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Report Highlights:

Overall citrus acreage in Japan continues to decline amid decreasing consumption and aging rural population. In the 2019/20 marketing year (MY), mandarin production is forecast to hit a historic low of 740,000 metric tons. Japan's rising demand for lemon-like citrus will be met through increasing imports and land use transition from mandarin to lemon production. The new U.S.-Japan trade agreement includes a stepwise tariff reduction and increase in safeguard levels for U.S. orange exports to Japan. In response to reduced mandarin production and anticipated tariff reduction, Post forecasts a modest increase in U.S. orange exports to Japan in the 2019/20 MY.

Overview

By volume, citrus production dominates fruit production in Japan. Due to favorable geoclimatic conditions, highest production regions are concentrated in western Japan (Figure 1). Mandarins/tangerines are the most common citrus varieties grown in Japan, but acreage and production have been declining over the last 46 years. According to the latest (2015) agricultural census by the Ministry of Agriculture, Forestry and Fisheries (MAFF), over 77 percent of Japanese fruit growers were over the age of 60 and less than 1.5 percent under 40 years of age. Aging rural communities and changing fruit consumption trends underlie declining mandarin/tangerine production.

Approximately 60 percent of Japan's fresh citrus distribution is through wholesalers via local growers' association, Japan Agricultural cooperatives (JA). However, fruit distribution through direct marketing via internet and social networking is increasing in frequency.

Fruit preferences among Japanese consumers center on sweetness, price and convenience (e.g., ease of peeling). Domestically produced citrus is usually consumed fresh, and there is large price difference for growers between products for fresh consumption and processing. Despite declining overall fruit consumption in Japan, the total fruit import volume has remained stable at 1,700,000 metric tons (MT). The United States is the leading citrus supplier, particularly of fresh oranges and lemons. Unlike the decreasing demand for tangerines/mandarins and a relatively stable demand for oranges and grapefruit, the demand for lemons and lemon-like citrus is on the rise in Japan.

The new U.S.-Japan trade agreement (USJTA) will provide preferential tariff treatment for U.S. fresh oranges. Despite a safeguard system, this tariff reduction is forecast to increase the price competitiveness and enhance the appeal of U.S. oranges to Japanese consumers.

Fresh Tangerines/Mandarins

PS&D Table

Tangerines/Mandarins, Fresh	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	51800	55500	50500	54100	0	53000
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	990	968	1000	994	0	952
Imports[1]	19	19	19	19	0	19
Total Supply	1009	987	1019	1013	0	971
Exports	2	2	2	1	0	1
Fresh Dom. Consumption	912	906	922	933	0	897
For Processing	95	79	95	79	0	73
Total Distribution	1009	987	0	1013	0	971
(HECTARES), (1000 TREES), (1000 MT)						

Note: Prior to 2016, tangerine/mandarin data only included Unshu Mikan variety. Since 2016, FAS/Tokyo has incorporated data on the Chubankan tangerine/mandarin varieties and kumquat based on data compiled by MAFF. MAFF reports on Unshu Mikan varieties with commercial distribution and a minimum acreage of 0.5 hectare (ha).

Production

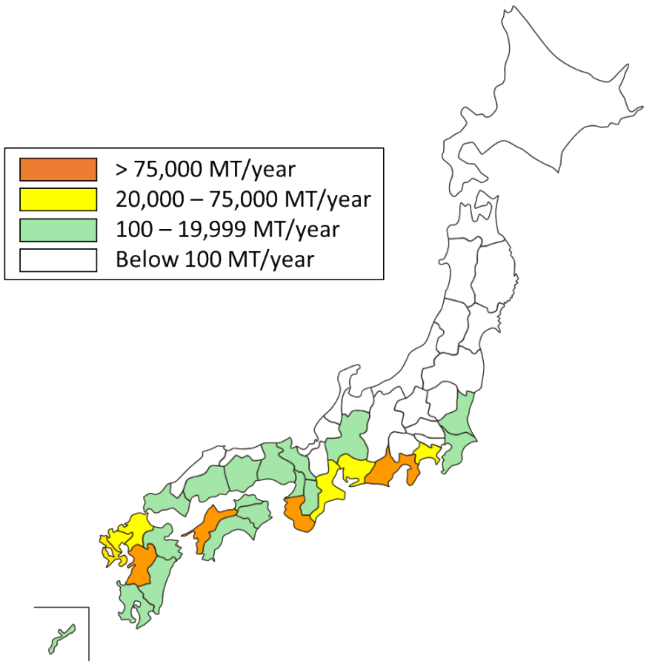
By volume, tangerines/mandarins are the top fruit produced in Japan (Figure 1). Domestic tangerine/mandarin production consists of Unshu Mikan (a Satsuma mandarin), Chubankan (late maturing) mandarins/tangerines, and kumquats. Unshu Mikan are produced between October and March. Chubankan varieties are harvested between January and May, and kumquats are produced between January to March. The estimated total tangerine/mandarin acreages are revised to 55,000 ha in the 2017/18 marketing year (MY) and 54,100 ha in 2018/19 MY. Accordingly, Japan's total tangerine/mandarin production for the 2017/18 MY is estimated at 968,000 MT, and the 2018/19 MY production is estimated at 994,000 MT. These revisions reflect updated estimates by MAFF.

