

WANDS REVIEW

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Q1
2018/19

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Special feature 2017/2018 Japan Wine Market

Recovery in-premise demand sluggish.
Sales volume same level as 2016.
Import volume up due to last-minute rush before price increase.

2017 Wine Market Analysis

Wine sales in 2017 progressed relatively steadily until May. After the revised Liquor Tax Law came into force on 1 June, sales deteriorated rapidly, and this trend continued until August.

The gist of the revised Liquor Tax Law is as follows: 'Liquor suppliers are not allowed to continue selling liquors at a price below total sales cost without any justifiable reason.' Total sales cost had previously referred to the buying price and the freight costs, but the new Liquor Tax Law requires labour costs and advertising costs to be included. In short, the revised law is meant to prevent liquors from being sold at a bargain price.

Before the amendment, stores could ensure profit despite the discount sales, by receiving rebates from manufacturers and wholesalers. With the revised Liquor Tax Law and curtailment in rebates, the only option for stores was to raise the selling price in order to secure their profit.

Bargain days on weekends or on specified days have also been regulated. At the time the revised law came into effect, reports focused exclusively on the price increase for beer. However, the elimination of bargain days for liquor was also significant, because wines had sold well thanks to the bargain days.

The last-minute surge in demand for certain wines before the new law came into effect on 1 June resulted in a standstill in orders afterwards. This was another reason for the slack in sales during summer.

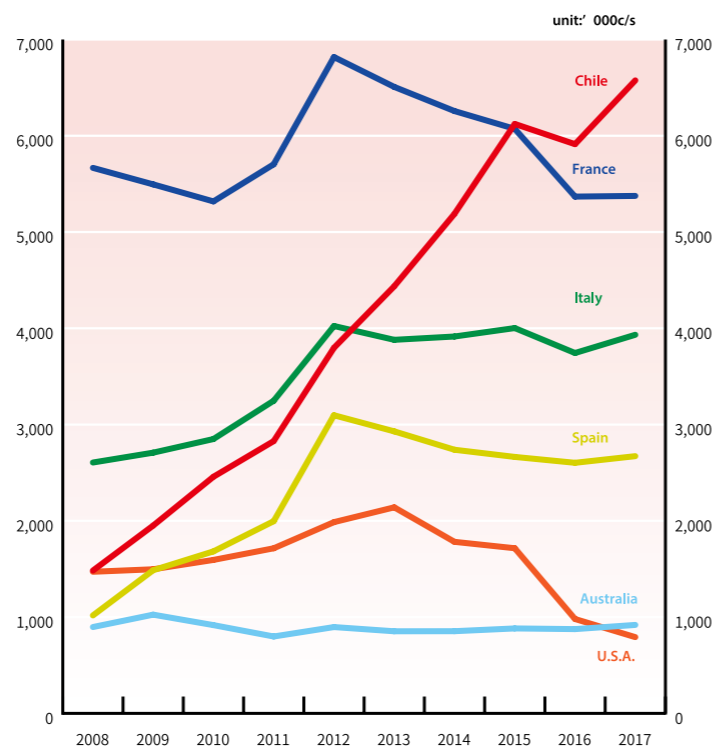
In September, wine demand seemed to recover. However, it declined again over autumn, until the end of the year. Import volume of Beaujolais Nouveau decreased, and sparkling wine sales were less than stellar at year-end.

Meanwhile, light users have been shifting from wine to

highballs, RTD products and craft beer.

According to the findings of a survey by Suntory, '70% of wine consumers are over 50 years old, and this tendency seems to be expanding.' On the other hand, a Sapporo Beer survey reported that 'the drinking distribution ratio of the young generation from 20 to 30 years old in 2017 was 12%, a 2% decrease from the previous year'. Wine consumption among existing customers continues to grow, while there has been no increase in the number of new customers. It can be

Import Volume Trends for Top 6 Imported Wine Countries



TAX PAYMENT VOLUME Q4 Oct.-Dec.2017/Full Year Jan.-Dec.2017

Domestic		unit: kilolitre				
CATEGORY/ITEM	Q4 '16	Q4 '17	% change	FY '16	FY '17	% change
Sake	191,498	192,584	+0.6	539,678	532,862	-1.3
Synthetic Sake	9,206	9,038	-1.8	31,781	30,325	-4.6
Shochu type A	93,617	92,884	-0.8	340,679	336,623	-1.2
Shochu Type B	141,270	138,124	-2.2	479,865	471,513	-1.7
Mirin	31,899	32,658	+2.4	104,076	104,475	+0.4
Regular Beer	753,665	724,390	-3.9	2,686,925	2,611,141	-2.8
Fruit Wine	34,945	35,362	+1.2	112,112	117,954	+5.2
Sweetened Fruit Wine	1,247	1,252	+0.3	4,297	3,894	-9.4
Whisky	36,866	39,212	+6.4	126,536	139,196	+10.0
Brandy	1,115	1,101	-1.2	4,582	4,247	-7.3
Happoh-shu	188,272	181,837	-3.4	727,534	698,994	-3.9
Other fermented beverages	126,030	114,516	-9.1	493,310	458,656	-7.0
Spirits	147,194	161,983	+10.0	544,114	611,257	+12.3
Liqueurs	514,926	525,657	+2.1	1,965,325	2,018,028	+2.7
Powdered liquors & etc.	621	606	-2.5	1,481	1,473	-0.6
Total	2,272,373	2,251,204	-0.9	8,162,295	8,140,639	-0.3

