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Japan

Citrus Annual

A Weaker Yen Dampens Citrus Import Forecast for 2015

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Report Highlights:
Japanese production, consumption and imports of mandarins are forecast to decline further in MY 2014/15, as farmers continue to exit and consumers substitute other fruits and sweets for mandarins. However, increased access to the U.S. market could improve Japanese mandarin export prospects in MY 2015/16. While overall numbers remain small, increased Japanese lemon production reveals underlying consumer preferences and shifts within Japanese citrus production. The impacts of citrus greening disease in Florida, tight global fresh orange supplies, a weaker yen and increased competition from substitutable products for Japanese consumer dollars should drive grapefruit, orange, and orange juice imports lower in MY2014/15.

Tangerines/Mandarins

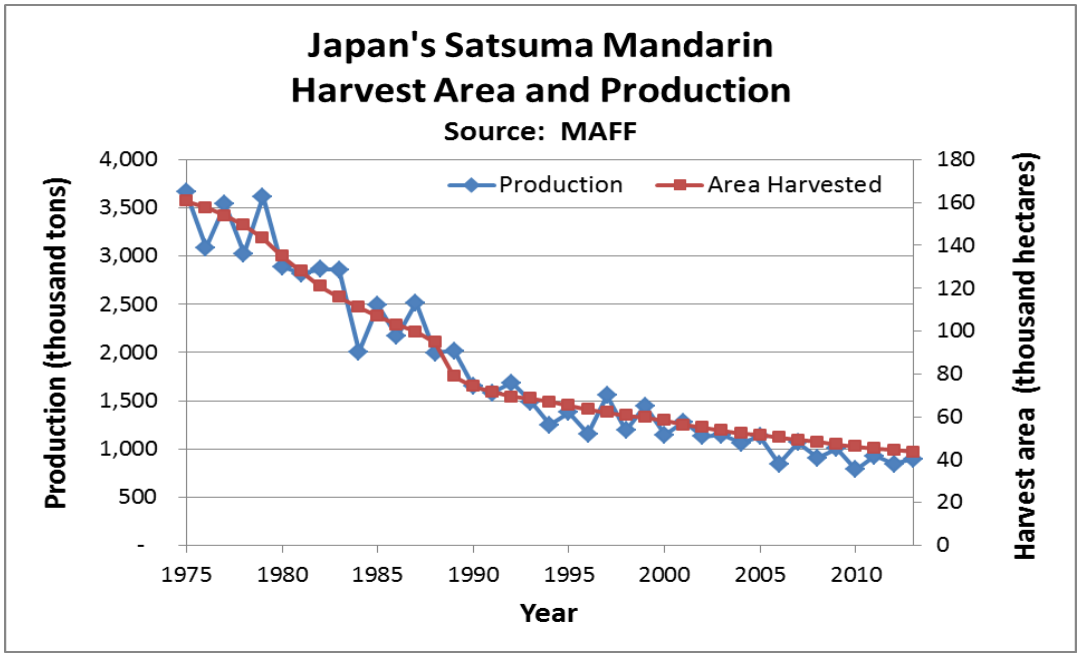
PS&D table:

Tangerines/Mandarins, Fresh Japan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	47,200	47,200	46,500	46,300		46,000
Area Harvested	44,600	44,600	44,200	43,700		43,000
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total No. Of Trees*	0	0	0	0		0
Production	846	846	930	896		890
Imports	17	17	20	10		15
Total Supply	863	863	950	906		905
Exports	2	2	3	3		3
Fresh Dom. Consumption	780	780	829	813		812
For Processing	81	81	118	90		90
Total Distribution	863	863	950	906		905
HECTARES, 1000 TREES, 1000 MT						

** Estimate of number of trees was discontinued due to lack of statistics*

Production

Since hitting its peak of 3.7 million metric tons (MT) in 1975, Japan's production of fresh Satsuma mandarins, also known as "Unshu mikan" or "Unshu orange", has been in in a state of general decline, reaching 895,900 MT in 2013, less than one fourth of its peak volume as shown in the graph and table below. During the last decade alone, production volume shrank by 25 percent and acreage by nearly 20 percent. The main reasons for this decline include: steady exiting of older farmers, high input costs, decreasing consumption and increased availability of other fruits, including imports.



Japan's Satsuma Mandarin Production*

Year	Area Harvested (ha)	Production (MT)	Yield (MT/ha)	Price (yen/kg)
2004	52,300	1,060,000	20.27	193
2005	51,500	1,132,000	21.98	148
2006	50,300	841,900	16.74	265
2007	49,300	1,066,000	21.62	164
2008	48,300	906,100	18.76	209
2009	47,000	1,003,000	21.34	153
2010	46,100	786,000	17.05	247
2011	45,300	928,200	20.49	199
2012	44,600	846,300	18.98	203
2013	43,700	895,900	20.50	208

Source: Ministry of Agriculture, Forestry and Fisheries (MAFF)
*Note: Price shown is average wholesale price between September and March. 2013 data is preliminary.

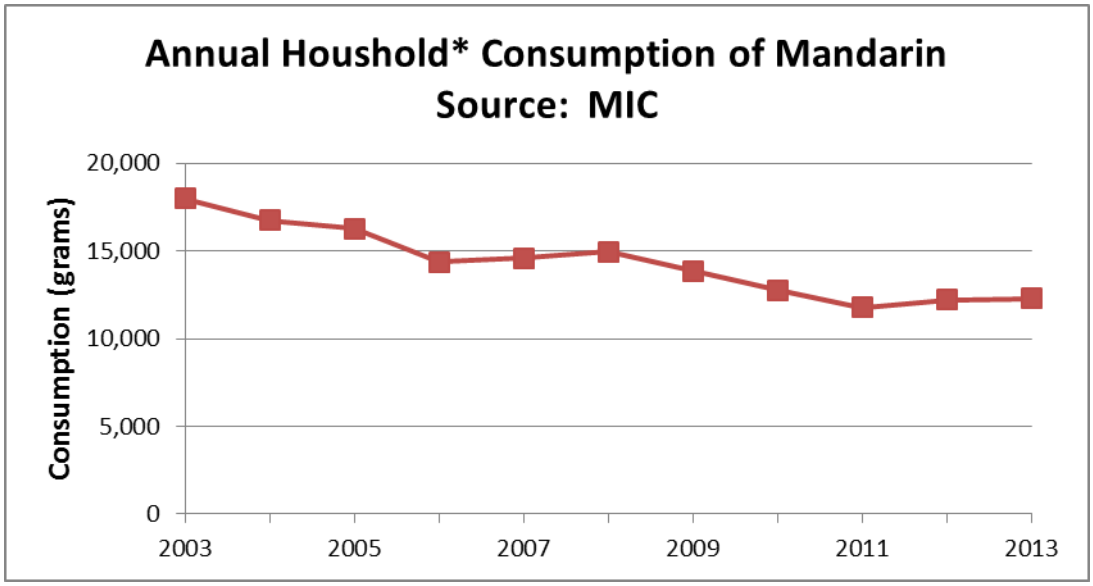
Post estimates that Japanese production of fresh mandarins in MY2014/15 will be 890,000 MT, similar to last season's production. Generally, mandarin trees exhibit alternating "off-" and "on-year" production cycles, meaning low and high fruit sets. However, the last several summers in Kyushu, an important producing region, have been extremely hot, which has altered this physiological cycle and shrunk the gap between "off-" and "on-year" production periods. Therefore, although MY2014/2015 will be an overall "off-year" season for Japan, this change in the Kyushu growing cycle will mitigate the impact of the off-year growing cycle on national production volumes.