[1] Due to rounding error, import levels look the same across the last three years. However, there is a modest increase to 19,000 MT projected for the 2019/20 MY imports, compared to MY 2017/18 (18,659 MT) and MY 2018/19 (18,651 MT).

Unshu Mikan acreage and production have been in continuous decline since peaking in 1975, when MAFF began to limit production to maintain unit price. For the 2019/20 MY harvest, MAFF announced the target Unshu Mikan production at 780,000 MT, a 7 percent reduction from the historically low target of 840,000 MT in the 2018/19 MY. MAFF's rationale for this target revision is the reduction in the Unshu Mikan acreage driven by the increasing average age of farmers, farm labor shortages, and expectation of low yield in the 2019/20 MY. Local governments in western prefectures (e.g., Kyushu) report acreage conversion from Unshu Mikan to Chubankan and lemon-like citrus.

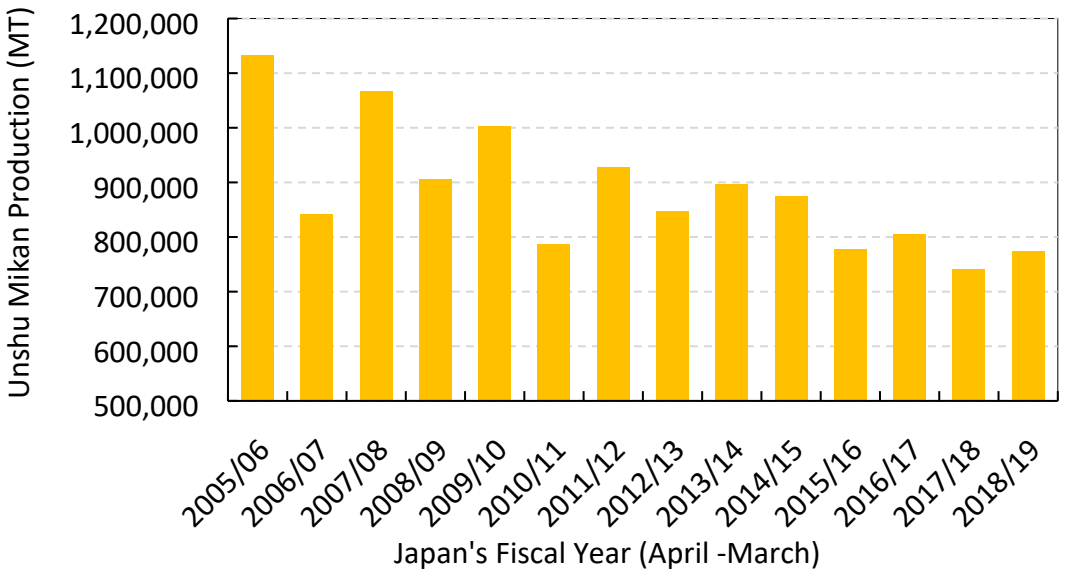
Industry contacts report that unusually low precipitation, temperature and sunlight conditions during the early fruiting period led to lower yield and Brix values, and higher acidity in Japan's 2019/20 MY Unshu Mikan crop. Moreover, 2019/20 MY is a low yielding year for the alternatively bearing Unshu Mikan, which alternates between high yielding (e.g., 2018/19 MY) and low yielding years (Figure 2). The 2019/20 MY Unshu Mikan production is forecast at 740,000 MT, below MAFF's target of 780,000 MT. With the addition of Chubankan varieties, Post forecasts Japan's total tangerine/mandarin production to decrease to 952,000 MT or 96 percent of the 2018/19 MY crop.

Figure 1. Unshu Mikan production in Japanese prefectures



Source: MAFF

Figure 2. Unshu Mikan Production in Japan



Source: MAFF

Note: Annual Unshu Mikan production levels are affected by alternative bearing, weather conditions, and total acreage. For example, after two consecutive high-yielding years, Japanese Fiscal Year 2015/16, expected to be a high-yielding year, became a low-yielding year.

