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Required Report - public distribution

Date: 11/25/2013

GAIN Report Number: JA3049

Japan

Citrus Annual

Demand for Citrus Fruit in Japan - a Mixed Basket

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Report Highlights:

Japan's mandarin production continues to decline. In MY2013/2014, demand for grapefruit will likely continue to be stagnant, whereas orange consumption is expected to be robust. As consumer preference is shifting away from 100 percent orange juice to lower juice concentration and other choices, including carbonated beverages, Post anticipates that orange juice imports will continue to falter. Post-harvest agrochemical labeling requirements have given incentives to Japanese lemon farmers to expand their acreage. Renegotiation of the Japan-Mexico Economic Partnership Agreement resulted in greater market access for Mexican citrus products.

Tangerines/Mandarins

PS&D table:

Tangerines/Mandarins, Fresh Japan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	53,040	48,000	51,830	47,200		46,500
Area Harvested	50,320	45,300	49,110	44,600		44,200
Bearing Trees	30,110	0	0	0		0
Non-Bearing Trees	5,080	0	0	0		0
Total No. Of Trees	35,190	0	0	0		0
Production	1,001	928	980	846		930
Imports	20	20	17	17		20
Total Supply	1,021	948	997	863		950
Exports	3	3	2	2		2
Fresh Dom. Consumption	903	850	895	780		830
For Processing	115	95	100	81		118
Total Distribution	1,021	948	997	863		950

HECTARES, 1000 TREES, 1000 MT

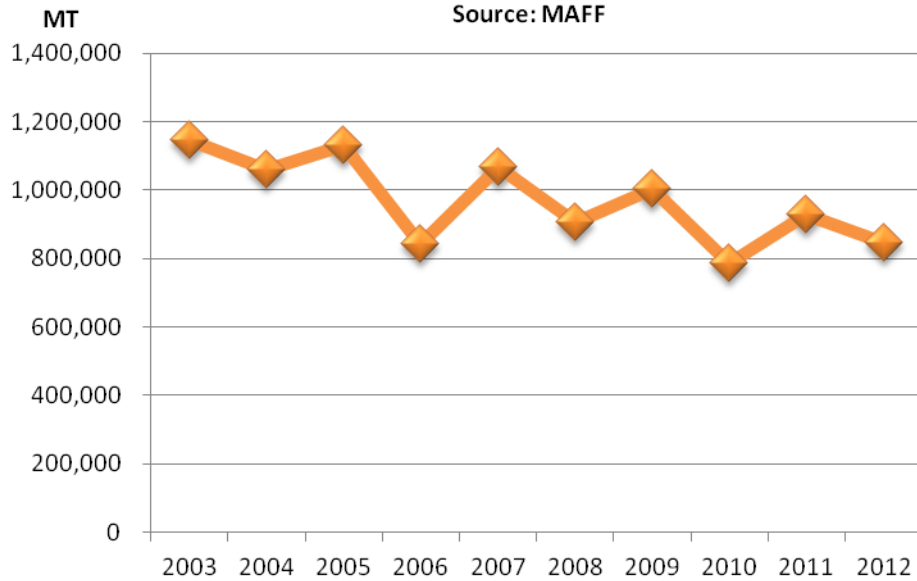
* Estimate of number of trees was discontinued due to lack of statistics

Production

Since hitting its peak of 3.7 million metric tons (MT) in 1975, Japan's production of fresh mandarins has been in continuous decline, reaching 846,300 MT in 2012, less than one fourth of its peak volume. As the graphs below show, in the last decade alone, production volume shrank by 25 percent and acreage by nearly 20 percent. The main reason for this decline is the increased availability of other fruits, especially citrus imports, following trade liberalization in the 1990's.

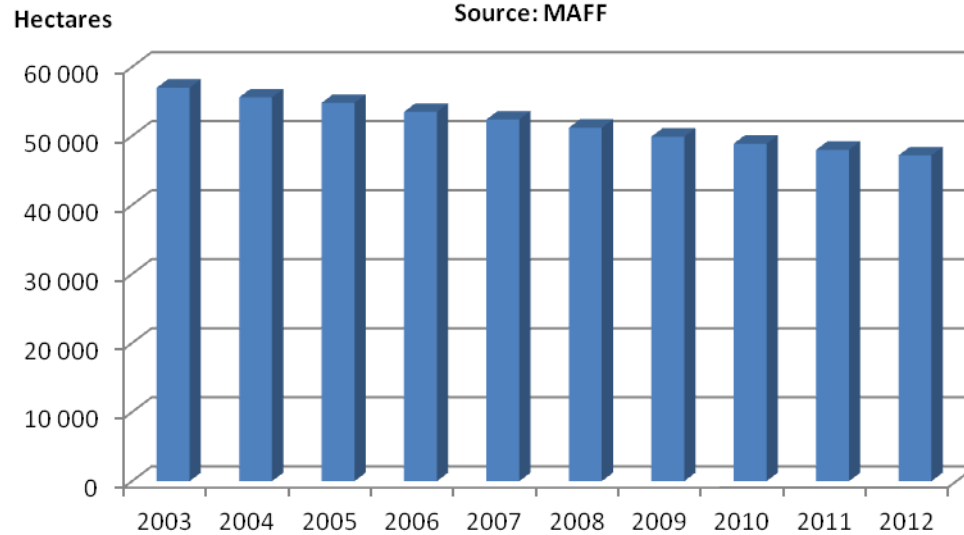
Japan's Mikan Mandarin Production Volume