Over the last 40 years, Japan's harvested area for mandarins has declined. Mandarins are often harvested on the south side of steep hills, which provide ideal growing conditions for citrus fruit. However, it is extremely hard for aging Japanese farmers to harvest in such locations as mandarins are mostly harvested by hand. Additionally, growers seeking a higher return on their investment are substituting mandarin trees with different citrus tree varieties such as lemon. These factors continue to contribute to the reduction in total mandarin acreage. Thus, Post expects the production acreage and volume of mandarins to decline further in years to come.

Consumption

According to the latest available data from the Ministry of Internal Affairs and Communications (MIC), mandarins are one of the most popular fresh fruits with Japanese consumers, representing about 15 percent of fresh fruit consumption in 2013 (please note: MIC data is always on calendar year basis). Almost 90 percent of commercially marketed mandarins in Japan are consumed as fresh, with the remainder going to juice and canned fruit production. MIC estimates Japan's annual household consumption (two or more person in a household) of fresh mandarins was 12.3 kilograms (kg) in 2013. Although consumption appears to have somewhat stabilized since 2010, this is still nearly a 32 percent decrease from 2003. During the same period, annual household consumption of all fresh fruit also dropped by 15 percent, from 97 kg to 82 kg. This rate of decline for mandarins was greater than that for fruit as a whole and could indicate that the drop in mandarin

consumption may be the result of increased availability of other fruit varieties. Another reason often cited as an underlying cause for this downward trend in mandarin consumption, and citrus consumption in general, is that Japanese consumer preferences have been shifting towards fruit that is not tart or tangy. Additionally, compared to older consumers, younger Japanese tend to eat less fruit which requires peeling. The Japanese industry has been trying to encourage consumers, particularly younger consumers, to purchase more mandarins by introducing ready-to-eat mandarin products such as cut fruit and jelly-fruit cups.



*Note: "Household" consists of two or more person in one household.

Trade (Imports)

Japan: Imports of fresh mandarins

Marketing year: October-September / Quantity in metric tons

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
World	10,799	21,406	20,313	16,820	10,390
United States	9,128	17,650	16,635	12,351	7,550
Market share:	85%	82%	82%	73%	73%
Australia	962	2,276	2,097	2,389	1,711
New Zealand	328	866	980	601	624
Chile	282	513	261	67	0
Taiwan	97	102	91	94	72
Israel	0	0	249	1,318	432

Source: Global Trade Atlas

In MY2013/14, total Japanese mandarin imports dropped by 40 percent from the previous season to 10,390 MT and accounted for 1.2 percent of total domestic tangerine/mandarin consumption. A

significant portion of this drop was due to a decline in imports of U.S. tangerines caused by higher fruit prices, which were exacerbated by the weakened yen to the dollar. In addition, the extreme cold weather during the California harvest season significantly decreased U.S. production. Shipping mainly Minneola tangelos from California and Arizona, the United States remains by far the largest supplier of tangerines to Japan, accounting for 73 percent of total imports last season. Although Japanese traders report that U.S. Minneola tangelos have gained a good reputation among Japanese consumers as a high quality fruit which are easy to peel (similar to Japanese mandarins), Post believes that this product will need significant marketing efforts in order to leap out of the niche product category in the highly competitive Japanese citrus market.

During MY2013/14, Australia supplied 1,711 MT of Murcott mandarins to Japan. Similar to U.S. Minneola tangelos, Australian Murcott mandarins are also known for their high quality and are attaining acceptance with a segment of Japanese consumers who are inclined to try new import varieties. Traders report that over the last few years, Australian citrus growers have been actively promoting sales of Australian Murcott and other Australian citrus products in Japan.

For MY2014/15, Post anticipates Japanese imports of fresh mandarins to increase to 15,000 MT, similar to MY2012/13 levels.

Trade (Exports)

Japan: Exports of fresh mandarins

Marketing year: October-September / Quantity in metric tons

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
World	2,819	2,216	2,577	2,545	2,998
United States	103	56	0	0	0
Market share:	*4%*	*3%*	*0%*	*0%*	*0%*
Canada	2,065	1,648	2,165	1,984	2,258
Taiwan	215	190	158	175	276
Hong Kong	254	205	129	219	224
Singapore	99	58	59	66	108
New Zealand	47	32	18	37	52
All other	140	84	47	64	79

Source: Global Trade Atlas

Japanese exports of tangerines are fairly small. In MY2013/14, Japan exported 2,998 MT of mandarins to the world, an increase of 18 percent from the previous year. The majority of Japanese exports, 2,258 MT, were shipped to Canada. The rest were destined for Asian countries.

Effective November 26, 2014, the United States removed certain restrictions on mandarin imports from Japan. The major changes are 1) removing requirements for fruit to be grown in specified canker-free export areas with buffer zones, and 2) removing requirements for joint inspection in groves and packinghouses by MAFF and the Animal and Plant Health Inspection Service. For further information, see https://www.federalregister.gov/articles/2014/10/27/2014-25469/importation-of-fresh-unshu-

oranges-from-japan-into-the-united-states.

These changes will make import regulations for mandarins from Japan consistent with U.S. domestic regulations for the interstate movement of citrus fruit from areas quarantined due to citrus canker. However, despite these regulatory changes, Post predicts the impact on 2014/15 Japanese exports to the United States will be minimal. Since Japan's peak harvest period is November and December, Japanese growers should begin to realize the benefits of this expanded market access in the 2015/16 marketing year.

Prices

Japan: Fresh "Unshu mikan" Prices - Wholesale, Retail

Wholesale Prices*		Retail Prices**	
2013/14	*(Yen/kg)*	2013/14	*(Yen/kg)*
October	180	October	507
November	213	November	483
December	218	December	495
January	182	January	544
February	209	February	540
March	235	March	593
April	….	April	….
May	….	May	….
June	….	June	….
July	….	July	….
August	….	August	….
September	262	September	667
Source: MAFF		*Source: MIC*	

** Wholesale prices are average wholesale prices at the major wholesale markets. (Seikabutsu Ryutsu Tokei)*
*** Retail prices are average retail prices in the Metro Tokyo area.*

Policy

The Japan-Mexico Economic Partnership Agreement (EPA) has been in effect since April 1, 2005. Mexican mandarins were excluded from tariff reductions under the EPA. All imported mandarins face a 17 percent tariff rate.

Import Duties

Japan: Import Duties 2014

Tariff Code (HS)	Description	Duty Rate (%)*
0805.20-000	Fresh Mandarins (including tangerines), Clementines, Wilkings, and similar citrus hybrid	17%

Source: Japan's Customs Tariff Schedules for 2014
** all duties are charged on a CIF basis*

Grapefruit

PS&D Table:

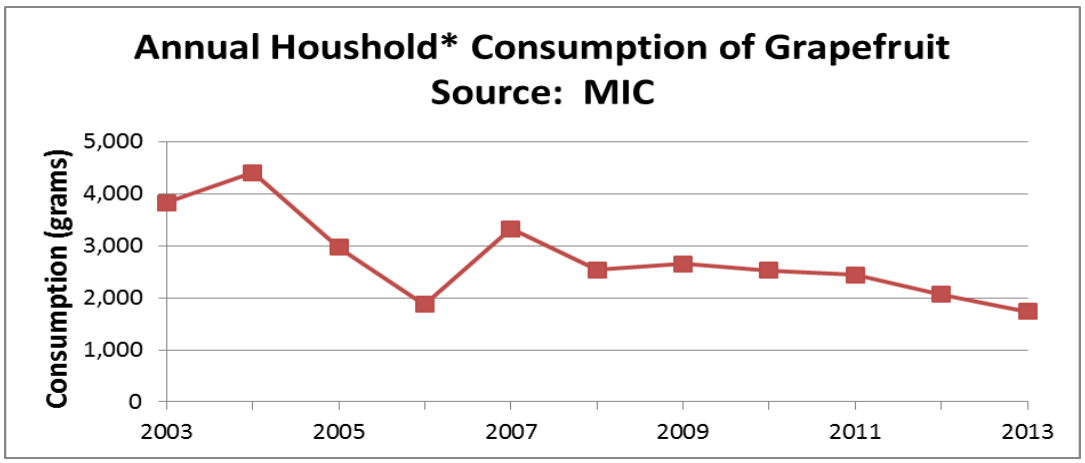
Grapefruit, Fresh Japan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total No. Of Trees	0	0	0	0		0
Production	0	0	0	0		0
Imports	134	134	120	111		100
Total Supply	134	134	120	111		100
Exports	0	0	0	0		0
Fresh Dom. Consumption	134	134	120	111		100
For Processing	0	0	0	0		0
Total Distribution	134	134	120	111		100
HECTARES, 1000 TREES, 1000 MT						

Production

Japan does not produce grapefruit.