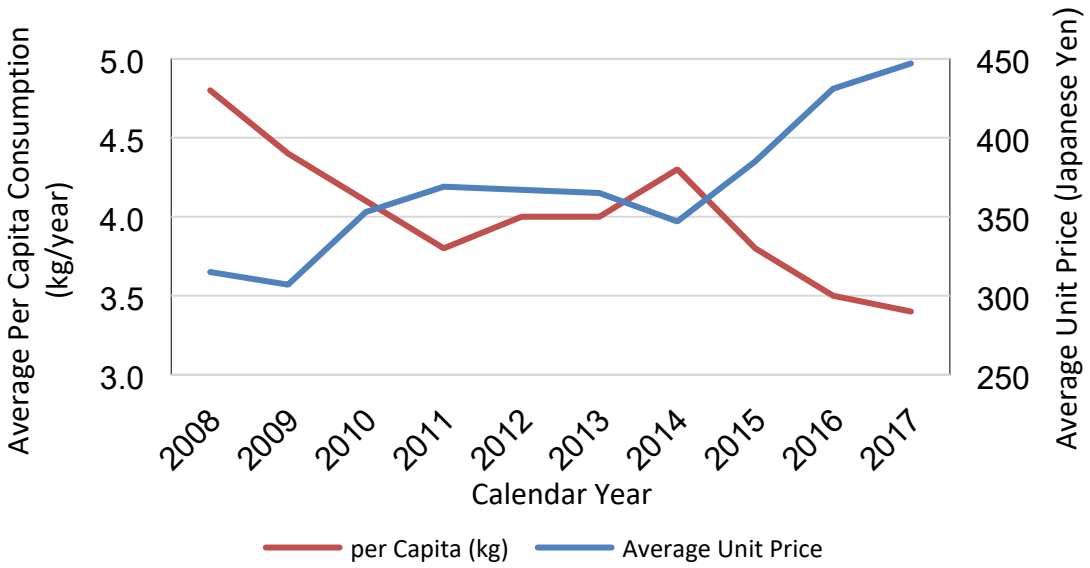
Consumption

Over the last forty years, Japan's Unshu Mikan production has declined by 80 percent. Nevertheless, after bananas, Unshu Mikan and Chubankan tangerines/mandarins are the most popular fresh fruit choice among Japanese consumers. While 90 percent of Japan's tangerine/mandarin production is consumed fresh, 7 percent is processed for juice, and the remaining 3 percent canned.

Sweetness, represented by the Brix value, is the primary consideration for Japanese consumers of tangerine/mandarin varieties. To prevent poor quality product from reaching the consumer, depressing the market price and affecting consumers' experience, the Japan Agricultural Association (JA) sets strict Unshu Mikan standards based on multiple parameters, including the Brix value. To attract consumers, retailers tend to display the Brix value information for tangerines/mandarins.

As consumption patterns are inversely related to the Unshu Mikan market price, over the last 10 years, market price has been increasing to offset falling consumption (Figure 3). Post forecasts the consumption of Unshu Mikan and Chubankan will continue to decline in the 2019/20 MY.

Figure 3. Consumption and Price of Unshu Mikan in Japan



Source: Ministry of Internal Affairs and Communications

Policy

There are no significant policy changes related to tangerines and mandarins in Japan. Tangerines/mandarins (Harmonized System Code (HS) 0805.21), clementines (HS 0805.22) and similar varieties (HS0805.29) have a 17 percent tariff, which was outside the scope of the USJTA.

Imports

Japan's fresh tangerine/mandarin import levels remained flat in MY 2018/19 at 18,651 MT (Table 1). The United States is the leading supplier of fresh tangerines to Japan, accounting for approximately 70 percent of Japan's imports. The forecasted reduction in Japan's 2019/20 MY tangerine/mandarin crop may create opportunities for U.S. tangerines in the Japanese market. Post forecasts Japan's 2019/20 MY fresh tangerine/mandarin imports to increase by 1.8 percent to 19,000 MT, of which 13,000 MT will be from the United States.

Table 1. Japanese Fresh Mandarin/Tangerine Imports

Partner Country	Unit	MY 2016/17	MY 2017/18	MY 2018/19
World	MT	18,833	18,659	18,651
United States	MT	13,004	12,954	12,799
Market Share:		*69%*	*69%*	*69%*
Australia	MT	4,135	4,546	4,827
Others	MT	1,694	1,159	1,025

Source: Trade Data Monitor

Exports

Despite the Government of Japan's promotion of agricultural exports, Japan's fresh mandarin exports declined by 36.4 percent to 1,012 MT in the 2018/19 MY, as compared to the 2017/18 MY (Table 2). This decrease, most conspicuously in Canada, was likely a result of increased competition from South Korea and China. Japan's current export strategy focuses on South East Asian markets. Given the forecasted reduction in the 2019/20 MY production, Post anticipates export volume to remain at 1,000 MT.