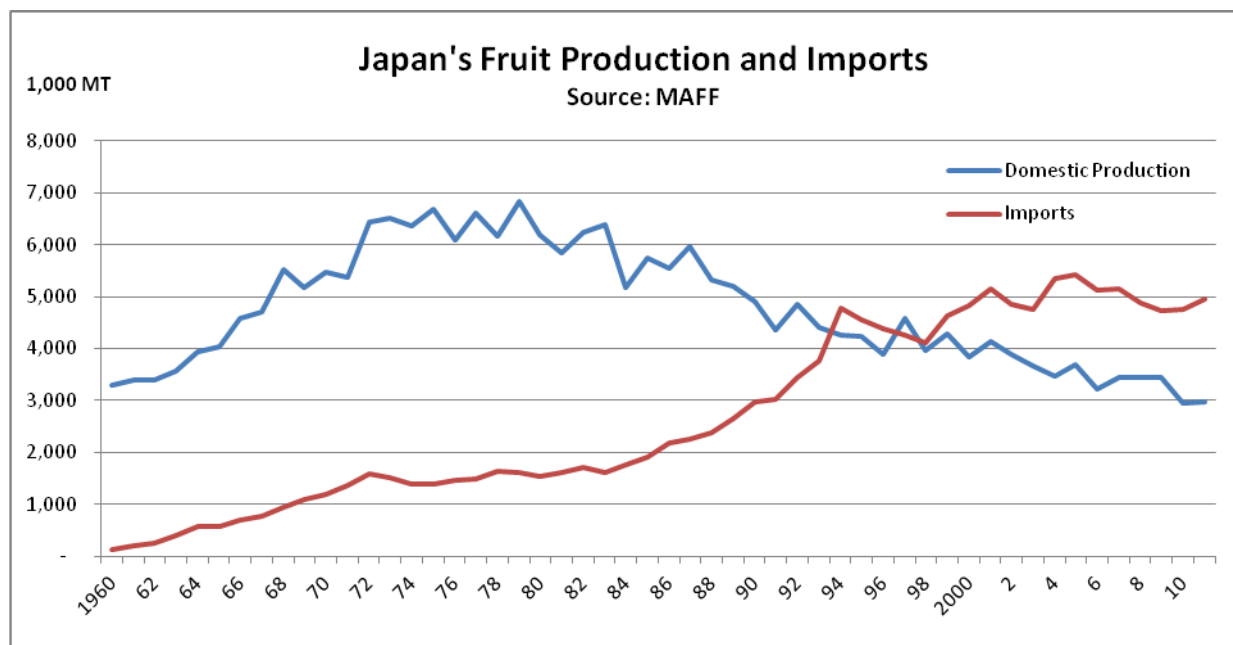
Source: MAFF



Japan's Mikan Mandarin Production Area

Source: MAFF





Based on Ministry of Agriculture, Forestry and Fisheries (MAFF) crop reports, Post estimates that Japanese production of fresh mandarins in MY2013/14 will rebound to 930,000 MT, a 10 percent increase compared to last season, which was an “off-year” in the mandarin tree’s natural production cycle. This increase in production is expected to occur despite a slight decline in the harvest acreage from 44,600 hectares (HA) in MY2012/13 to 44,200 HA in MY2013/14. This estimate includes the “unshu mikan” tangerines and the late mandarin varieties, “iyokan” and “hassaku.” Almost 90 percent of commercially marketed mandarins in Japan are consumed as fresh, with the remainder going to juice and canned fruit production.

Mikan 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. Additionally, growers seeking a higher return on their investment are substituting mikan 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 mikan mandarins to decline further in years to come.



As of 2010, 70 percent of tree fruit farmers in Japan were over 60 years of age.

Consumption

The latest data available from the Ministry of Internal Affairs and Communications (MIC) states that Japan's annual per capita consumption of mandarins was 4.0 kilograms in 2012, almost a 30 percent decline from 2003 (5.6 kilograms). During the same period, per capita consumption of fruit as a whole also dropped around 10 percent, from 30.2 kilograms to 27.5 kilograms. 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 at large, is that Japanese consumer preferences have been shifting towards fruit that is not sour or tangy. To support this observation, during roughly the same period as above (2003 to 2012), per capita consumption of bananas increased over 20 percent, from 5.4 kilograms to 6.6 kilograms. 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. However, these efforts are unlikely to reverse the declining trend in Japanese mikan mandarin consumption in the years to come, although an increase is predicted for MY2013/2014 due to increased supplies.

Trade (Imports)

Japan: Imports of fresh mandarins

Marketing year: October-September / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13
World	9,265	10,797	21,406	20,313	16,820
United States	7,160	9,128	17,650	16,635	12,351
Market share:	77%	85%	82%	82%	73%
Australia	1,374	962	2,276	2,097	2,389
New Zealand	494	328	866	980	601
Chile	151	282	513	261	67
Israel	0	0	0	249	1,318
All other	86	98	102	91	94

Source: Global Trade Atlas

In MY2012/13, total Japanese mandarin imports dropped by 3,500 metric tons from the previous season to 16,820 MT and accounted for about two percent of total domestic tangerine/mandarin consumption. A significant portion of this drop was due to a decline in U.S. tangerine imports caused by reportedly higher fruit prices, which were exacerbated by the weakened yen to the dollar. Shipping mainly Minneola tangelos, 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, 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 MY2012/13, Australia supplied 2,389 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.

Israel has surged as a major supplier in MY2012/13. Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) removed quarantine restrictions on the variety called "Or" in July 2011. Consequently, a major Japanese importer began large scale imports in MY2012/13. Reportedly, consumer response to this new variety is favorable.

For MY2013/14, Post anticipates Japanese imports of fresh mandarins to return to the more normal level of 20,000 MT. Regardless of the domestic crop situation, trade sources believe that imports of fresh mandarins will hold steady as the majority of foreign mandarins are imported towards the end of the Japanese citrus season (between February and May).

Trade (Exports)

Japan: Exports of fresh mandarins

Marketing year: October-September / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13
World	3,331	2,770	2,147	2,544	2,481
United States	109	103	56	0	0
Market share:	3%	4%	3%	0%	0%
Canada	2,924	2,065	1,648	2,165	1,984
Hong Kong	130	252	200	127	216
Taiwan	90	170	137	130	118
Singapore	33	97	48	56	65
All other	45	83	58	66	98

Source: Global Trade Atlas

Japanese exports of tangerines are fairly small. In MY2012/13, Japan exported 2,481 MT of mikan mandarins to the world, valued at \$4.7 million (FOB). The majority of Japanese exports (1,984 MT) were shipped to Canada, with the remainder destined for Asian countries.

Prices

Japan: Fresh “Unshu mikan” Prices - Wholesale, Retail

Wholesale Prices		Retail Prices	
	(Yen/KG)		(Yen/KG)
2012		2011	
October	¥152	October	¥503
November	¥202	November	¥452
December	¥225	December	¥457
2012		2012	
January	¥196	January	¥554
February	¥198	February	¥534
March	¥185	March	¥580
April	....	April	....
May	....	May	....
June	....	June	....
July	....	July	....
August	....	August	....
September	283	September	¥669

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. Retail prices were lower this year due to “on-year.”

Policy

The Japan-Mexico Economic Partnership Agreement (EPA):

The Japan-Mexico EPA has been in effect since April 1, 2005. Under this EPA, Mexican mandarins were excluded from tariff reductions. Hence, imports of Mexican mandarins face Japan's WTO tariff rate of 17 percent.