Consumption

According to the latest available data from MIC, in 2013, Japanese annual consumption of grapefruit decreased 16 percent from the previous year to 1,741 grams per household. Grapefruit consumption has declined by over 40 percent since hitting its peak in 2004, when the mass media widely reported on the weight loss effect grapefruit consumption could potentially bring about. Retailers supported sales at that time by conducting numerous special promotions with point-of-sale materials. There was another spike in consumption in 2007 when the media once again focused on the positive impact of grapefruit, this time more on the benefits of grapefruit fragrance for beauty and relaxation.



*Note: “Household” consists of two or more person in one household.

Despite periodic jumps in consumption, a downward trend in overall consumption is evident. One of the underlying factors causing the continuing decline in consumption is the reported negative side-

effects of grapefruit consumption for people who take certain medications, particularly hypertension drugs. As Japan's population continues to age at an increasing rate, and the number of hypertension patients is expected to grow, Japanese grapefruit consumption may struggle in the years to come. Another reason for the decline in consumption is due to the preference of younger consumers for sweeter fruit over bitter produce. Additionally, consumers tend to prefer fruit that is easy to eat (peeling fruit is perceived as a nuisance).

Trade (Imports)

Japan: Imports of Fresh Grapefruit

Marketing year: October-September / Quantity in metric tons

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
World	167,783	167,081	149,145	133,682	111,116
United States	117,140	108,199	96,438	78,580	60,022
Market share:	*70%*	*65%*	*65%*	*59%*	*54%*
South Africa	44,612	53,793	47,748	50,457	48,113
Israel	3,824	3,492	2,850	3,120	2,646
Swaziland	2,206	888	0	0	0
Turkey	0	465	1,639	1,520	333
Mexico	0	93	42	0	0
Australia	0	90	386	0	0
All other	1	62	42	5	2

Source: Global Trade Atlas

CIF Price of Imported of Fresh Grapefruit

	Unit Value (USD/MT)				
Country	2010	2011	2012	2013	2014
United States	1,163	1,158	1,183	1,232	1,249
South Africa	913	979	1,079	800	791
Israel	1,166	1,301	1,431	1,335	1,264
Turkey	0	1,086	988	1,019	1,129

Source: Global Trade Atlas

After peaking in MY2004/05, Japanese total grapefruit imports continued on a downward trend through MY2013/14, declining by 17 percent.

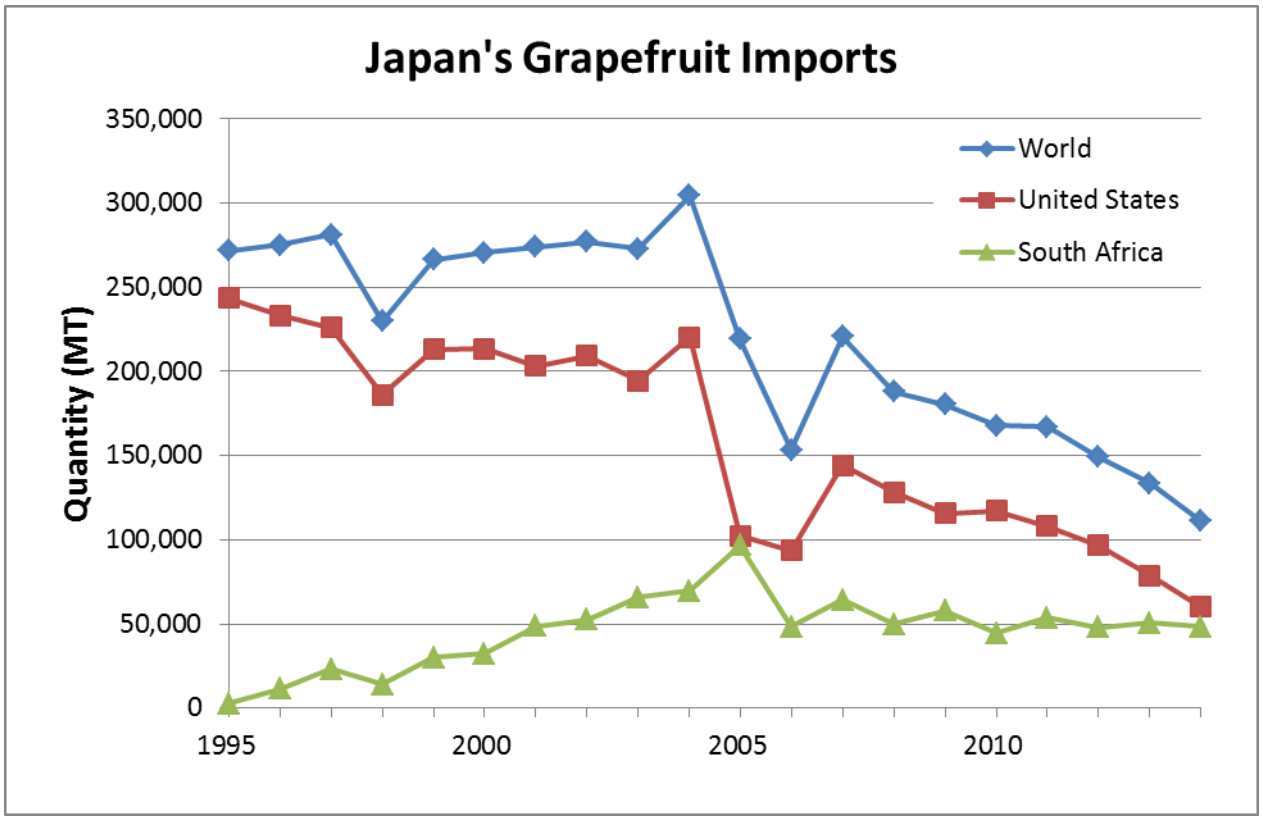
The United States is the largest supplier of fresh grapefruit to Japan, supplying 54 percent of total Japanese imports. In MY2013/14, the United States supplied 60,022 MT of grapefruit, down 24 percent from the previous year. This decline is attributed to the increase in the CIF price, exacerbated by the weakened yen to the dollar. Grapefruits from Florida account for about 90 percent of U.S. grapefruit shipments to Japan. According to the Florida Department of Citrus,

the new MY2014/15 harvest is expected to decrease by four percent due to citrus greening disease. Given this decrease in production, industry sources anticipate that MY2014/15 Japanese imports of Florida grapefruit will also decrease as tighter supplies will sustain higher price pressures.

Florida grapefruit has traditionally had a good reputation for high grade, high quality, and large fruit. However, when Japan's economy turned sluggish, importers began bringing in lower quality and grade Florida grapefruit to compete with lower priced alternatives. According to industry, although the flavor did not change, the less attractive appearance of lower grade Florida grapefruits has negatively affected consumer preferences.