Table 2. Japanese Mandarin/Tangerine Exports

Partner Country	Unit	MY 2016/17	MY 2017/18	MY 2018/19
World	MT	1,801	1,590	1,012
Hong Kong	MT	260	274	359
Taiwan	MT	207	233	257
Canada	MT	1,166	885	142
Others	MT	168	198	254

Source: Trade Data Monitor

Fresh Oranges

PS&D Table

Oranges, Fresh	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	430	413	430	390	0	370
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production[2]	5	6	6	6	0	6
Imports	83	83	90	85	0	88
Total Supply	88	89	96	91	0	94
Exports	0	0	0	0	0	0
Fresh Dom. Consumption	87	88	95	90	0	93
For Processing	1	1	1	1	0	1
Total Distribution	88	89	96	91	0	94
(HECTARES), (1000 TREES), (1000 MT)						

Production

Japan's acreage for orange production is largely limited to the Hiroshima and Shizuoka prefectures. To differentiate domestic product from imports, orange production in Japan involves no or limited use of agricultural chemicals. The orange distribution season in Japan is February through April. Overall cultivation area is declining along with the rising average age of orange farmers and labor shortages. The 2018/19 MY planted area for oranges is estimated to have decreased by 5.6 percent to 390 ha. Post forecasts a further 5 percent reduction in planted area (to 370 ha) and production (to 5,607 MT) in 2019/20 MY.

Consumption

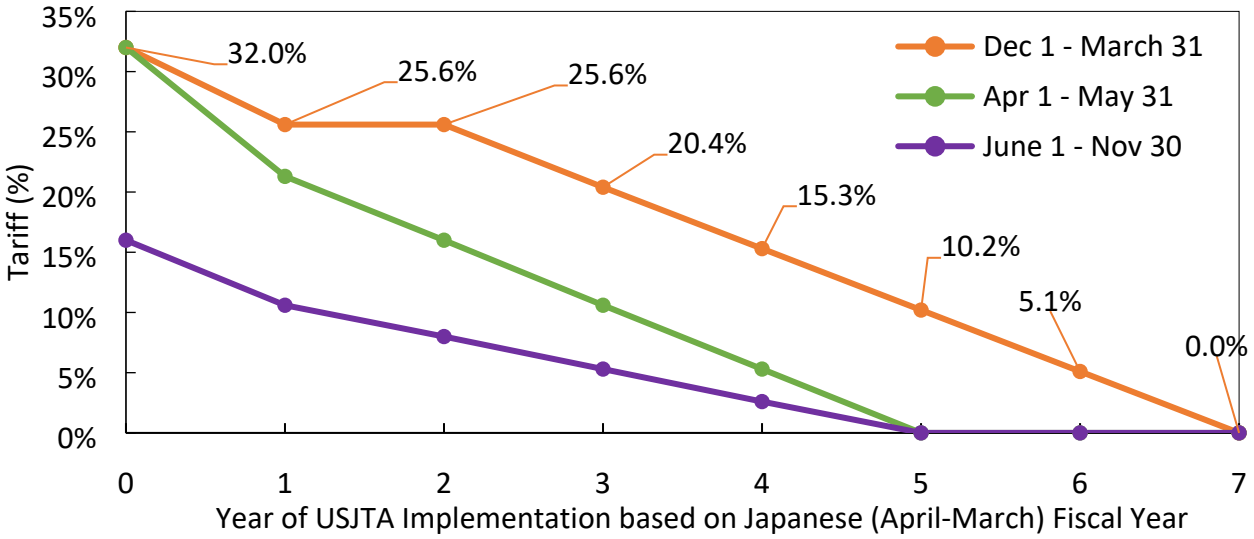
As reflected by domestic production and imports, Japanese consumers prefer Navel orange variety over the Valencia variety. Since domestic production accounts for only 5 percent of total fresh orange consumption, the quality and price of imported oranges largely define Japan's orange consumption.

Policy

[2] Due to rounding error, production decline is not apparent in the PS&D table. The actual estimated values are 6,279 MT, 5,943 MT, and 5,607 MT in the 2017/18 MY, 2018/19 MY and 2019/20 MY, respectively.

The USJTA will provide a stepwise tariff elimination for the U.S. fresh orange imports (HS 0805.10) to Japan. The import season of fresh and dried oranges determines the tariff rate and safeguard levels (Figure 4). Under USJTA, a safeguard will be applied to U.S. oranges imported between December 1 and April 30. The safeguard starts at 35,150 MT and will gradually decrease until complete elimination by Year 6 of USJTA implementation.

Figure 4. Expected Tariff Schedule under USJTA for U.S. Oranges by Import Period



Source: FAS/Tokyo for HS 0805.10

Imports

Japan's 2018/19 MY fresh orange imports are estimated to increase by 3 percent to 85,049 MT (Table 3). This increase is primarily attributed to increased production and reduced cost, insurance, and freight (CIF) for U.S. oranges (Table 4). Accounting for close to 60 percent of Japan's fresh orange imports, the United States is the leading orange supplier to Japan. Although Australia and South Africa are the next two top orange exporters to the Japanese market, due to seasonal differences, U.S. oranges do not compete directly with Australian and South African orange exports.