Import Duties:

Japan: Import Duties 2013

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 2012

* all duties are charged on a CIF basis

Grapefruit

PS&D Table:

Grapefruit, Fresh Japan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	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	149	149	130	134		130
Total Supply	149	149	130	134		130
Exports	0	0	0	0		0
Fresh Dom. Consumption	149	149	130	134		130
For Processing	0	0	0	0		0
Total Distribution	149	149	130	134		130

HECTARES, 1000 TREES, 1000 MT

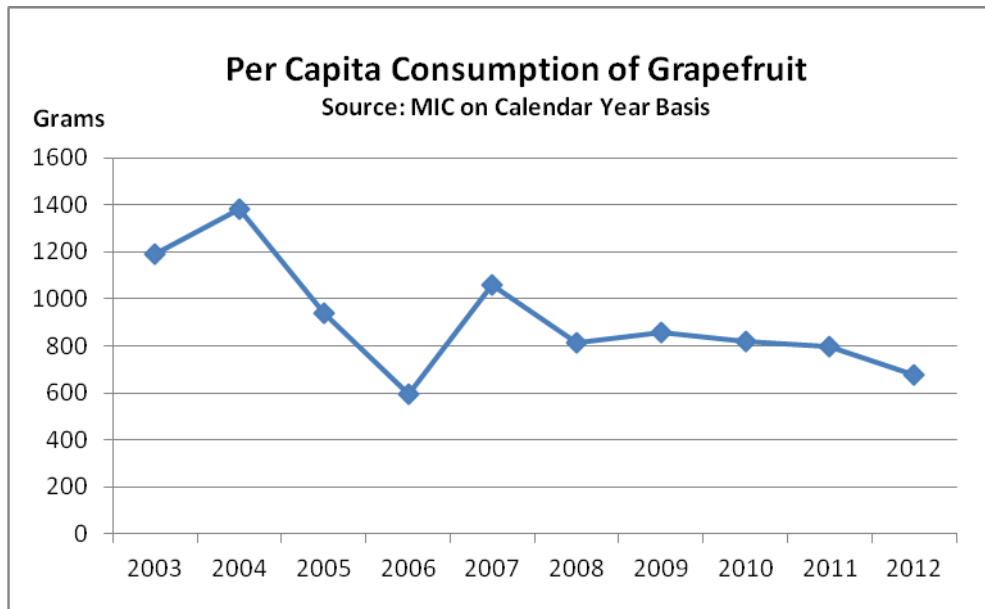
Production

Japan does not produce grapefruit.

Consumption

According to the latest available data from MIC, in 2012, Japanese annual per capita consumption of grapefruit declined to 675 grams from 795 grams in 2011. 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-sales materials (as shown in the pictures below).

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.



Caption: Beautiful Complexion and Weight Loss with Grapefruit, Full of Vitamins!

グレープフルーツダイエットはこんなに簡単!!

BREAKFAST	LUNCH	DINNER
<p style="text-align: center;">朝食</p>	<p style="text-align: center;">昼食</p>	<p style="text-align: center;">夕食</p>
<p>グレープフルーツを1つ食べたあとコップ1杯の炭酸水を飲む。足りなければ、生野菜サラダを。</p>	<p>昼食は、好きなものを食べてOK! しがし、せつかくダイエット中なので、食べすぎには注意してください。</p>	<p>グレープフルーツを1つ食べたあとコップ1杯の炭酸水を飲む。メインディッシュも食べてOKです。</p>

※健康な人ならとくに問題ありませんが、なんらかの薬を服用している人は注意が必要です。
グレープフルーツが薬の効果を邪魔することがあるからです。
必ず始める前に担当の医師にグレープフルーツを食べてもよいが相談してください。

Caption: The Grapefruit Diet is So Easy!! Anytime of the Day: For Breakfast, Lunch, and/or Dinner

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.

Trade (Imports)

Japan: Imports of Fresh Grapefruit

Marketing year: October-September / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13
World	180,248	167,783	167,081	149,145	133,682
United States	115,500	117,140	108,199	96,438	78,580
Market share:	64%	70%	65%	65%	59%
South Africa	57,778	44,612	53,793	47,748	50,457
Israel	3,727	3,824	3,492	2,850	3,120
Swaziland	3,240	2,206	888	0	0
Turkey	0	0	465	1,639	1,520
Mexico	0	0	93	42	0
Australia	3	0	90	386	0
All other	1	1	61	42	5

Source: Global Trade Atlas

CIF Price of Imported of Fresh Grapefruit

Country	Unit Value (USD/MT)				
	2009	2010	2011	2012	2013
United States	1,081.62	1,162.71	1,157.58	1,183.18	1,231.93
South Africa	813.41	912.96	979.47	1,079.31	769.12
Israel	1,457.35	1,165.88	1,301.37	1,431.17	1,335.02
Turkey	0	0	1,085.92	988.22	1,019.29

Source: Global Trade Atlas

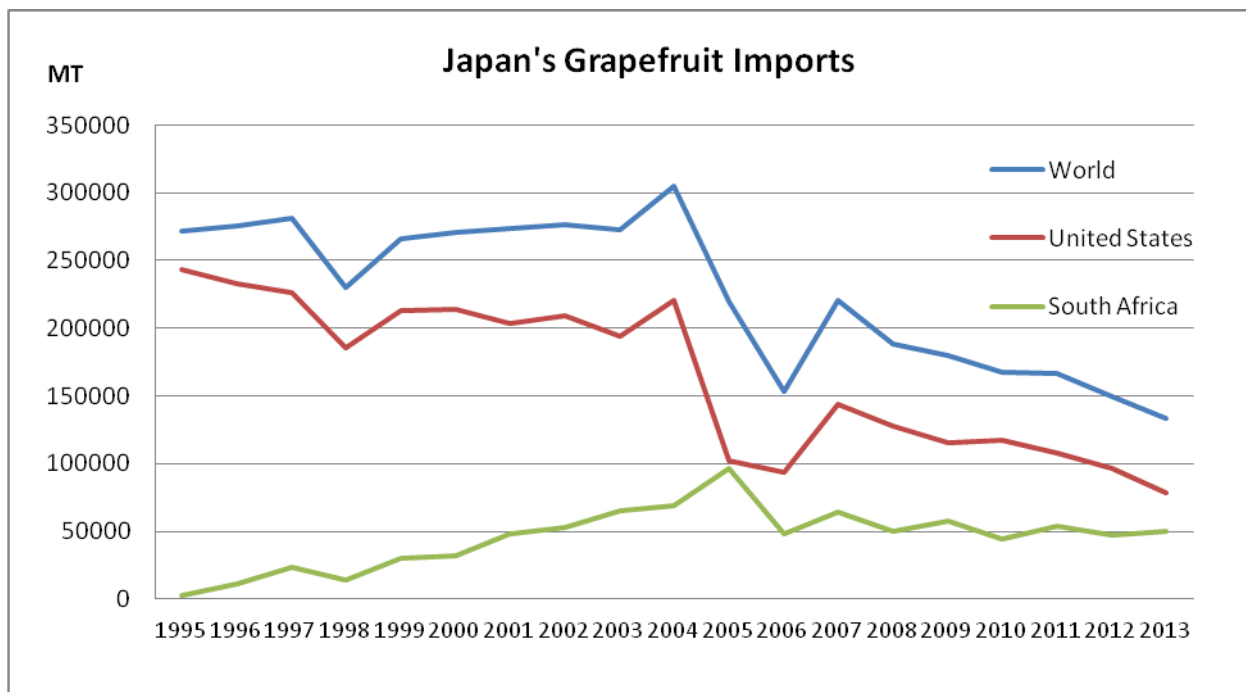
After peaking in MY2004/05, Japanese total grapefruit imports continued on a downward trend through MY2012/13.

