive oil, or special extra virgin olive oil from a specific locale, or fresh and fruity olive oil made only from hand-picked olives. The latter are health-conscious consumers who want a good price for olive oil with no unusual characteristics.

At present, the best-selling varieties are upscale products from Italy and relatively inexpensive brands from Spain. Because of olive oil’s strong Mediterranean image, products from other regions, such as France and the United States, face an uphill battle in the Japanese market. There is only a ¥100 price differential between the mass market products virgin olive oil and pure olive oil, and more and more home users are now choosing virgin olive oil. Commercial users still use olive oil only infrequently, and this is an area of expected future market growth.

<Olive oil used in pharmaceuticals and cosmetics>

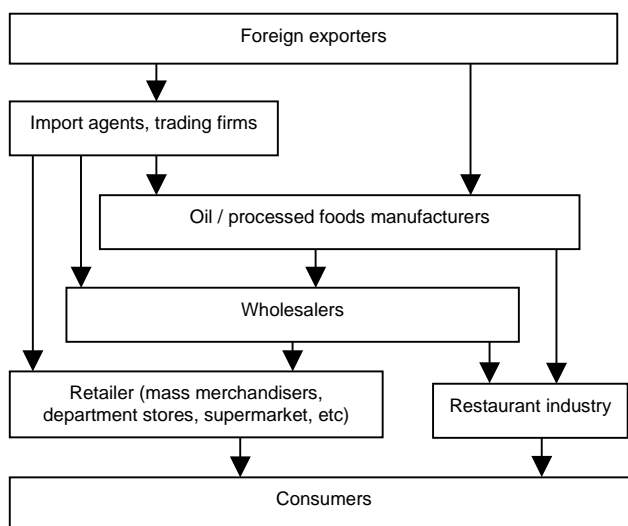
There is stable medical demand for olive oil. Recently, demand for olive oil as a cosmetic for daily skin care has increased, reflecting consumer orientations toward health and nature. Unlike edible products, the country of origin does not influence consumption of olive oil-based cosmetics. However, some manufacturers attempt to differentiate their products by emphasizing the fact that they use only the highest-grade oil from certain producing regions.

(2) Distribution Channels

<Edible olive oil>

There are two main forms of import for edible olive oil: 1) bottled and canned varieties designed for household and restaurant use; and 2) products packaged in drums or other large containers for use as raw materials in the manufacture of other products. Some of the products imported in large containers are re-packaged in small containers for resale after being treated and blended at local oil manufacturers. During 2001 a number of leading department stores and supermarkets held Italy fair events in conjunction with “Italy in Japan 2001.” More and more of these retailers are now making olive oil a standard part of their product line.

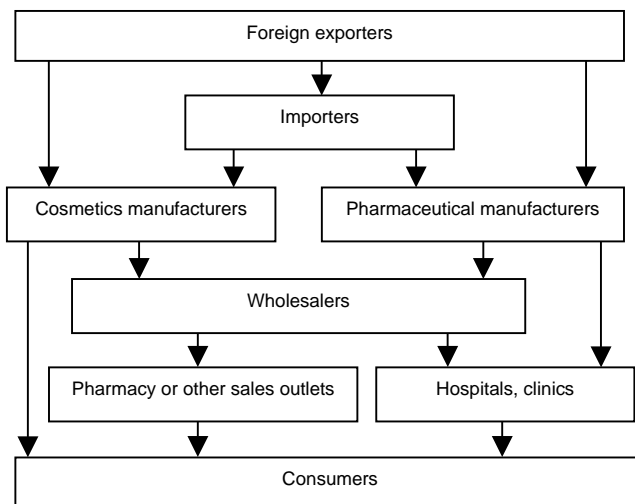
Fig. 5 Distribution channels for edible olive oil



<Olive oil used in pharmaceuticals and cosmetics>

Olive oil used in pharmaceuticals and cosmetics is almost always manufactured in Japan using imported raw materials. Some cosmetics manufacturers have promoted their use of olive oil in TV commercials, and others have embarked on mail-order sales of these products.

Fig. 6 Distribution channels for olive oil used in pharmaceuticals and cosmetics



(3) Key Considerations for entering the Japanese Market

In Japan, consumers have increasingly accepted edible olive oil for several years. Demand is growing very rapidly, prompting many trading firms to start imports from overseas suppliers, resulting in severer competition in the market. The new entries into the market may face fierce competition. Imports of olive oil for use in pharmaceuticals and cosmetics are subject to procedures under the Pharmaceutical Affairs Law. The implementation of the Product Liability Law requires importers to take responsibility for eventual damage or injury caused by imported products. Careful quality control is essential.

8. After-Sales Service

Generally speaking, after-sales service will not be required in the case of olive oil used as food. On the other hand, manufacturers and importers have to take quick action in the case of olive oil for use in pharmaceuticals and cosmetics and if problems such as damage or injury arise. Responsibilities include notifying the Ministry of Health, Labour and Welfare of problems, surveying their cause and measures for improvement.

9. Related Product Categories

Vegetable oils and processed foods using edible olive oil can be categorized as olive oil related products. These products are subject to standards and labeling procedures under the Food Sanitation Law. When they are sold in the market, they are subject to the Food Sanitation Law, the JAS Law and the Measurement Law.

10. Direct Imports by Individuals

There are no legal restrictions on direct imports by individuals. When olive oil is imported in small quantity for direct use by individuals and not marketed to other consumers, it is exempt from regulations under the Food Sanitation Law.

11. Related Organizations

- The Japan Oil and Fat Importers & Exporters Association TEL: 03-3662-9821
- Japan Oilseed Processors Association TEL: 03-3271-2705 <http://www.oil.or.jp>
- International Olive Oil Council TEL: 03-3267-1731