Multiple industry sources expect increased demands for imported oranges due to poor Unshu Mikan production in the Shizuoka prefecture, which accounted for 15 percent of overall Unshu Mikan production in MY 2018/19. Shizuoka Unshu Mikan has its peak distribution between January and March, when it represents over 50% of domestically available Unshu Mikan. The January-June period is the primary sales window of U.S. oranges. Post forecasts the total 2019/20 MY orange imports to increase by 3.2 percent to 94,000 MT, and U.S. fresh orange imports to increase by 3.8 percent to

52,000 MT. USJTA implementation prior or during the U.S. orange export season may further increase the U.S. orange import volume (Figure 4).

Table 3. Japanese Fresh Orange Imports

	Unit	MY 2016/17	MY 2017/18	MY 2018/19
World	MT	92,223	82,558	85,049
United States	MT	52,596	42,539	50,086
Market Share:		*57%*	*51.5%*	*58.6%*
Australia	MT	35,464	34,714	31,035
South Africa	MT	2,797	3,418	3,608
Others	MT	1365	1888	320

Source: Trade Data Monitor

Table 4. CIF Price of Imported Fresh Oranges

	Unit	MY 2016/17	MY 2017/18	MY 2018/19
World	US$/kg	1.36	1.52	1.36
United States	US$/kg	1.45	1.69	1.41
Australia	US$/kg	1.38	1.32	1.24
South Africa	US$/kg	1.03	1.00	1.02
Others	US$/kg	1.30	1.26	1.25

Source: Trade Data Monitor

Exports

Due to limited domestic production, Japan's fresh orange exports are negligible.

Grapefruit

PS&D Table

Grapefruit, Fresh	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	1160	1217	1150	1220	0	1223
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	22	26	24	26	0	26
Imports	71	71	80	64	0	60
Total Supply	93	97	104	90	0	86
Exports	0	0	0	0	0	0
Fresh Dom. Consumption	92	96	103	89	0	84
For Processing	1	1	1	1	0	2
Total Distribution	93	97	104	90	0	86
(HECTARES), (1000 TREES), (1000 MT)						

Note: Prior to 2016, PS&D data only included grapefruit. Since 2016, FAS/Tokyo has incorporated data on Japanese grapefruit-like varieties based on MAFF data. MAFF reports on various grapefruit-like varieties with commercial distribution and a minimum acreage of 0.5 ha.

Production

Japan has a limited, yet stable, grapefruit acreage and production. Japanese Pomelo, a domestic grapefruit-like variety (e.g., buntan and kawachi-bankan), is unique to Japan. The harvest season is February through August. Post anticipates steady Japanese Pomelo production at 26,000 MT in 2018/19 MY and 2019/20 MY, when acreage will expand slightly to 1,223 ha.

Consumption

In 2004, Japanese media began to report on the negative interactions between grapefruit consumption and hypertension drugs. As most Japanese Pomelo and fresh grapefruit consumers were older, the demand for grapefruit products has been in continuous decline since 2004. Younger Japanese consumers prefer sweet and easy-to-peel fruit and have been less interested in fresh grapefruit.

Multiple industry sources report that consumption decline has likely bottomed out and remaining core customers are expected to maintain a steady consumption trend for grapefruit. Still, unless grapefruit demand increases among young Japanese consumers, industry sources anticipate decreasing grapefruit consumption rate over time as Japan's population ages. To stimulate such demand and

capitalize on the emerging interest in fruit-based cocktails, Japanese Pomelo and grapefruit juice are increasingly used in cocktails.

In the 2018/19 MY, Japanese Pomelo production remained flat, yet Japan's total consumption of grapefruit and Japanese Pomelo fell by 7.2 percent to 90,000 MT. Post forecasts Japan's fresh grapefruit consumption to contract to 86,000 MT or by 4.4 percent in the 2019/20 MY.

Policy

There are no significant policy changes related to grapefruit in Japan. The current tariff rate of 10 percent for grapefruit (HS 0805.40) was outside of the scope of the USJTA and will continue.

Imports

Fresh grapefruit imports to Japan fell by 9 percent to 64,329 MT in the 2018/19 MY (Table 5). South Africa remains the top fresh grapefruit exporter to Japan due to higher consumer demand during its peak export season. Nevertheless, multiple industry sources indicated preference for the quality and reliability of U.S. grapefruit among Japanese distributors and consumers. In the 2018/19 MY, despite an overall decline in Japanese imports, the United States maintained a steady export volume at 18,516 MT. For the 2019/20 MY, Post forecasts continuing stable level of fresh U.S. grapefruit exports to Japan at 18,500 MT.