The United States is the largest supplier of fresh grapefruit to Japan, supplying approximately 60 percent of total Japanese imports. In MY2012/13, the United States supplied 78,580 MT (valued at 97 million U.S. dollars on a CIF basis) of grapefruit, down 18.5 percent from the previous year. This decline is attributed to the increase in 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 MY2013/14 harvest is expected to decrease by some three percent. Despite industry expectations that MY2013/14 Japanese imports of Florida grapefruit will rebound somewhat in the coming year, Post expects total Japanese imports of grapefruit will decline further to 130,000 metric tons as consumption continues to decline.

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, the “Rio Star” (red/ruby) grapefruit variety from Texas caters to the high-end retail market from October through February. Shipments of Rio Star to Japan are expected to remain steady in coming years.



Source: Global Trade Atlas

South Africa is the second largest exporter of grapefruit to Japan, accounting for approximately 38 percent of Japan’s total imports. In MY2012/13, Japanese imports of South African grapefruit increased by 5.7 percent to 50,457 MT, mainly due to a significant drop in price. 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 United States. Industry sources indicate that importers intend to maintain a similar level of grapefruit imports from South Africa in MY2013/14, but may slightly reduce imports to avoid a repeat of the oversupply situation that happened in MY2010/11.

Following the removal of Japan's import ban on Turkish grapefruit in 2010, Turkey has been shipping grapefruit to Japan for the last three seasons. During MY2012/13, Japan imported 1,520 MT of Turkish grapefruit, a slight decline from 2011/12. Although a few major supermarket chains are promoting Turkish grapefruits, trade sources expect their handling will continue to be limited because of its niche position.

The Japanese government granted complete market access to Australian grapefruit in June 2010. Previously, Australia was only allowed to ship grapefruit sourced from fruit fly pest-free areas. Although small amounts were imported in the first two seasons, no imports took place in the 2012/13 season. Post expects imports of Australian grapefruit to continue to be minimal.

Mexico shipped grapefruit to Japan in MY2010/11 and 2011/12, taking advantage of the phased out duties under the Japan-Mexico Economic Partnership Agreement (see policy section). Japanese buyers imported Mexican grapefruit on a trial basis but discontinued imports in 2012/13. Industry sources indicate that the taste quality of Mexican grapefruit is good, but the color is rather green, and the fruit often requires coloring before the produce hits the retail shelves. The coloring process reportedly adds to the cost of the product and reduces the product's shelf-life. Hence, despite the preferential tariff, Post does not anticipate any major presence of Mexican grapefruit in the Japanese grapefruit market in the near future.

Prices:

Japan: Fresh Grapefruit Prices - Import, Wholesale, Retail

Import CIF Prices (US \$/KG)		Wholesale Prices (Yen/KG)		Retail Prices (Yen/KG)	
2012		2012		2012	
October	\$1.34	October	¥134	October	¥272
November	\$1.35	November	¥167	November	¥276
December	\$1.24	December	¥161	December	¥285
2013		2013		2013	
January	\$1.24	January	¥155	January	¥290
February	\$1.26	February	¥157	February	¥286
March	\$1.23	March	¥163	March	¥288
April	\$1.19	April	¥170	April	¥295
May	\$1.10	May	¥167	May	¥303
June	\$0.82	June	¥150	June	¥310
July	\$0.74	July	¥136	July	¥291
August	\$0.74	August	¥132	August	¥262
September	\$0.69	September	¥119	September	¥274

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

The Japan-Mexico Economic Partnership Agreement (EPA)

The Japan-Mexico EPA has been in effect since April 1, 2005. On April 1, 2011 Japanese duties on Mexican grapefruit were fully eliminated. Tariff concessions under the Japan/Mexico EPA agreement can be found at the following website:

<http://www.mofa.go.jp/region/latin/mexico/agreement/index.html>

Import Duties:

Japan: Import Duties 2013

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	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0		0	0		0
Area Harvested	576	520	560	500		470
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	5	6	5	6		6
Imports	127	127	120	113		130
Total Supply	132	133	125	119		136
Exports	0	0	0	0		0
Fresh Dom. Consumption	132	133	125	119		136
For Processing	0	0	0	0		0
Total Distribution	132	133	125	119		136

