

# Imports of Special Forest Products in Bloom

By Hayden Stewart & Keith Blatner

A man walks through the forest somewhere along Oregon's Cascade mountain range in the northwestern United States. He discovers a patch of mushrooms and records his location. He then returns to his company or some other meeting point. The man and a team of colleagues will later return and collect the mushrooms. Their bounty may be worth several thousand dollars and will reach consumers around the world, including Japan.

This scene is becoming commonplace in the U.S., Canada, Asia, Russia and other regions. People around the world routinely wander forests in search of special forest products—a broad category of natural resources which includes edible mushrooms, floral greens, seeds, roots, grasses, berries, bark and mosses. Some of the goods are sold domestically. Others are gathered primarily for export to Japan and other countries.

Forests around the world have long supplied Japan with their bounty, especially logs, lumber and engineered wood products. According to Japan's Ministry of Agriculture, Forestry and Fisheries, overseas forests supply 75% of Japan's wood.

Imports of special forest products will probably never equal wood products in terms of their sales volume or value. Nonetheless, edible mushrooms, berries, floral greens and other products are catching the attention of numerous overseas companies and government officials who are eager to promote trade with Japan and create jobs in rural areas.

Suppliers of mushrooms in North Korea, South Korea, China, the United States, Canada and other countries are focusing on Japan's market for *matsutake*, a brown-colored specie of mushroom. One businessman reports that he and others are excited by the size of Japan's market and the "insane prices" which consumers pay for matsutake.

Matsutake comprises a valuable mar-

ket in Japan because it is not only a highly prized food, but an integral part of the local culture. People prepare this mushroom in numerous ways, such as grilling it outdoors, placing it in soups, or cooking it with rice. However, its taste is secondary to its smell. Elizabeth Andoh, a U.S. journalist in Tokyo and author of *At Home With Japanese Cooking*, reported in an interview with *The Wall Street Journal* that matsutake gets the saliva flowing and stimulates the appetite. "Other mushrooms smell more like the earth—matsutake smell more like foliage in the woods."

Matsutake grows in the wild on three of Japan's five major islands, including Honshu, Shikoku, and Kyushu. It does not grow in Hokkaido or Okinawa. And it cannot be cultivated by farmers.

Although Japanese value matsutake as a culturally significant food, they rely on foreign businesses to supply them with it. Explains Natsui Hiroshi, who is a special trade advisor with the state of Oregon on Japanese affairs, domestic production is too small to satisfy demand. "Japanese vendors are compelled to look overseas for matsutake," he says. Natsui backs up his claim with statistics. According to him, imports collectively account for 70% of matsutake sales in Japan.

Matthew Briggs is president of one major wild mushroom supplier in the Pacific Northwest, Cascade Mushroom Company. His firm exports a few metric tons of matsutake to Japan every year. It is a profitable business for Cascade Mushroom Co., but not an easy one. "The Japanese are cautious," he says. "They demand a particular quality of mushroom and style of packaging. Breaking into their market can be hard."

Natsui agrees with Briggs' analysis. Says he, consumers in Japan believe that domestic matsutake are superior to imports. This belief and a few other factors benefit suppliers from China and North Korea who currently domi-

nate the market.

Harvesting schedules are one of the greatest advantages of Asian suppliers. Japanese begin to collect matsutake in the northern prefecture of Iwate in August and conclude their hunt at the southern tip of Japan in October. North Korean and Chinese matsutake are collected in July and are therefore available before the Japanese mushroom. By contrast, the season in North America overlaps Japan's collection season. Teams first enter the forest to hunt for matsutake in August in British Columbia, Canada and terminate their hunt in October in Oregon, U.S.A.

The quality of Asian matsutake is also considered superior to the quality of North American species. In particular, Natsui reports that matsutake found in North Korea and China are nearly identical to Japanese varieties, whereas U.S. and Canadian species are a little different. The scientific name for North American-grown matsutake is *tricholoma magnivelare*. Not only is it whiter in color than Japan's native matsutake, but it is weaker in smell. The scientific name for Japan's native specie is *tricholoma matsutake*.

Problems related to harvesting schedules and biological discrepancies notwithstanding, North American firms like Cascade Mushroom Company and others have done well in Japan. "The reason is that demand continues to outweigh supply," says president Briggs. Asian suppliers have little impact on the volume of exports from other parts of the world, Briggs believes; rather, their effect is primarily in terms of price. "The Asians are price-setters," Briggs states. "We are price-takers."

Regardless of who sets the level, matsutake prices are high enough to excite foreign businessmen about the Japanese market. Prices vary widely, but consumers will typically pay several hundred dollars for a pound of top-quality matsutake. Even a thin slice of a minimum quality specimen sells for as

much as a dollar.