Nonetheless, industry reported overall grapefruit marketing challenges, which will likely lead to greater hesitancy to import fresh grapefruit. Due to these concerns, Post forecasts continuing overall decline by 6.8 percent in fresh grapefruit imports to Japan to 60,000 MT in the 2019/20 MY.

Table 5. Japanese Fresh Grapefruit Imports

Partner Country	Unit	MY 2016/17	MY 2017/18	MY 2018/19
World	MT	84,482	70,726	64,329
United States	MT	36,034	18,494	18,516
Market Share:		*42.7%*	*26.1%*	*28.8%*
South Africa	MT	38,672	36,202	29,591
Israel	MT	5,964	9,555	11,206
Others	MT	3,812	6,475	5,015

Source: Trade Data Monitor

Exports

Due to limited domestic production, Japan's fresh grapefruit exports are negligible.

Lemons and Limes

PS&D Table

Lemons/Limes, Fresh	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	4550	4350	4560	4400	0	4450
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	45	50	40	42	0	51
Imports	53	53	52	59	0	62
Total Supply	98	103	92	101	0	113
Exports	0	0	0	0	0	0
Fresh Dom. Consumption	68	72	62	69	0	79
For Processing	30	31	30	32	0	34
Total Distribution	98	98	0	101	0	113
(HECTARES), (1000 TREES), (1000 MT)						

Note: Prior to 2016, PS&D data only included lemons and limes. Since 2016, FAS/Tokyo has incorporated MAFF data on lemon/lime-like citrus varieties (e.g., yuzu, kabosu, sudachi) grown in Japan. MAFF reports on lemon-like varieties with commercial distribution and a minimum acreage of 0.5 ha.

Production

Over 80 percent of Japan's lemon production is concentrated in the Hiroshima and Ehime prefectures. Damages from previous year's typhoons and frost impacted the 2018/19 MY lemon production in the Hiroshima prefecture. Post estimates an overall 8,000 MT or 16 percent reduction in fresh lemon production. Despite this setback, to meet the rising demand for domestic lemons with no or limited application of agricultural chemicals, Hiroshima and Ehime farmers are continuing to expand lemon acreage. In response to the declining demand for Unshu Mikan, local governments are administering policies to support the transition of Unshu Mikan farmers to lemon production. Post forecasts 4,450 ha or a 1.1 percent increase in acreage for lemon-like citrus cultivation in Japan in the 2019/20 MY. Moreover, lemon production in the Hiroshima prefecture is expected to recover by the 2019/20 MY. Post anticipates Japan's 2019/20 MY fresh lemon production to reach 8,000 MT.

In addition to lemon-like varieties, Japan grows other citrus types with similar consumption patterns, such as yuzu (*Citrus junos*), kabosu (*Citrus sphaerocarpa*) and sudachi (*Citrus sudachi*). In the 2018/19

MY, Post estimates Japan produced 23,000 MT of yuzu, 6,000 MT of kabosu and 6,000 MT of sudachi. Thus, these uniquely Japanese lemon-like varieties represent the majority of lemon-like citrus production in Japan. The demand for and consequently production of these domestic citrus varieties has been steadily increasing. Post forecasts a 21 percent increase in Japan's 2019/20 MY total production of lemons and lemon-like domestic citrus varieties to 51,000 MT. Such large increase will be due to recovery from the 2017/18 MY damages to lemon production and increasing demand for lemon-like citrus products.

Consumption

Flavorful acidic citrus varieties, such as lemon, are mainly consumed as garnish, seasoning or cocktail flavoring. Despite a slight reduction in the 2018/19 MY consumption due to lower domestic production, consumption of lemon-like citrus is on the rise in Japan, as evidenced by an increase in imports. The increasing popularity of citrus-flavored alcoholic beverages underlies this consumption trend. Industry sources indicate that consumption of citrus-flavored alcoholic beverages is growing at 2-3 percent annually.

Japan's processing sector is similarly increasing its use of lemon-like citrus in salad dressings and flavored soy sauce. Approximately 70 percent of lemon-like citrus in Japan is utilized in food processing and flavoring of alcoholic beverages.

Based on these trends and expected recovery of the lemon production area in the Hiroshima prefecture, Post forecasts domestic consumption to increase to 113,000 MT or by 11.8 percent.

Policy

U.S. lemon and lime (HS 0805.5) exports do not face tariffs in Japan.

Imports

In the 2018/19 MY, Japan's fresh lemon imports increased to 56,839 MT or by 11.6 percent (Table 6). The United States is the leading supplier of fresh lemons to Japan. In the 2018/19 MY, fresh lemon exports from the United States increased by 12.2 percent to 33,457 MT, representing 58.9 percent of imports. Although Chile is the second largest supplier of fresh lemons to Japan, it does not directly compete with U.S. lemon exports. Chile typically exports lemons to Japan between June and October, when U.S. lemons are not available.