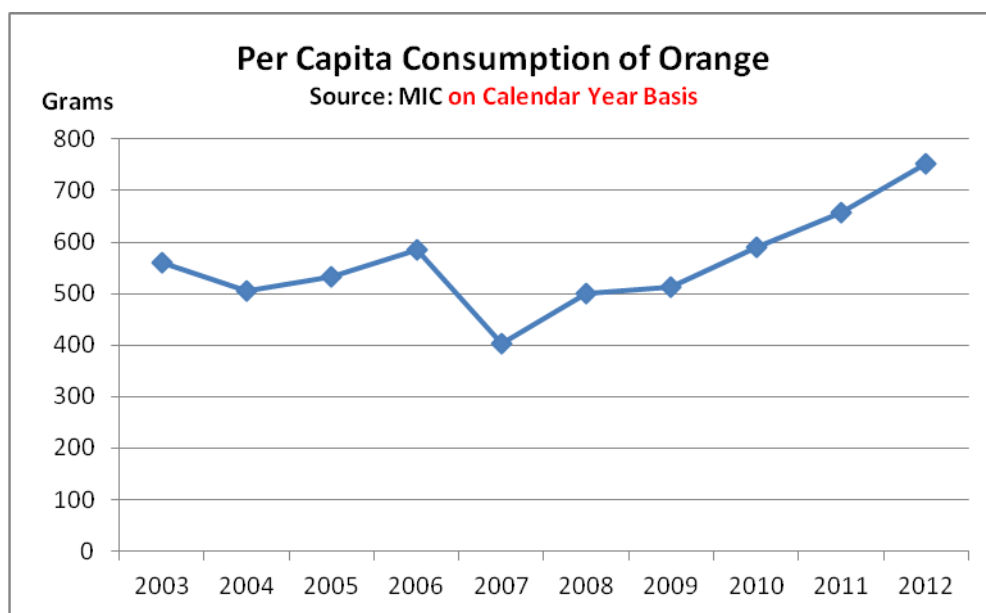
HECTARES, 1000 TREES, 1000 MT

Production

Japan produces a small amount of navel oranges. According to the latest MAFF statistics, Japan's harvest area for navel oranges in MY2010/11 reached 537 HA with a total production of 6,339 MT. This was a decline from MY2008/09, when the previous survey was conducted, (total acreage harvested - 589 HA; production - 7,363 MT). Japanese farmers continue to lose interest in growing navel oranges, as they find other citrus, such as lemon, more in demand. For MY2013/14, Post estimates Japanese production of navel oranges to decline further to about 5,500 MT with a slightly smaller growing area of approximately 470 hectares.

Consumption

Since 2007, when orange prices peaked and consumption dropped, Japanese orange consumption has been climbing back. According to the MIC estimates, Japanese annual per capita consumption of oranges in CY2012 increased to 753 grams from 658 grams in the previous year. In recent years, among fresh fruit categories, orange consumption in Japan is one of the few categories that is going against the overall trend of declining fruit consumption. Trade sources attribute this development to two reasons: 1) The aforementioned negative effect of grapefruit consumption on hypertension drugs has caused Japanese consumers to shift their consumption to oranges; and 2) Japanese consumers, especially younger consumers, are shifting their preferences from sour fruit varieties to sweeter citrus products. Additionally, both the United States and Australia have been supplying the Japanese market with higher quality and tastier oranges, further encouraging overall Japanese consumption. As consumer preferences shift towards sweeter citrus fruits, Post expects Japanese orange consumption to continue to recover in the coming years.



Trade (Imports)

Japan Imports of Fresh Oranges

Marketing year: October-September / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13
World	95,950	103,611	119,652	126,887	112,913
United States	66,358	77,303	81,360	96,683	74,795
Market share:	69%	75%	68%	76%	66%
Australia	18,314	17,771	28,822	24,970	34,510
South Africa	7,096	6,894	7,934	4,875	3,096
Chile	4,146	1,558	1,238	101	0
All other	36	85	298	258	512

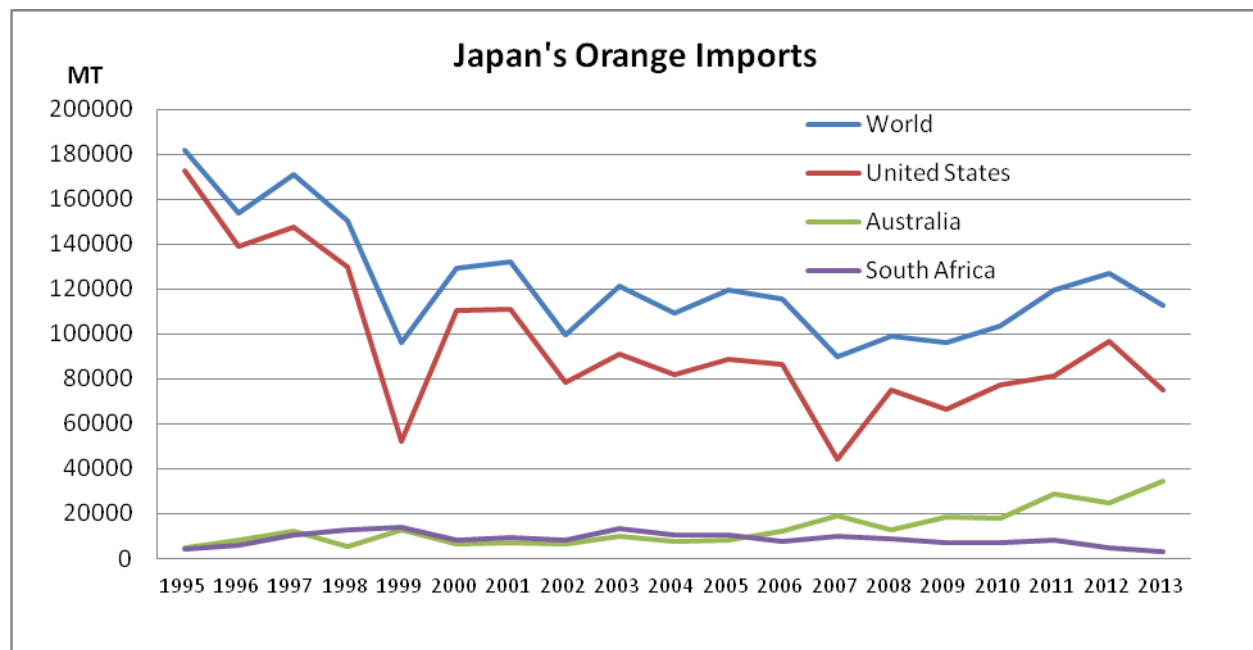
Source: Global Trade Atlas

CIF Price of Imported Fresh Oranges

Country	Unit Value (USD/MT)				
	2009	2010	2011	2012	2013
United States	1,026.63	1,061.73	1,146.53	1,203.33	1,152.09
Australia	1,236.89	1,345.41	1,355.04	1,289.78	1,185.99
South Africa	744.93	1,017.00	945.20	940.01	733.78

Source: Global Trade Atlas

Since dropping in 2007, overall Japanese imports of oranges steadily recovered, so that by MY2011/12, Japanese imports of fresh oranges had increased for their fourth consecutive season to 126,887 MT. However, in MY2012/13, imports dropped by 11 percent, primarily due to a weakened yen. Industry sources believe this decline to be temporary and expect the demand for oranges to continue to be robust. 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 MY 2013/14, Post estimates that the level of Japanese imports of fresh oranges will recover to their MY2011/12 level of 130,000 MT.



Following three consecutive years of increases, Japan's imports of fresh oranges from the United States dropped in MY2012/13 to 74,795 MT. Post attributes this decline to two reasons: 1) the exchange rate adjustment; and 2) the prolonged harvest/season, due to favorable weather conditions, of Japan's domestic late-season citrus called *Iyokan*, which caused a delay in the start of imports of Valencia from California. Since Japanese retailers' shelf space is limited, many choose to sell *Iyokan* until they are out

of season before displaying California oranges. As mentioned in the previous section, industry sources expect that the demand for oranges will continue to recover, and Post estimates imports from the United States should also rebound to around 95,000 MT in MY2013/14.