California is also an important supplier of grapefruit to Japan, ensuring constant supplies between the Florida and South African grapefruit shipping seasons. California usually ships "Star Ruby" grapefruit to Japan during the spring time and "Summer Ruby" grapefruit in the fall. Japanese trade sources state that they appreciate the quality of California grapefruit and note that it provides them with steady business, particularly in May and June.

Additionally, red/ruby grapefruit variety from Texas caters to Japan during winter. Industry sources indicate that imports of Texas grapefruit may fluctuate depending on the availability of Florida grapefruit which is preferred more for its juiciness.



Source: Global Trade Atlas

South Africa is the second largest exporter of grapefruit to Japan, accounting for approximately 43 percent of Japan's total imports. In MY2013/14, Japanese imports of South African grapefruit

decreased by five percent to 48,113 MT, similar to the import volume average of the past four years. As South African grapefruit is available in Japan between June and October, before the arrival of Florida grapefruit, it does not compete directly with the vast majority of U.S. grapefruits. Industry sources anticipate that MY2014/15 imports from South Africa will be roughly equal to the MY2013/14 level.

Following the removal of Japan's import ban on Turkish grapefruit in 2010, Turkey has been shipping grapefruit to Japan for the last four seasons. During MY2013/14, Japan imported 333 MT of Turkish grapefruit, a decline of 78 percent from MY2012/13. This decline may be due to Japanese consumers who may think Turkish grapefruit lacks flavor, and as a result, Post expects imports will continue to be limited.

Given the seasonality of Japanese grapefruit imports and the dominance of Florida in the mix of imports from the United States, Post estimates that reduced Florida production and associated upward price pressures will drag total Japanese grapefruit imports down ten percent in MY2014/15 to 100,000 MT.

Prices

Japan: Fresh Grapefruit Prices - Import, Wholesale, Retail

Import CIF Prices*		**Wholesale Prices****		**Retail Prices*****	
2013/14	*(US $/KG)*	2013/14	*(Yen/KG)*	2013/14	*(Yen/KG)*
October	0.88	October	108	October	288
November	1.30	November	130	November	298
December	1.26	December	184	December	390
January	1.28	January	190	January	389
February	1.25	February	192	February	394
March	1.25	March	187	March	382
April	1.26	April	192	April	348
May	1.10	May	189	May	352
June	0.84	June	167	June	331
July	0.78	July	147	July	298
August	0.75	August	140	August	298
September	0.75	September	146	September	294
Source: GTA		*Source: MAFF*		*Source: MIC*	

** Import prices are average import CIF prices.*

*** Wholesale prices are average wholesale prices at the major wholesale markets. (Seikabutsu Ryutsu Tokei)*

**** Retail prices are average retail prices in the Metro Tokyo area.*

Policy

On April 1, 2011 Japanese duties on Mexican grapefruit were fully eliminated under the Japan-Mexico EPA.

Import Duties

Japan: Import Duties 2014

Tariff Code (HS)	Description	Duty Rate (%)*
0805.40-000	Fresh grapefruit	10%

Source: Customs Tariff Schedules of Japan

** all duties are charged on a CIF basis*

Oranges

PS&D Table:

Oranges, Fresh Japan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	500	500	470	470		460
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total No. Of Trees	0	0	0	0		0
Production	6	6	6	6		6
Imports	113	113	90	87		86
Total Supply	119	119	96	93		92
Exports	0	0	0	0		0
Fresh Dom. Consumption	119	119	96	93		92
For Processing	0	0	0	0		0
Total Distribution	119	119	96	93		92
HECTARES, 1000 TREES, 1000 MT						

Production

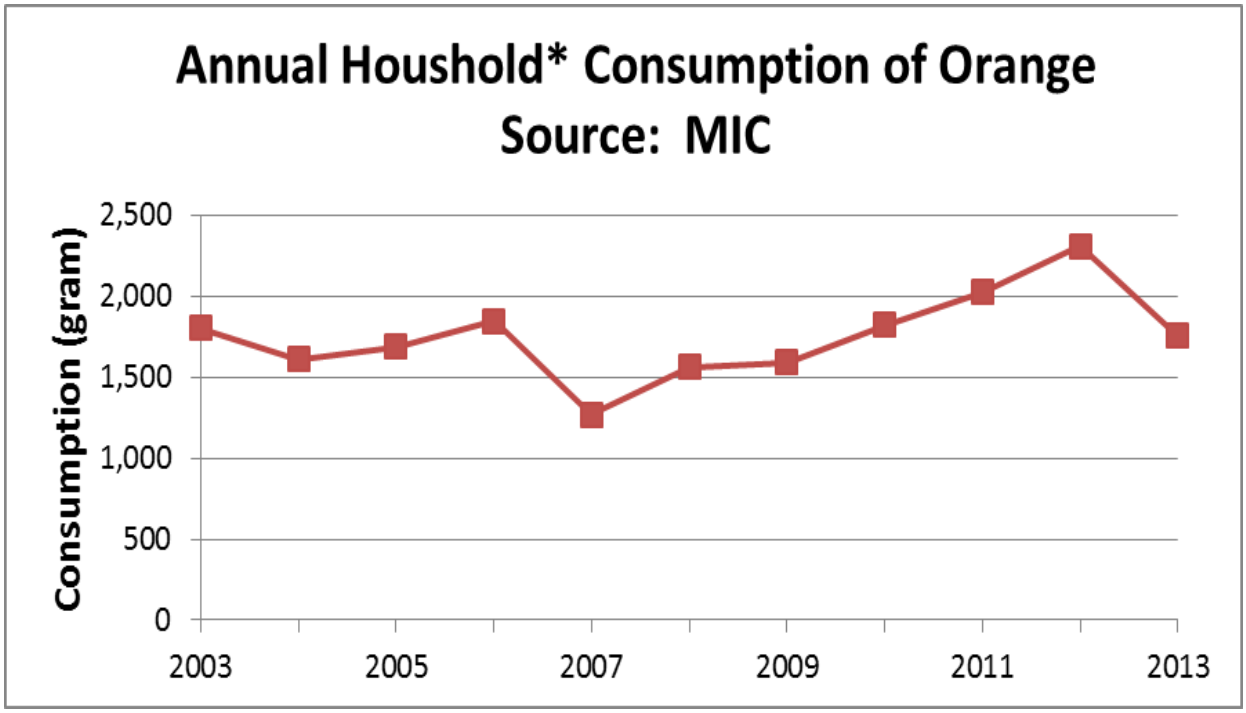
Japan produces a small amount of navel oranges. According to the latest available MAFF statistics, Japan's harvest area for navel oranges in MY2011/12 was 481 HA with a total production of 7,337 MT, a decrease from 537 HA and 6,339 MT, respectively, in MY2010/11. Japanese farmers continue to lose interest in growing navel oranges, as their quality and price cannot compete with imports from the United States or Australia. For MY2014/15, Post estimates Japanese production of navel oranges to remain flat at around 6,000 MT, with a growing area of approximately 460 HA.

Consumption

Since 2007, when orange prices peaked and consumption dropped, Japanese orange consumption had been recovering, one of the few categories that was going against the overall trend of declining fruit consumption in Japan. However, according to MIC, Japanese annual consumption of oranges in 2013 decreased 24 percent to 1,758 grams per household from the previous year. The primary reason for this decline was an increased CIF price caused by the weakened yen, which resulted in increased competition with other fruit.