In light of the anticipated growth in demand, Post forecasts a 5 percent increase to 60,000 MT in Japan's lemon imports in the 2019/20 MY. The U.S. import share is expected to increase to 35,000 MT. Mexico supplies over 99 percent of lime imports to Japan. Post forecasts steady demand and import level for limes at 2,300 MT in the 2019/20 MY.

Post forecasts the total volume of fresh lemon and lime imports to Japan to increase by 5 percent and reach 62,000 MT in the 2019/20 MY.

Table 6. Japanese Fresh Lemon Imports

Partner Country	Unit	MY 2016/17	MY 2017/18	MY 2018/19
World	MT	50,731	50,941	56,839
United States	MT	29,973	29,817	33,457
Market Share:		*59.1%*	*58.5%*	*58.9%*
Chile	MT	18,511	18,048	20,232
Others	MT	2,247	3,076	3,150

Source: Trade Data Monitor

Exports

Japan's fresh lemon exports are less than 1 MT. Japan does not export fresh lime. Thus, Post anticipates export levels to remain negligible in the 2019/20 MY.

Orange Juice

PS&D Table

Orange Juice	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	12347	12347	23745	23780	0	25879
Production	0	0	0	0	0	0
Imports	83398	83519	70000	74512	0	68000
Total Supply	95745	95866	93745	98292	0	93879
Exports	0	86	0	1413	0	100
Domestic Consumption	72000	72000	71500	71000	0	70000
Ending Stocks	23745	23780	22245	25879	0	23779
Total Distribution	95745	95866	93745	98292	0	93879
(MT)						

Note:
** Orange juice imports represent total imports under HS codes 2009.11, 2009.12 and 2009.19.*
***As Japanese import statistics (via Trade Data Monitor) for orange juice are in kiloliters, the PS&D table includes all imports converted to Frozen Concentrate Orange Juice (FCOJ) 65 Brix equivalent in MT. In line with industry standards, the conversion factor for concentrated orange juice (2009.11 (frozen) and 2009.19 (non-frozen)) was 1.3154 or the density of FCOJ at 65 degrees Brix. Due to very*

high sucrose content, density at 65 Brix is assumed to be unaffected by temperature. For liquid not concentrated orange juice (2009.12), the conversion factor was 0.1897 (standard 1.04 density at 11.8 Brix multiplied by the ratio of 11.8 Brix to 65 Brix or 0.18).

Production

Due to very limited domestic production of fresh oranges, Japan's output of orange juice is marginal. On the other hand, Japan diverts Unshu Mikan that does not meet JA Unshu Mikan standards for fresh consumption largely to processing for juice. In the high-yielding 2018/19 MY, 55,000 MT of Unshu Mikan was used to produce 5,300 MT of juice at 65 Brix. In the 2019/20 MY, a lower Unshu Mikan production is forecasted to result in 3,200 MT of Unshu Mikan juice at 65 Brix. Unshu Mikan juice estimates are not reflected in the PS&D table.

Consumption

Japan Soft Drink Association has reported a 14 percent decline in fruit-based drink production over the past 5 years. In fact, total Japanese consumption of fruit juice-based beverages has been declining steadily since 2013. Japanese consumers' concerns about sugar content and calories contribute to this decrease in consumption. To address these challenges, Japanese orange juice manufacturers are shifting away from 100 percent juice to the low percentage juice and carbonated orange juice-based beverage. These factors are estimated to have reduced the total consumption of orange juice by 1.4 percent to 71,000 at 65 Brix equivalent in the 2018/19 MY. FAS/Tokyo anticipates this trend will continue in MY 2019/20. Therefore, orange juice consumption in Japan for MY 2019/20 will further drop 1.4 percent to 70,000 MT at 65 Brix equivalent.

Policy

The current USJTA will provide a stepwise tariff elimination for non-frozen and non-concentrated orange juice with a 10-20 Brix value without added sugar (HS 2009.12, Table 7). Other categories of orange juice are outside of the scope of the USJTA (Table 8). The latest tariff information is available from the Japan Customs.

Table 7. Expected Tariff Schedule for U.S. Orange Juice under USJTA

Product	Current Tariff	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Orange Juice, Not Frozen, No sugar added, Brix below 20 HS code: 2009.12.290	25.5%	20.8%	18.5%	16.2%	13.9%	11.5%	9.2%	6.9%	4.6%	2.3%	Free

Source: FAS/Tokyo

Table 8. Japan Import Duties for Orange Juice (as of Dec 13, 2019)

Tariff Code (HS)	Description	WTO/US 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 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%
2009.12-190	Orange juice, not frozen, of a Brix value not exceeding 20, containing added sugar, other	29.8% or 23 yen/kg, whichever is 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%
2009.19-110	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 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: Japan Customs