Following record imports in MY2010/11, Japan's imports of Australian oranges fell to 24,970 MT in MY2011/12, but jumped again to another record of 34,510 MT in MY2012/13. 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. Aggressive promotional activities by Australian grower associations appear to be paying off, such that trade sources expect imports of Australian oranges to continue to increase.

Supplies of South African oranges to Japan continue to decline. Despite the fact that South African oranges are significantly cheaper than U.S. and Australian oranges, Japanese buyers are not inclined to expand imports due to unfavorable quality and taste.

Similarly, Japanese traders report that the quality and taste of Chilean oranges do not appear to be well appreciated by the Japanese consumer, and, as a result, imports of Chilean oranges ceased in MY2012/13.

Prices:

Japan: Fresh Orange Prices - Import, Wholesale, Retail					
Import CIF Prices		Wholesale Prices		Retail Prices	
(US \$/KG)		(Yen/KG)		(Yen/KG)	
2012		2012		2012	
October	\$1.26	October	¥162	October	¥355
November	\$1.22	November	¥178	November	¥364
December	\$1.32	December	¥184	December	¥352
2013		2013		2013	
January	\$1.24	January	¥185	January	¥369
February	\$1.20	February	¥188	February	¥373
March	\$1.12	March	¥192	March	¥370
April	\$1.12	April	¥193	April	¥370
May	\$1.18	May	¥195	May	¥378
June	\$1.16	June	¥188	June	¥369
July	\$1.11	July	¥188	July	¥375
August	\$1.10	August	¥194	August	¥379
September	\$1.12	September	¥190	September	¥388
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:

The Japan-Mexico Economic Partnership Agreement (EPA):

The Japan-Mexico EPA has been in effect since April 1, 2005. Under this agreement, various Mexican agricultural products, including fresh oranges, enter Japan at a reduced import duty. In MY2011/12, Japan and Mexico renegotiated tariff concessions granted under the EPA. In the case of Mexican oranges, Japan increased the in-quota volume and extended tariff reductions to Mexico's seasonal preferential tariff-quota. Since April 2012, in-quota imports of Mexican oranges (up to 4,100 MT) enjoy a tariff of 7.4 percent when shipped between June 1 – November 30, and a tariff of 14.8 percent when shipped during December 1 – May 31. In-quota tariffs are scheduled to lower gradually until 2016 to 5.0 percent and 10 percent, respectively. Out-of-quota imports of Mexican oranges face the WTO tariff rates shown below. In MY2012/13, 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. The Japan-Mexico EPA agreement can be found at the following website:

<http://www.mofa.go.jp/region/latin/mexico/agreement/index.html>

Import Duties:

Japan: Import Duties 2013

Tariff Code (HS)	Description	Duty Rate (%)*
0805.10-000	Fresh oranges, imports during December 1 - May 31	32%
	Fresh oranges, imports during June 1 - 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	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	0	0	0	0		0
Beginning Stocks	14,000	14,000	20,000	20,000		10,285
Production	0	0	0	0		0
Imports	81,550	81,550	75,000	65,285		74,000
Total Supply	95,550	95,550	95,000	85,285		84,285
Exports	0	0	0	0		0
Domestic Consumption	75,550	75,550	76,000	75,000		74,000
Ending Stocks	20,000	20,000	19,000	10,285		10,285
Total Distribution	95,550	95,550	95,000	85,285		84,285

MT

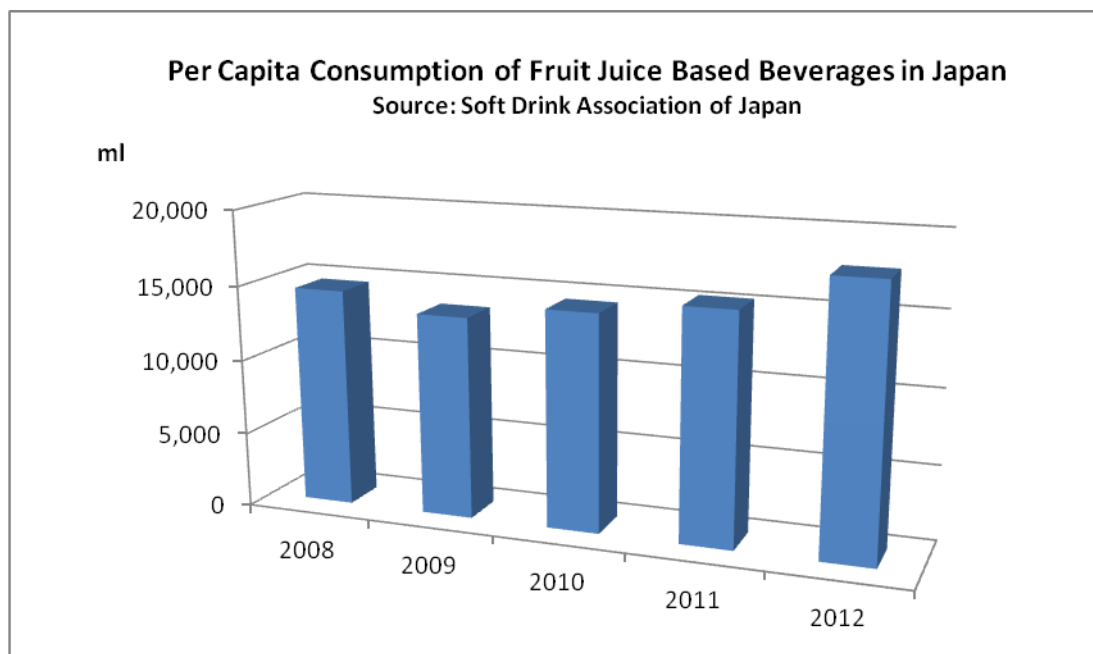
* Production, Consumption, and Stocks measured in metric tons at a 65 Brix equivalent.