Fruit is not considered a staple food in Japan but often is eaten as a dessert, and therefore competes with other snacks or confectionaries. Additionally, according to industry sources, several decades of slow economic growth have caused Japanese consumers to become more price-sensitive and therefore more

aware of cheaper imported fruit. As a result of other available competitive dessert options, importers reduce the import volume of fruit in the event of lower retail prices. Additionally, increasingly popular domestic citrus varieties such as "Iyokan" or "Decopon" (sold under the name "Sumo" in the United States) are sweet in taste and are competitively priced. Although Post expects Japanese orange consumption to continue to be steady over the long term, it is expected to decrease slightly in MY2014/15 due to strong pressures such as an increasing CIF price (due to the ongoing drought in California) and the availability of other cheaper fruit.



*Note: "Household" consists of two or more person in one household.

Trade (Imports)

Japan Imports of Fresh Oranges

Marketing year: October-September / Quantity in metric tons

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
World	**103,611**	**119,652**	**126,941**	**112,913**	**87,030**
United States	77,303	81,360	96,737	74,795	54,361
Market share:	75%	68%	76%	66%	62%
Australia	17,771	28,822	24,970	34,510	26,376
South Africa	6,894	7,934	4,875	3,096	5,923
Chile	1,558	1,238	101	0	0
All other	86	298	258	512	371

Source: Global Trade Atlas

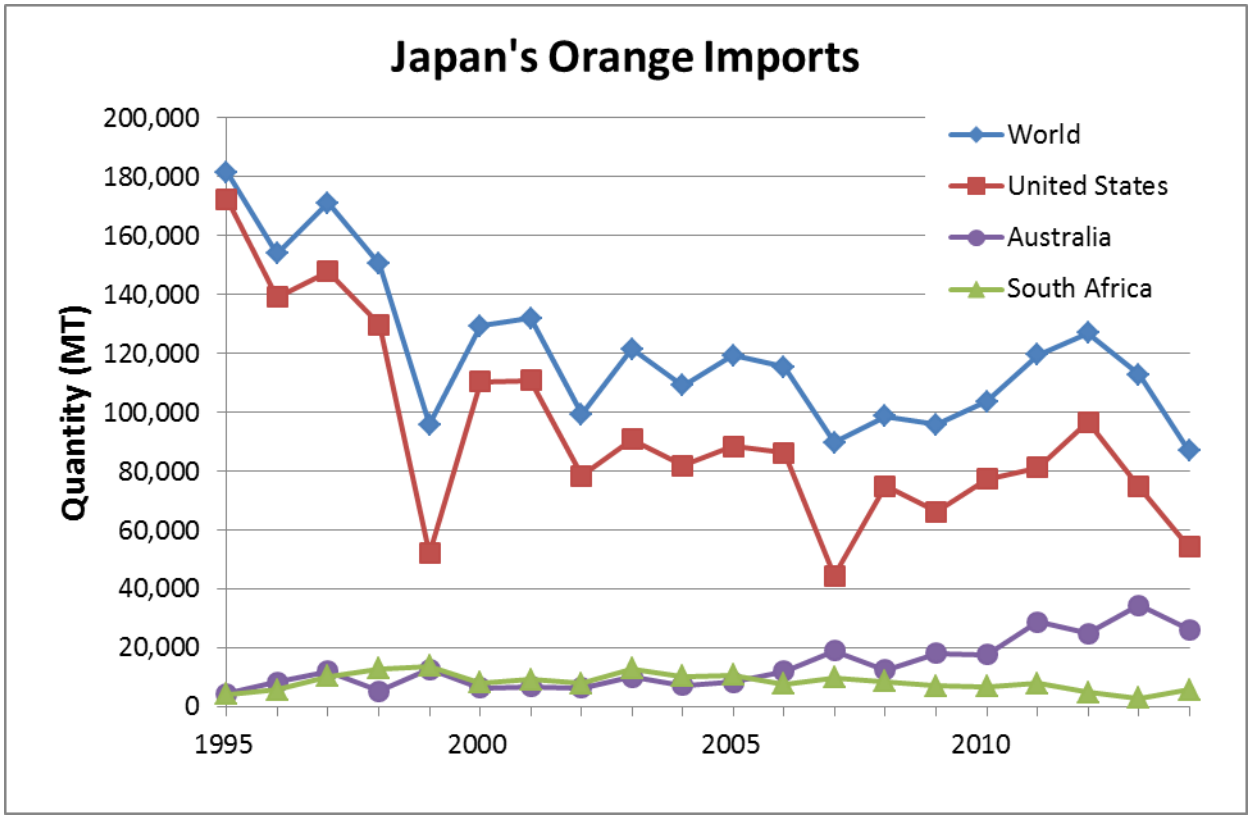
CIF Price of Imported Fresh Oranges

Country	Unit Value (USD/MT)

	2010	2011	2012	2013	2014
United States	1,062	1,147	1,203	1,152	1,449
Australia	1,345	1,355	1,290	1,186	1,289
South Africa	1,017	945	940	807	796

Source: Global Trade Atlas

Imports have declined steadily since MY2011/12. This trend continued in MY2013/14, with imports dropping 23 percent to 87,030 MT compared to the previous year, primarily due to a weakened yen. Post expects this decline to continue in MY2014/15 due to the increase in the CIF price caused by the serious drought in California. The United States is the largest supplier of fresh oranges to Japan. Countries such as Australia and South Africa are also important players in this market. These other countries export oranges to Japan from July through November, when U.S. orange shipments are relatively low. For MY2014/15, Post estimates that the level of Japanese imports of fresh oranges will decrease to 86,000 MT.



Source: Global Trade Atlas

Japan's imports of fresh oranges from the United States have declined since MY2012/13 and Post expects this decrease to continue in MY2014/15. Post attributes this decline to three reasons: 1) the exchange rate adjustment; 2) the prolonged harvest/season, due to favorable weather conditions, of Japan's domestic late-season citrus other than oranges, such as "Iyokan" and "Decopon"; and 3) the increased availability of other fruit in season such as Unshu mandarins and apples which caused a delay in the start of imports of oranges from California. Since Japanese retailers' shelf space is limited,

many choose to sell Unshu mandarins and apples until they are out of season before displaying the initial shipment of California oranges. As mentioned in the previous section, Post expects that the demand for oranges will continue to be stable, but in the short term, it is expected to decrease due to the upward trend of prices caused by the serious drought in the California growing region.

In MY2012/13, Japan's imports of Australian oranges reached a record of 34,510 MT. Australian oranges enjoy a good reputation among Japanese traders and, as they differ from other imported oranges, are usually sold in high-end shops at higher prices. Post expects imports of Australian oranges to continue to increase.

Exports of South African oranges to Japan increased to 5,923 MT in MY2013/14. Although South African oranges are not very sweet and are rather acidic in taste compared to U.S. and Australian oranges, imports of South African fruit have remained steady due to their significantly cheaper price (CIF Price table shown below). Additionally, South African oranges are mostly sold during the summer, and under high temperatures, the acidity is perceived as refreshing rather than being tart. Post expects that imports of South African oranges will continue to increase.