Imported		unit: kilolitre				
CATEGORY/ITEM	Q4 '16	Q4 '17	% change	FY '16	FY '17	% change
Sake	17	15	-11.8	49	44	-10.2
Synthetic Sake	8	0	-100.0	17	12	-29.4
Shochu type A	13,394	11,917	-11.0	46,831	42,910	-8.4
Shochu Type B	150	100	-33.3	459	451	-1.7
Mirin	476	355	-25.4	1,715	1,712	-0.2
Regular Beer	6,206	6,092	-1.8	29,373	29,398	+0.1
Fruit Wine	68,458	70,813	+3.4	252,532	258,632	+2.4
Sweetened Fruit Wine	1,029	964	-6.3	3,535	3,466	-2.0
Whisky	5,858	6,614	+12.9	22,798	23,540	+3.3
Brandy	319	347	+8.8	1,320	1,272	-3.6
Happoh-shu	1,367	1,233	-9.8	5,720	5,243	-8.3
Other fermented beverages	1,591	1,576	-0.9	5,463	5,545	+1.5
Spirits	3,068	3,527	+15.0	11,583	12,278	+6.0
Liqueurs	60,617	59,732	-1.5	218,551	217,484	-0.5
Powdered liquors & etc.	0	0	-	1	1	+0.0
Total	162,564	163,281	+0.4	599,945	601,984	+0.3

Domestic & Imported Combined		unit: kilolitre				
CATEGORY/ITEM	Q4 '16	Q4 '17	% change	FY '16	FY '17	% change
Sake	191,515	192,599	+0.6	539,727	532,906	-1.3
Synthetic Sake	9,214	9,038	-1.9	31,798	30,337	-4.6
Shochu type A	107,011	104,801	-2.1	387,510	379,533	-2.1
Shochu Type B	141,420	138,224	-2.3	480,324	471,964	-1.7
Mirin	32,375	33,013	+2.0	105,791	106,187	+0.4
Regular Beer	759,871	730,482	-3.9	2,716,298	2,640,539	-2.8
Fruit Wine	103,403	106,175	+2.7	364,644	376,586	+3.3
Sweetened Fruit Wine	2,276	2,216	-2.7	7,832	7,360	-6.0
Whisky	42,724	45,826	+7.3	149,334	162,736	+9.0
Brandy	1,434	1,448	+1.0	5,902	5,519	-6.5
Happoh-shu	189,639	183,070	-3.5	733,254	704,237	-4.0
Other fermented beverages	127,621	116,092	-9.0	498,773	464,201	-6.9
Spirits	150,262	165,510	+10.1	555,697	623,535	+12.2
Liqueurs	575,543	585,389	+1.7	2,183,876	2,235,512	+2.4
Powdered liquors & etc.	621	606	-2.5	1,482	1,474	-0.6
Total	2,434,937	2,414,485	-0.8	8,762,240	8,742,623	-0.2

Source : National Tax Administration Agency
Note : Shochu type A :Shochu distilled by continuous still Shochu type B :Shochu distilled by pot still
*Powdered liquors & etc.' includes Miscellaneous Liquors A.I. : All Increase A.D. : All Decrease

SHIPPING VOLUME BY DOMESTIC MANUFACTURERS Q1 Jan.-Mar. 2018

Western-style Liquor, Liqueur & Other Miscellaneous Liquors		unit: litre		
CATEGORY	Q1 '18	% change	Jan.- '18	% change
Whisky	31,555,792	+12.9		
Brandy	695,952	-9.3		
Gin	270,409	+1.5		
Vodka	273,664	-2.0		
Rum	293,273	-5.7		
Others	127,267,409	+10.9		
Total of white spirits	128,104,755	+10.8		
Sweetened fruit wine	737,227	-4.8		
Authentic' liqueur	312,777	+13.7		
Medicinal liquor	1,241,534	-29.7		
Ume-shu (Japanese plum liqueur)	8,075,066	-4.3		
Cocktails, Chu-hi, etc	422,102,400	+8.5		
Others	2,025,078	+6.0		
Total of liqueurs	433,756,855	+8.1		
Miscellaneous liquor	192,740	-5.2		
Grand Total	595,043,321	+8.8		

Source: Japan Spirits & Liqueurs Makers Association

Beer Q4 Oct.-Dec.2017/Full Year Jan.-Dec.2017

Beer		unit: kilolitre			
CATEGORY	Q4 '17	% change	FY '17	% change	
Regular beer	718,977	-3.9	2,590,111	-2.9	
Happoh-shu	181,031	-3.6	696,172	-4.0	
Beer-taste drinks	471,257	-1.7	1,829,320	-1.5	
Subtotal	1,371,265	-3.9	5,115,603	-2.6	

Source: Breweries Association of Japan

Notes on tax payment volume statistics

Tax payment on domestic liquors indicates shipping volume from manufacturers to wholesales every month, at which time the competent tax office imposes liquor tax on it in line with the volume. Products for export, and products shipped to other manufacturers as a raw material for producing different types of alcoholic beverages, are not taxed. So these figures are regarded as statistics that reflect the actual consumer sales situation reasonably closely. However, the figures sometimes move irregularly in ways unrelated to consumer off-take, for example when a leading manufacturer launches a new large-scale product.

Tax payment on imported liquor indicates the volume of products on which the tax and duty have been paid and are withdrawn from bonded warehouses. Bulk products, which are transferred into domestic manufacturers' bonded factories for use as a raw material are excluded from these tax payment volume figures.

All statistics have been rounded off resulting in minor anomalies.