Production

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

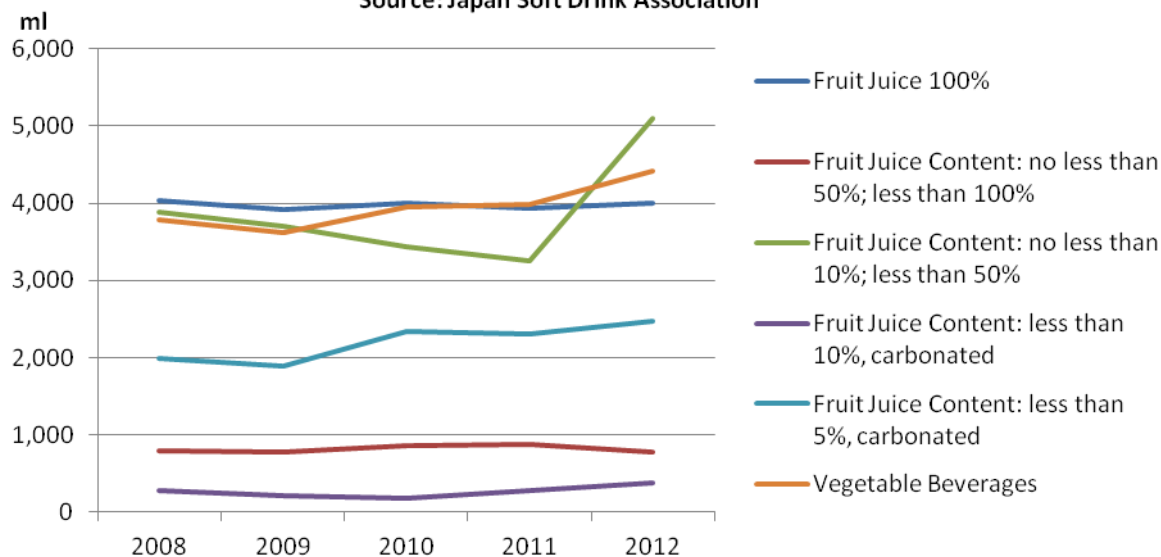
Consumption

According to the Soft Drink Association of Japan, consumption of fruit juice based beverages in Japan has been on an upturn since 2009, reaching nearly 18,000 milliliters per capita in 2012. Increases in two beverage categories may be driving this trend: 1) fruit juice content of not less than 50 percent and less than 100 percent; and 2) carbonated beverages containing less than 10 percent fruit juice. There is no data available for the consumption or production particular to 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. Industry sources also state that Japanese preferences toward vegetable juices, particularly tomato juice, 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.



Per Capita Consumption of Fruit and Vegetable Based Beverages in Japan

Source: Japan Soft Drink Association



Trade (Imports)

Japan: Imports of Orange Juice

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

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13
World	75,347	64,198	87,141	81,550	65,285
United States	2,776	2,810	1,579	485	572
Market share:	4%	4%	2%	1%	1%
Brazil	61,290	52,412	73,716	70,376	52,479
Mexico	5,821	4,774	4,635	3,807	7,155
Belize	1,561	1,843	3,438	2,562	1,203
Israel	1,767	846	1,673	1,838	1,599
Italy	908	456	653	612	927
Costa Rica	41	138	432	827	604
Spain	326	357	341	483	310
Australia	272	246	246	212	191
All other	585	316	428	348	245

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 MY2012/13, Japan's total imports of orange juice decreased 20 percent from the previous season to 65,285 MT (on a 65 Brix equivalent). This decline was the result of a significant decline in orange juice imports from Brazil, the largest supplier, traditionally supplying 80 percent of Japan's total imports. In MY2012/13, Japan's imports of Brazilian orange juice dropped 25 percent from the previous season to 52,579 MT. This decline was due to:

1) sustained high global prices caused by continuing short supplies from Brazil and the United States; and 2) decreasing demand in Japan as FCOJ use continues to shift from 100 percent orange juice to beverages with lower juice content, such as mixed-juice beverages.

In MY 2012/13, Japan's imports of U.S. orange juice recovered somewhat to 572 MT on a 65 Brix equivalent, from 485 MT in the previous year. 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 MY 2012/13 increased to 7,155 MT (on a 65 Brix equivalent) from 3,807 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 2012, Mexican FCOJ exports to Japan (up to 6,360 MT) faced a duty of 11.4 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 Asian countries and Russia. For MY2013/14, Post forecasts total Japanese imports of orange juice to be consistent with the level of consumption at 74,000 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 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13
United States	2.36	1.91	2.76	3.56	3.18
Brazil	1.83	1.63	2.52	2.75	2.35
Mexico	1.96	1.76	2.78	2.98	2.65

Source: Global Trade Atlas

Policy

Japan-Mexico Economic Partnership Agreement (EPA):

The Japan-Mexico EPA has been in effect since April 2005. Under this agreement, various agricultural products, including orange juice, enter Japan at a reduced import duty. Regarding orange juice, 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 MY2011/12, Japan and Mexico renegotiated tariff concessions granted under the 2005 EPA. As a result, Japan extended the quota provisions and accelerated tariff reductions for Mexican orange juice. Starting in April 2012, in-quota imports of Mexican orange juice enjoy a tariff rate of either: 1) 9.5 percent; 2) 11.4 percent; or 3) 13.4 percent or 10.34 yen per kilogram, whichever is greater, depending on the tariff code.

The quota for Mexican FCOJ, set in 2012 at 6,360 MT, is scheduled to expand by 160 MT each year, reaching 7,000 MT in 2016. The quota for fresh straight orange juice, set at 2,200 MT in 2012, is scheduled to expand by 700 MT each year 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.

Tariff concessions under the Japan-Mexico EPA agreement can be found at the following website:

<http://www.mofa.go.jp/region/latin/mexico/agreement/index.html>

Import Duties (Orange Juice):

Japan: Import Duties 2013

Tariff Code (HS)	Description	Duty Rate (%)*
2009.11-110	Orange juice, frozen, containing added sugar, not more than 10% by weight of sucrose, naturally and artificially contained	25.5%
2009.11-190	Orange juice, frozen, containing added sugar, other	29.8% or 23 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%
2009.11-290	Orange juice, frozen, not containing added sugar, other	25.5%
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%
2009.12-	Orange juice, not frozen, of a Brix value not exceeding 20, containing	29.8% or 23 yen/kg,

190	added sugar, other	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%
2009.12-290	Orange juice, not frozen, of a Brix value not exceeding 20, not containing added sugar, other	25.5%
2009.19-110	Orange juice, other, containing added sugar, not more than 10% by weight of sucrose, naturally and artificially contained	25.5%
2009.19-190	Orange juice, other, containing added sugar, other	29.8% or 23 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%
2009.19-290	Orange juice, other, not containing added sugar, other	25.5%

Source: Customs Tariff Schedules of Japan

* all duties are charged on a CIF basis

Lemons

PS&D table:

Lemons/Limes, Fresh Japan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	487	487	492	492		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	13	8	15	9		10
Imports	55	55	55	51		52
Total Supply	68	63	70	60		62
Exports	0	0	0	0		0
Fresh Dom. Consumption	65	60	66	57		59
For Processing	3	3	4	3		3
Total Distribution	68	63	70	60		62

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 the demand for domestic lemons increases, Japanese growers are responding to consumer preference for local produce. Post estimates that in MY2013/14, Japan's lemon harvest area will expand to 500 hectares, with production volume reaching 10,000 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 recent 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 MY2012/13, Japan's total consumption of lemons is estimated at 60,000 MT, with the domestic share rising to 15 percent, or 9,000 MT. Domestic lemon producers have been aggressively targeting safety-cautious consumers by advertising their produce as free of post-harvest agrochemicals. The Japanese Government classifies agrochemicals used in post harvest 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 (see photo below). No such requirements apply when the same chemicals are used pre harvest. Japanese farmers do not utilize post harvest application 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.