Prices

Japan: Fresh Orange Prices - Import, Wholesale, Retail

Import CIF Prices*		**Wholesale Prices****		**Retail Prices*****	
2013/14	*(US $/KG)*	2013/14	*(Yen/KG)*	2013/14	*(Yen/KG)*
October	1.13	October	189	October	392
November	1.21	November	191	November	403
December	1.29	December	207	December	398
January	1.48	January	233	January	415
February	1.55	February	253	February	460
March	1.57	March	254	March	452
April	1.57	April	260	April	460
May	1.42	May	259	May	457
June	1.33	June	240	June	431
July	1.34	July	231	July	428
August	1.20	August	231	August	432
September	1.13	September	195	September	427
Source: GTA		*Source: MAFF*		*Source: MIC*	

** Import prices are average import CIF prices.*

*** Wholesale prices are average wholesale prices at the major wholesale markets. (Seikabutsu Ryutsu Tokei)*

**** Retail prices are average retail prices in the Metro Tokyo area.*

Policy

Under the Japan-Mexico EPA, fresh oranges enter Japan at a reduced import duty. In MY2011/12, Japan and Mexico renegotiated EPA tariff concessions for Mexican fresh oranges amongst other agricultural products. Japan increased the in-quota volume and extended tariff reductions to Mexico's seasonal preferential tariff-quota for Mexican oranges. Since April 2014, in-quota imports of Mexican oranges (up to 4,100 MT) enjoy a tariff of 6.2 percent when imported between June 1 and November 30, and a tariff of 12.4 percent when imported from December 1 to May 31.

In-quota tariffs are scheduled to lower gradually, reaching 5.0 percent and 10 percent, respectively, in 2016. Out-of-quota imports of Mexican oranges face the WTO tariff rates shown below. In MY2013/14, despite these lower tariff rates, there were no Japanese imports of Mexican fresh oranges, as the majority of Mexican orange exports are traditionally shipped to nearby markets.

Import Duties

Japan: Import Duties 2014

Tariff Code (HS)	Description	Duty Rate (%)*
0805.10-000	Fresh oranges, imports during December 1 - May 31	32%
	Fresh oranges, imports during June1 - November 30	16%

Source: Customs Tariff Schedules of Japan

** all duties are charged on a CIF basis*

Orange Juice

PS&D Table (Orange Juice)

Orange Juice Japan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	0	0	0	0		0
Beginning Stocks	20,000	20,000	10,285	15,451		10,672
Production	0	0	0	0		0
Imports	65,285	65,451	75,000	63,221		62,000
Total Supply	85,285	85,451	85,285	78,672		72,672
Exports	0	0	0	0		0
Domestic Consumption	75,000	70,000	75,000	68,000		65,000
Ending Stocks	10,285	15,451	10,285	10,672		7,672
Total Distribution	85,285	85,451	85,285	78,672		72,672
MT						

** Production, Consumption, and Stocks measured in metric tons at a 65 Brix equivalent.*

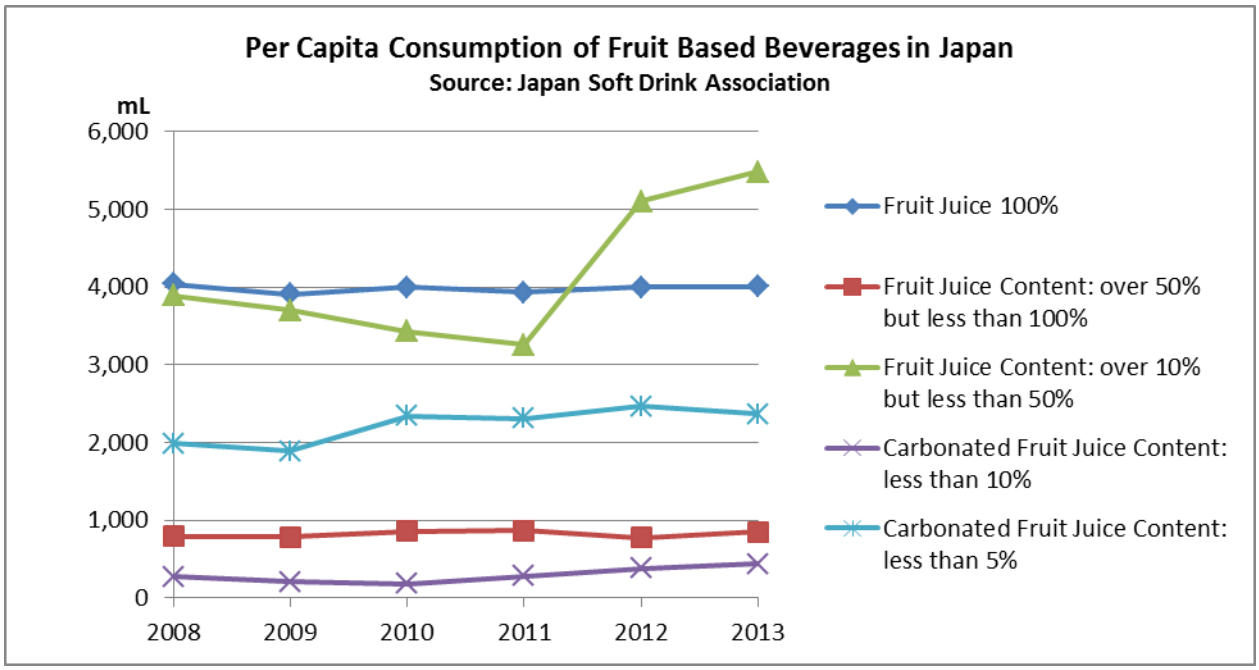
Production

Japanese production of orange juice is negligible, as almost all Japanese oranges are sold fresh.

Consumption

According to the Soft Drink Association of Japan, consumption of fruit juice based beverages in Japan has been on an upturn since 2009, reaching over 18,000 milliliters per capita in 2013. Data for fruit juice based beverages include all fruit such as oranges, apples, pineapples, grapes, and grapefruits, carbonated and non-carbonated juice, and various percentage fruit content from less than 5 to 100 percent. Increases in two beverage categories may be driving this trend: 1) fruit juice content of over 10 percent but less than 50 percent; and 2) carbonated beverages containing less than 10 percent fruit juice. There is no data available for consumption or production of orange juice or beverages using orange juice. However, industry sources indicate that consumption of 100 percent orange juice has staggered,

following a general trend in consumption of 100 percent fruit juices. Consumption of beverages using Frozen Concentrated Orange Juice (FCOJ) has been robust, but not enough to reverse the downward trend in the overall FCOJ demand in Japan as use has shifted from 100 percent orange juice to beverages with lower juice content, such as carbonated fruit juice beverages. Additionally, industry sources state that Japanese preferences toward vegetable juices, tea, as well as "zero-calories" and "no sugar" drinks, have been increasing in recent years. Correspondingly, Post expects Japanese consumption of orange juice to decrease slightly in the near term.



Japan's Per Capita Consumption of Beverages in Milliliters (shown as calendar year)

	2008	2009	2010	2011	2012	2013
Fruit juice based*	14,612	13,494	14,452	15,311	17,759	18,245
Vegetable beverages	3,792	3,627	3,953	3,980	4,424	4,527
Tea	43,298	40,821	41,837	41,129	42,597	43,152
Bottled mineral water	15,786	16,385	16,391	20,208	21,864	22,509

**Note: Includes all kinds of fruit, carbonated and non-carbonated juice, and various fruit concentration beverages.*
Source: Soft Drink Association of Japan

Trade (Imports)

Japan: Imports of Orange Juice

Marketing year: October-September / Quantity in metric tons (at 65 Brix)

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
World	**64,199**	**87,142**	**81,550**	**65,451**	**63,221**
United States	2,812	1,579	485	572	576
Market share:	4%	2%	1%	1%	1%
Brazil	52,414	73,717	70,375	52,479	49,339
Mexico	4,774	4,635	3,806	7,155	8,624
Israel	847	1,673	1,838	1,599	1,693
Belize	1,843	3,438	2,562	1,203	890
Italy	457	654	611	1,093	791
Costa Rica	139	431	827	604	458
Spain	357	341	483	310	376
Australia	246	246	212	191	179
All other	308	427	349	244	296