Imports

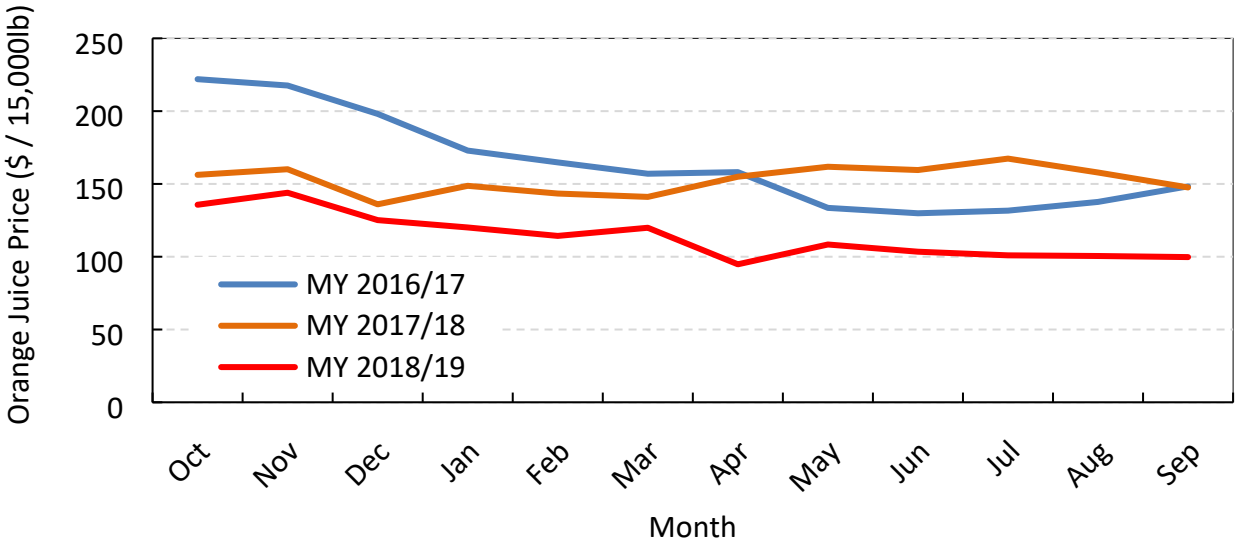
Brazil is the top supplier of Japan's orange juice market (Table 9). Due to concerns about production reliability in Brazil, Japan doubled its stocks during favorable market conditions in the 2017/18 MY. The high stocks, increased Unshu Mikan juice production and decreasing orange juice consumption led to a price depression in the 2018/19 MY (Figure 5). Consequently, orange juice imports fell 10.8 percent to 74,512 MT in the 2018/19 MY. Given the high stocks in the 2019/20 MY and consumption trends, Post forecasts Japan's 2019/20 MY orange juice imports to further decrease by 8.8 percent to 68,000 MT. Over 90 percent of imported orange juice to Japan is in the FCOJ form.

Table 9. Japan's Orange Juice Imports (at a 65 Brix equivalent)

Partner Country	Unit	MY 2016/17	MY 2017/18	MY 2018/19
World	MT	71,480	83,519	74,512
United States	MT	761	599	499
Market Share:		*1.1%*	*0.7%*	*0.7%*
Brazil	MT	47,397	57,541	48,654
Mexico	MT	6,505	8,537	9,958
Israel	MT	9,425	9,202	8,598
Spain	MT	4,199	4,302	3,467
Italy	MT	2,483	2,399	2,354
Others	MT	709	938	983

Source: Trade Data Monitor

Figure 5. Average Monthly Futures Price of Frozen Concentrate Orange Juice



Source: Fusion Media Limited

Exports

Until the 2018/19 MY, Japan exported less than 100 MT of orange (Unshu Mikan) juice a year (Table 10). However, in the 2018/19 MY, there was a 16-fold increase in Japan's orange juice exports. Post views this surge of exports to Australia and China as unusual and anticipates a return to the historical levels of exports (below 100 MT) in the 2019/20 MY. Asian markets, such as South Korea, Thailand, and Philippines, will be the primary destinations for Japanese orange juice exports.

Table 10. Japan's Orange Juice Exports (at a 65 Brix equivalent)

Partner Country	Unit	MY 2013/14	MY 2014/15	MY 2015/16	MY 2016/17	MY 2017/18	MY 2018/19
World	MT	67	85	27	72	86	1,413
United States	MT	0	0	1	1	0	0
China	MT	0	11	3	13	13	1,083
Australia	MT	0	0	0	0	55	258
South Korea	MT	0	0	3	5	7	26
Thailand	MT	4	5	0	0	0	18
Philippines	MT	5	43	2	0	0	18
Others	MT	58	26	18	53	11	9

Source: Trade Data Monitor

Attachments:
No Attachments