Photo taken at a supermarket in Tokyo:

U.S. lemons (sold at 98 yen each) on the left with a sign that says fungicides (TBZ, Imazalil, and/or Fludioxonil) are used; Japanese lemons on the right, priced at 198 yen, individually wrapped.

Trade (Imports)

Japan: Imports of fresh lemon

Marketing year: October-September / Quantity in metric tons

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13
World	51,671	53,129	57,303	55,076	51,123
United States	35,613	35,917	35,634	34,854	34,806
<i>Market share:</i>	<i>69%</i>	<i>68%</i>	<i>62%</i>	<i>63%</i>	<i>68%</i>
Chile	11,649	13,981	16,216	15,295	12,164
Mexico*	1,911	1,984	4,036	3,583	3,336
New Zealand	858	711	1,024	767	555
South Africa	1,335	424	393	506	219
Australia	293	113	0	68	41
All other	12	0	0	3	2

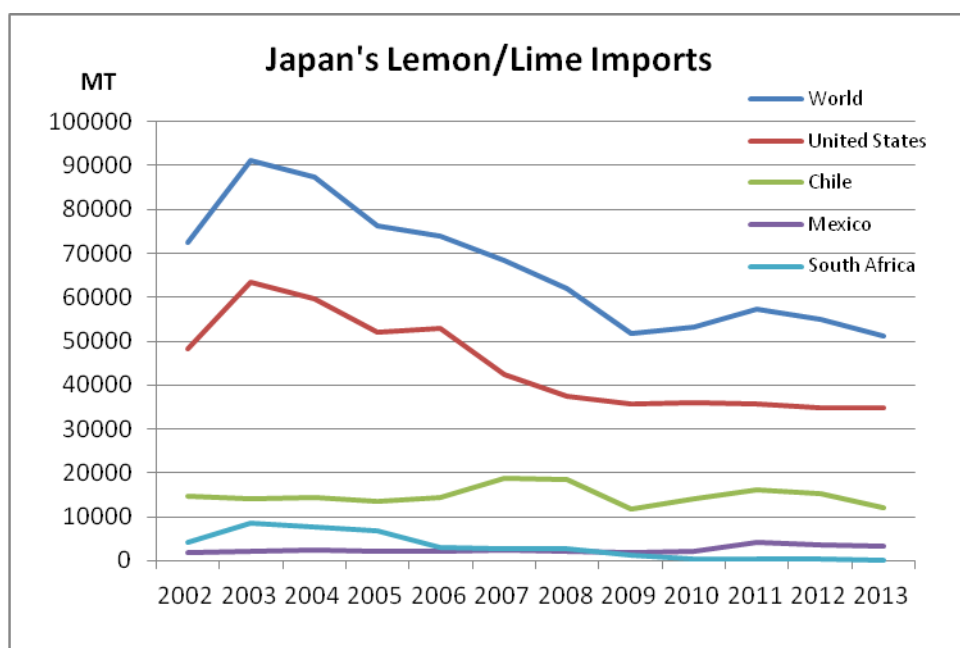
Source: Global Trade Atlas

**:Mexico includes both lemons and limes*

CIF Price of Imported Fresh Lemon

Country	Unit Value (USD/MT)				
	2009	2010	2011	2012	2013
United States	1,309.28	1,525.22	1,531.10	1,497.29	1,495.57
Chile	1,319.08	1,373.67	1,295.52	1,130.87	1,334.13
Mexico	4,284.37	4,175.20	2,729.38	3,324.25	3,546.69
New Zealand	1,792.43	2,049.79	2,154.33	2,222.90	1,962.68
South Africa	900.25	541.18	768.30	797.62	603.58
Australia	1,338.72	1,296.87	-	1,555.79	1,486.69

Consistent with the increase in domestic supplies and steady consumption over the last several years, Japan's imports of fresh lemons in MY2012/13 is expected to decline but stay above the 50,000 MT mark. For MY2013/14, Post expects Japanese imports of fresh lemons to hold steady around 52,000 MT.



The United States supplies fresh lemons to the Japanese market year round, providing on average 66 percent of Japan's total imports. In MY2012/13, imports of U.S. lemons held steady at nearly 35,000 MT. 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 to continue at 35,000 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 the lower price and longer shelf-life. As a result of this increased competition, U.S. lemon shipments tend to slow during the summer months. However, in

MY2012/13, due to unfavorable weather conditions, Chilean lemon supplies to Japan declined to 12,164 MT, from 15,295 MT in the previous marketing year, due to a significant increase in the import price. For MY2013/14, Post estimates that imports from Chile should recover close to their previous year's level if the supply situation improves.

In MY 2012/13, Japan imported 3,336 MT of Mexican lemons (HS code 080550, fresh lemons and limes combined), slightly less than the previous season. Until MY2009/10, Mexican supplies under HS code 080550 consisted primarily of fresh limes. However, industry sources report that, following the purchase of Mexican lemon groves by an American company during MY2010/11, Mexico began supplying fresh lemons to the Japanese market, and traders report that the quality of Mexican lemons is comparable to that of American lemons. Given the competitiveness of Mexican lemon prices, Post anticipates shipments of Mexican lemons to Japan will expand in the years to come.

Prices:

Japan: Fresh Lemon Prices - Import, Wholesale, Retail					
Import CIF Prices		Wholesale Prices		Retail Prices	
(US \$/KG)		(Yen/KG)		(Yen/KG)	
2012		2012		2012	
October	\$1.70	October	¥157	October	¥533
November	\$1.61	November	¥168	November	¥505
December	\$1.58	December	¥170	December	¥514
2013		2013		2013	
January	\$1.51	January	¥168	January	¥501
February	\$1.47	February	¥182	February	¥492
March	\$1.49	March	¥189	March	¥498
April	\$1.57	April	¥207	April	¥518
May	\$1.65	May	¥260	May	¥513
June	\$1.87	June	¥242	June	¥528
July	\$1.68	July	¥253	July	¥522
August	\$1.61	August	¥304	August	¥560
September	\$1.41	September	¥304	September	¥588
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 2013

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

Source: Customs Tariff Schedules of Japan

** all duties are charged on a CIF basis*