Source: Global Trade Atlas

** Imports of orange juice are the sum of imports for HS codes; 2009.11, 2009.12, and 2009.19.*

*** Global Trade Atlas provides Japanese import statistics for orange juice in kiloliters only. Hence, the following factors are used to convert from kiloliters to metric tons at a 65 Brix equivalent: for concentrated orange juice (FCOJ) 2009.11-290 (frozen) and 2009.19-290 (non frozen), kiloliter is multiplied by 1.3154 to get metric ton, and for single strength orange juice 2009.11-210 (frozen), 2009.12-110(non frozen), and 2009.12-210 (non-frozen), kiloliter is multiplied by 0.1897 to get metric ton at a 65 Brix equivalent.*

In MY2013/14, Japan's total imports of orange juice decreased three percent from the previous season to 63,221 MT (on a 65 Brix equivalent). This decline was the result of a continuing decrease in orange juice imports from Brazil, the largest supplier, traditionally supplying about 80 percent of Japan's total imports. In MY2013/14, Japan's imports of Brazilian orange juice dropped six percent from the previous season to 49,339 MT. This decline was due to: 1) sustained high global prices caused by continuing short supplies from Brazil and the United States; and 2) as mentioned in the "Consumption" section, decreasing demand in Japan as FCOJ use continues to shift from 100 percent orange juice to beverages with lower juice content, such as carbonated fruit juice beverages.

In MY2013/14, Japan's imports of U.S. orange juice was 576 MT on a 65 Brix, nearly equivalent to the previous year's level of 572 MT. As the relative price competitiveness of U.S. orange juice stayed unchanged, the U.S. share of the Japanese orange juice market remained at one percent.

Although still small compared to Brazil, Japan's imports of Mexican FCOJ in MY2013/14 increased to 8,624 MT (on a 65 Brix equivalent) from 7,155 MT in the previous year. Japan's imports of Mexican orange juice have grown dramatically since the implementation of the Mexico-Japan EPA in 2005, under which Mexico continues to enjoy a significant advantage over other FCOJ suppliers. For example, in 2014, Mexican FCOJ exports to Japan (up to 6,680 MT) faced a duty of 8.8 percent, whereas imports of FCOJ from other sources, including the United States, faced Japan's WTO Most-Favored-Nation (MFN) duty rate of 25.5 percent (see policy section).

High world orange juice prices are expected to continue due to low Brazilian FCOJ stocks, as well as increasing demand from developing countries. For MY2014/15, Post forecasts total Japanese imports of orange juice to decrease slightly to 62,000 MT (on a 65 Brix equivalent).

Prices (Orange Juice)

Japan: Average import price of FCOJ (HS code: 2009.11-290)

Marketing year: October-September
Price in U.S. Dollar (CIF) per kilogram at a 65 Brix equivalent

	MY 2009/10	MY 2010/11	MY 20110/12	MY 2012/13	MY 2013/14
United States	1.91	2.76	3.56	3.18	2.97
Brazil	1.63	2.52	2.75	2.35	2.24
Mexico	1.76	2.78	2.98	2.65	2.40

Source: Global Trade Atlas

Policy

Under the Japan-Mexico EPA, orange juice enters Japan at a reduced import duty. Japan granted Mexico preferential tariff-quotas on all orange juice line items and slashed duties by half. As a result, Mexico has continued to enjoy a preferential tariff-quota since the first year of the EPA's implementation in 2005.

During the MY2011/12 renegotiation of tariff concessions, Japan extended the quota provisions and accelerated tariff reductions for Mexican orange juice starting in April 2012. As of April 2014, in-quota imports of Mexican orange juice enjoy a tariff rate of either: 1) 7.4 percent; 2) 8.8 percent; or 3) 10.4 percent or 8.02 yen per kilogram, whichever is greater, depending on the tariff code.

The quota for Mexican FCOJ (HS 2009.11 and 2009.19), set in 2012 at 6,360 MT, is scheduled to expand by 160 MT each year (6,680 MT in 2014), reaching 7,000 MT in 2016. The quota for orange juice other than FCOJ (HS 2009.12), set at 2,200 MT in 2012, is scheduled to expand by 700 MT each year (3,600 MT in 2014) until it reaches 5,000 MT in 2016. Depending on the tariff code, the in-quota tariff rate will be lowered to either: 1) 5.3 percent; 2) 6.3 percent; or 3) whichever is greater of 7.4 percent or 5.7 yen per kilogram.

As shown in the below chart, depending on the tariff code, out-of-quota imports of Mexican orange juice face the WTO tariff rate of either: 1) 21.3 percent; 2) 25.5 percent; or 3) whichever is greater of 29.8 percent or 23 yen per kilogram.

Import Duties (Orange Juice)

Japan: Import Duties 2014

Tariff Code (HS)	Description	WTO Duty Rate (%)*	EPA Mexico Rate (%)*

2009.11-110	Orange juice, frozen, containing added sugar, not more than 10% by weight of sucrose, naturally and artificially contained	25.5%	8.8%
2009.11-190	Orange juice, frozen, containing added sugar, other	29.8% or 23 yen/kg, whichever is the greater	10.4% or 8.02 yen/kg, whichever is the greater
2009.11-210	Orange juice, frozen, not containing added sugar, not more than 10% by weight of sucrose	21.3%	7.4%
2009.11-290	Orange juice, frozen, not containing added sugar, other	25.5%	8.8%
2009.12-110	Orange juice, not frozen, of a Brix value not exceeding 20, containing added sugar, not more than 10% by weight of sucrose, naturally and artificially contained	25.5%	8.8%
2009.12-190	Orange juice, not frozen, of a Brix value not exceeding 20, containing added sugar, other	29.8% or 23 yen/kg, whichever is the greater	10.4% or 8.02 yen/kg, whichever is the greater
2009.12-210	Orange juice, not frozen, of a Brix value not exceeding 20, not containing added sugar, not more than 10% by weight of sucrose	21.3%	7.4%
2009.12-290	Orange juice, not frozen, of a Brix value not exceeding 20, not containing added sugar, other	25.5%	8.8%
2009.19-110	Orange juice, other, containing added sugar, not more than 10% by weight of sucrose, naturally and artificially contained	25.5%	8.8%
2009.19-190	Orange juice, other, containing added sugar, other	29.8% or 23 yen/kg, whichever is the greater	10.4% or 8.02 yen/kg, whichever is the greater
2009.19-210	Orange juice, other, not containing added sugar, not more than 10% by weight of sucrose	21.3%	7.4%
2009.19-290	Orange juice, other, not containing added sugar, other	25.5%	8.8%

Source: Customs Tariff Schedules of Japan

** all duties are charged on a CIF basis*

Lemons

PS&D table:

Lemons/Limes, Fresh Japan	2012/2013	2013/2014	2014/2015

	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	492	492	498	498		500
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total No. Of Trees	0	0	0	0		0
Production	9	9	10	10		10
Imports	51	49	52	49		50
Total Supply	60	58	62	59		60
Exports	0	0	0	0		0
Fresh Dom. Consumption	57	55	59	56		57
For Processing	3	3	3	3		3
Total Distribution	60	58	62	59		60
HECTARES, 1000 TREES, 1000 MT						

Production

Unlike other fruit harvesting farms in Japan, the area harvested for Japanese lemons has been growing steadily over the last decade as Japanese growers respond to increased consumer preference for local lemons. Post anticipates that in MY2014/15, Japan's lemon harvest area will expand to 500 hectares with production volume slightly increasing to 10,000 MT, a rise of five percent from current production estimates of 9,500 MT.

Consumption

Fresh lemons in Japan are largely consumed by the food service sector as a garnish or as a food and beverage ingredient. In the past, overall consumption of lemons decreased significantly as the Japanese economy struggled, and hotels and restaurants tried to cut costs by not using fresh lemons as a garnish or by replacing them with lemon juice. However, such cost-cutting efforts reached a plateau several years ago, and consumption has been stable ever since. For MY2014/15, Japan's total consumption of lemons is estimated at 60,000 MT, with the domestic share rising to 16 percent, or 9,500 MT.