Prices for matsutake have all fallen in recent years, to be sure. According to Briggs, Japan's slow rate of economic growth over the past several years could be responsible. "Prices are not low," he laughs. "Just a little saner."

Price and quality are correlated, of course. Cascade Mushroom Co. divides its mushrooms into seven grades. Top-quality matsutake are often sold as gifts through mail order firms. Or they might go to sushi makers. Low-grade varieties are often used by makers of box lunches (*bento*).

Understanding how the Japanese perceive the quality of a matsutake is a problem common among Western suppliers, reports Natsui. These perceptions are based on differences in a number of variables, the interrelationships of which can be complicated. Important factors include size, shape, age and the smell of a matsutake. For instance, a large-sized mushroom will probably

sell for less than a mid-size one. Natsui explains that big matsutake tend to have a weaker smell than small ones.

The complicated nature of measuring quality largely explains why Japanese are cautious about importing matsutake. Briggs has spent several years in the business and now claims to understand it. But he still makes allowances for his Japanese customers—if they do not like a particular shipment, they do not have to pay for it.

"It's a tough business," remarks Briggs. "We learn to work with the Japanese. It becomes a kind of partnership."

If they want to sell in Japan, foreign matsutake suppliers have many resources at their disposal, Briggs recalls learning about the size and significance of Japan's market. "After we decided to sell there," he says. "We consulted with people in the timber industry, government workers, and elsewhere."

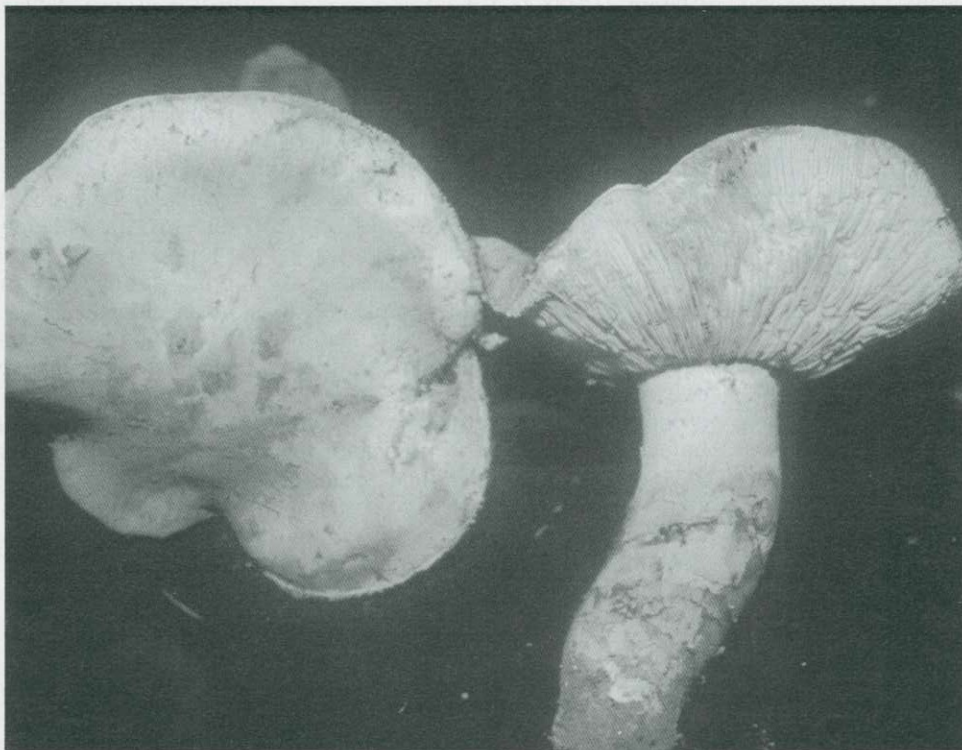
Japanese buyers and wholesalers now knock on Briggs' door. "Last summer alone, we had between 10 to 15 inquiries."

Other venders of matsutake tell a similar story. Arly Smith is president of Smith's Forest Fresh Products in the U.S. He does not regularly export to Japan, only on occasion. "We sell fish, grains, rice, tomatoes, mushrooms and numerous other products. Therefore, I know several brokers from Europe, Japan and other countries," he explains. "They occasionally ask me to supply them with a particular product."

## Floral greens and Christmas ornaments

Alongside suppliers of matsutake, exporters of floral greens and Christmas ornaments are focusing their attention on Japan.