Domestic lemon producers have aggressively promoted the freshness of their produce, as well as introducing some recipes on-line, and these efforts have slowly increased consumer demand. Additionally, domestic lemon producers have been targeting safety-cautious consumers by advertising their produce as free of postharvest agrochemicals. The Japanese Government classifies agrochemicals used in postharvest as food additives and, as a result, requires treated produce to be noted at the points-of-sale with a list of the agrochemicals used. No such requirements apply when the same chemicals are used pre-harvest. Japanese farmers have not traditionally utilized post-harvest treatments of agrochemicals; therefore, domestic lemons are not required to carry the label. Although other imported citrus items are subject to the same requirement, this point-of-sale notice is not a major deterrent to sales. However, as lemon skin is often eaten, or touches food and beverages that are directly consumed (e.g., lemon tea), some consumers are cautious about purchasing imported lemons.

Trade (Imports)

Japan: Imports of fresh lemon

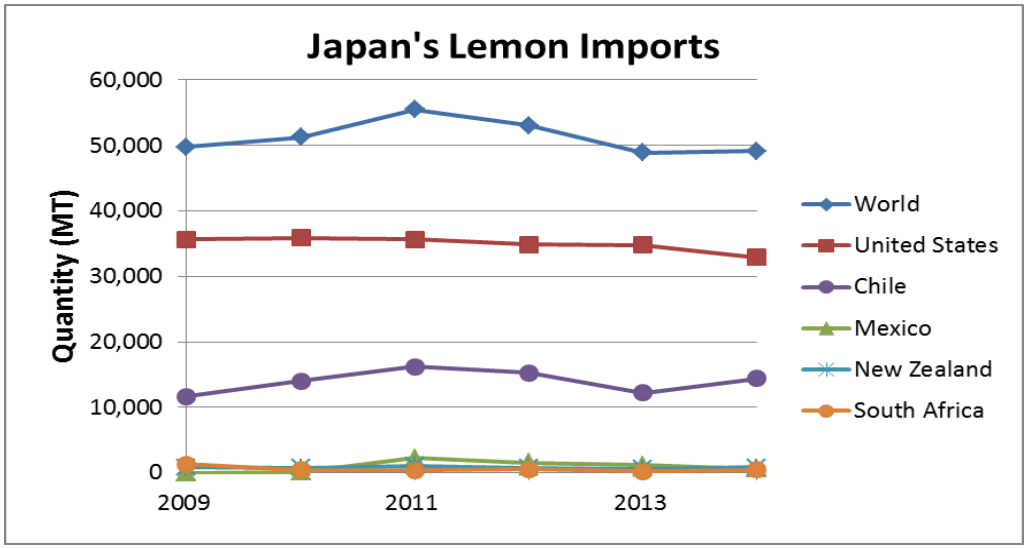
Marketing year: October-September / Quantity in metric tons

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14
World	**51,255**	**55,466**	**53,056**	**48,895**	**49,121**
United States	35,917	35,634	34,854	34,806	32,916
Market share:	70%	64%	66%	71%	67%
Chile	13,981	16,216	15,295	12,164	14,376
Mexico	110	2,199	1,565	1,106	593
New Zealand	711	1,024	767	555	819
South Africa	424	393	506	223	418
Australia	113	0	68	41	0
All other	0	0	1	0	0

Source: Global Trade Atlas

CIF Price of Imported Fresh Lemon

	Unit Value (USD/MT)				
Country	2010	2011	2012	2013	2014
United States	1,525	1,531	1,497	1,496	2,052
Chile	1,374	1,296	1,131	1,872	1,495
Mexico	820	931	1,325	1,287	1,964
New Zealand	2,049	2,154	2,223	1,962	2,036
South Africa	541	769	798	1,138	878
Australia	1,294	-	1,557	1,477	-



Source: Global Trade Atlas

Consistent with the steady consumption that has existed over the last several years, Japan's imports of fresh lemons in MY2013/14 slightly increased to 49,121 MT. For MY2014/15, Post expects Japanese imports of fresh lemons to be roughly flat at around 50,000 MT.

The United States supplies fresh lemons to the Japanese market year round, providing on average 67 percent of Japan's total imports. In MY2013/14, imports of U.S. lemons decreased to nearly 33,000 MT due to the cold weather that occurred in the California growing region. Among Japanese traders,

U.S. fresh lemons enjoy a good reputation and are considered a high quality fruit. Post anticipates U.S. lemon sales to Japan in MY 2014/15 to only recover slightly to 34,000 MT.

Chile plays a major role in the Japanese summer fresh lemon market, supplying about a quarter of Japan's total fresh lemon imports. Chile's new lemon crop comes to Japan from June through October. Traders reportedly favor Chilean lemons because of their lower price and longer shelf-life than U.S. lemons. The shelf-life of lemons is dependent on the juiciness of the fruit; produce with higher water content exhibit a shorter shelf-life. U.S. lemons are juicier than Chilean fruit and have a shorter shelf-life. As a result, U.S. lemon shipments tend to slow during the hot summer months, when environmental conditions favor the longer-lived, less juicy Chilean fruit. In MY2013/14, Japanese traders increased their imports of Chilean lemons from the previous year to 14,376 MT, mainly to cover the decrease in imports from the United States. For MY2014/15, Post estimates that imports from Chile will be similar to the previous year's level.

In MY 2013/14, Japan imported 593 MT of Mexican lemons, a 46 percent decrease from the previous season. Until MY2009/10, Mexican supplies under HS code 080550 consisted primarily of fresh limes. During MY2010/11, Mexico began supplying fresh lemons to the Japanese market following the purchase of Mexican lemon groves by an American company. One possible reason for this year's decline is that Mexico is reportedly still known more for limes as opposed to lemons. Post anticipates that the imports of Mexican lemons will be limited.

As stated above, the awareness of postharvest agrochemicals is a major concern for some consumers. In MY2013/14, imports from New Zealand increased to 819 MT. New Zealand lemons fill into the market when Chilean and U.S. lemons are out of season. They are marketed as free of postharvest agrochemicals and sold at a premium price. Post anticipates New Zealand lemon sales to Japan will continue to hold steady.

Prices

Japan: Fresh Lemon Prices - Import, Wholesale, Retail

Import CIF Prices*		**Wholesale Prices****		**Retail Prices*****	
2013/14	*(US $/KG)*	2013/14	*(Yen/KG)*	2013/14	*(Yen/KG)*
October	2.03	October	297	October	597
November	2.16	November	290	November	561
December	1.96	December	285	December	559

January	1.98	January	285	January	601
February	1.99	February	282	February	600
March	1.88	March	261	March	602
April	1.89	April	281	April	628
May	2.08	May	306	May	667
June	2.08	June	314	June	643
July	1.81	July	321	July	644
August	1.64	August	329	August	656
September	1.43	September	420	September	664
Source: GTA		*Source: MAFF*		*Source: MIC*	

** Import prices are average import CIF prices. (HS0805.50-010)*

*** Wholesale prices are average wholesale prices at the major wholesale markets. (Seikabutsu Ryutsu Tokei)*

**** Retail prices are average retail prices in the Metro Tokyo area.*

Policy

No changes occurred during the reporting period.

Import Duties

Japan: Import Duties 2014

Tariff Code (HS)	Description	Duty Rate (%)*
0805.50-010	Fresh Lemon	Free

Source: Customs Tariff Schedules of Japan

** all duties are charged on a CIF basis*