Flower shops use floral greens to accent and complement flower arrange-



Canadian and U.S. business people are exporting *tricholoma magnivelare* as a substitute for domestic matsutake. The foreign mushroom looks a little whiter and smells a little weaker than Japan's native matsutake, but sales are nonetheless brisk.

ments. These products include bear-grass, pachistima, western sword fern, baby's breath and others. Christmas ornaments are used to manufacture wreaths, door charms and swags.

Floral greens are shipped to Japan from numerous places around the world, including the Pacific Northwest and British Columbia. In many cases, these special forest products do not grow in Japan.

Lenny Morris is one supplier of these products in Washington. Europe is his largest export market. Japan is a close second.

Morris' exports to Japan include various products for use in floral bouquets and the salal shrub. According to Morris, the salal is an integral part of food decorations at some types of restaurants. And it does not grow in Japan; rather, importers monopolize the market.

Sales of Christmas ornaments to Japan are smaller than exports of these same products to Europe, but Morris is upbeat about his company's future shipments of Christmas ornaments to Japan. Says he, "As Japanese become increasingly Westernized, their demand for Christmas ornaments continues to grow."

Unlike Matthew Briggs, who sells matsutake in Japan through contacts in business and government, Morris's company "put out a flyer on the Worldwide Web." Says he, "several people in Japan picked it up."

The method of selling to Japan varies from company to company, but a few differences between exports of matsutake and floral greens are clear. One discrepancy is how they address issues of quality. While Japanese tend to compare foreign matsutake with domestic varieties, this approach is not possible for floral greens which do not grow in Japan. One might believe that this difference makes selling floral greens in Japan easier than exporting matsutake to the country, but Morris does not agree. He says, the Japanese sometimes demand large volumes of high-quality products that are similar in color and shape. However, floral greens including matsutake are gathered in the wild so

their shape and color are random by nature.

Government regulations are another reason why selling floral greens in Japan is not necessarily easier than exporting matsutake to the country, believes Morris. "Getting floral greens through customs can be hard," he says. "We are required to fumigate our products. But Japanese officials will sometimes require importers to fumigate our products a second time at ports of entry."

By contrast, Cascade Mushroom Co. has never had such problems, even though mushrooms carry unwelcome insects as often as floral greens. "When there is a commodity that they really want," surmises Briggs, "the Japanese do not make such problems."

## Medicinals

Japan's market for Oriental medicines (*kampo*) is also attracting businesspeople from around the world, including Lone Star Growers of San Antonio, Texas, U.S.A.

Whether processed as a powder, pill liquid, or cream, special forest products are a fundamental ingredient of Oriental medicines. *Gandonerma lucidum* is a case in point. Japanese and other Asians believe that this red mushroom cures inflammatory illnesses, insomnia, and attacks on the immune system.

Paul Lewis is a former import-export specialist with the Texas Department of Agriculture and current employee of Lone Star Growers. He reports that his company invested over half a million dollars to build a state-of-the-art facility for cultivating *gandonerma lucidum*. In fact, Lone Star was the first company in North America to develop a means of growing the mushroom in large volumes in a greenhouse.

Within a short time, the firm began to manufacture Oriental medicine from the mushrooms. "The products are as good as similar Japanese medicines," says Lewis. "Our customers were pleased with it."

Although the company successfully met the quality demands of Japanese consumers, it has suspended its effort to sell in Japan. "Non-tariff trade barriers

were responsible," Lewis remarks. "The government and a local industry association erected obstacles, such as testing procedures and packaging requirements. These regulations are unlike requirements elsewhere in the world."

Despite the setback regulations dealt, Lone Star Growers did benefit from its effort to sell oriental medicine in Japan. The same product is selling well in Hong Kong, South Korea, and even in the U.S. itself. In the future, Lewis might even take a second look at Japan. "If someone can convince me that it would not be a waste of time," he says. "I would like to."

Pundits agree that the experience of Lone Star Growers is a valuable lesson for would-be exporters to Japan. They should not invest a lot of money before examining the regulatory environment for their product.

Although problems of quality and government regulations might frustrate foreign suppliers of edible mushrooms, floral greens, Christmas ornaments, medicinals and other products, government officials and business people believe that exporting special forest products is a growing business and a valuable complement to rural economies.

In addition to the numerous products that are already being shipped to Japan, there are many other special forest products for which markets could still be developed.

Special forest products are also bringing jobs and money to rural towns. U.S. government reports state that approximately 25% of the people who collect special forest product are either unemployed or low-income workers.

Not only do foreign governments routinely promote promising exports from their country to Japan, but sales of special forest products in Japan also make social sense. ■

Hayden Stewart is a writer/researcher on international business and economics.

Keith Blatner is a professor of Natural Resource Sciences at Washington State University, U.S.A.