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CITRUS TRADE LIBERALIZATION WITH JAPAN

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CITRUS TRADE LIBERALIZATION WITH JAPAN*

COMMISSIONER'S TRIP TO JAPAN APRIL 1, 1992

On April 1, 1992, the final measure of the 1988 U.S.-Japan Beef and Citrus Trade Agreement eliminating the Japanese quota system for the importation of citrus and citrus products takes effect. Provisions of the 1988 U.S.-Japan Beef and Citrus Trade Agreement covered the Japanese fiscal years (JFY) (April through March) 1988-89 through April 1, 1992. The Japanese import liberalization of citrus and citrus products began in the 1970s through the elimination or expansion of quota levels, and a reduction of blending requirements.

FRESH CITRUS PRODUCTS

FRESH ORANGES

Provisions of the 1988 U.S.-Japan Beef and Citrus Trade Agreement set the JFY 1988-89 import quota at 148,000 metric tons (MT) (7.3 million $\frac{4}{5}$ -bu. cartons), a 17.5% increase over 1987-88 (Table 1). Each successive year's quota increased an additional 22,000 MT (1.1 million $\frac{4}{5}$ -bu. cartons). By 1990-91, the quota was increased to 192,000 MT (9.4 million $\frac{4}{5}$ -bu. cartons), a 52.3% increase over the final 1984 U.S.-Japan Beef and Citrus Trade Agreement level. The import allocation system for fresh oranges was eliminated on April 1, 1991. Fresh orange import tariff rates are 40% c.i.f. December through May and

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20% c.i.f. June through November. Japanese trade restrictions are within GATT guidelines, and tariff reductions are part of the Uruguay round of trade negotiations.

U.S. exports of fresh oranges over the life of the 1988 Agreement averaged 124,722 MT (6.1 million $\frac{4}{5}$ -bu. cartons) per year (JFY), an increase of 14.3% over average annual exports under the 1984 Agreement (Table 2). U.S. shipments to Japan for the period April 1, 1991, through December 1991 were 3.0 million $\frac{4}{5}$ -bu. cartons, a decrease of 48% over the comparable time period in the previous year. Fresh orange shipments were drastically reduced as a result of the December 1990 California freeze. Fresh shipments are expected to rebound in 1992-93. The value of U.S. fresh orange exports continues to increase as a result of increased export volumes (Table 3). The U.S., primarily California, continues to be the dominant supplier of fresh oranges to Japan, accounting for approximately 93% of Japanese fresh orange imports.

GRAPEFRUIT

Japanese import quotas for fresh grapefruit were eliminated in June 1971. All grapefruit consumed in Japan is imported as there is no domestic production. The U.S. supplies 95% of total Japanese fresh grapefruit imports. The tariff rate of fresh grapefruit imports is currently 10% c.i.f. U.S. exports of fresh grapefruit increased 26.6% in the last decade. During the 1990-91 marketing season (October 1990 through September 1991), Florida supplied 75% of the 14.5 million cartons the U.S. exported to Japan. While grapefruit exports to Japan declined in 1989-90 and 1990-91 due to reduced U.S. supplies, prices have continued to increase, increasing total value of grapefruit exports (Table 3).

ORANGE JUICE

The 1988 U.S.-Japan Beef and Citrus Trade Agreement increased frozen-concentrated-orange-juice (FCOJ) quotas, reduced blending requirements and established provisions for single-strength orange juice. FCOJ quotas increased 4,000 MT per year beginning in the 1988-89 JFY, reaching 23,000 58° Brix MT or 27.7 million single-strength-equivalent (SSE) gallons in 1990-91, a 170.6% increase over the 1987-88 quota (Table 4). During this time, blending requirements were gradually reduced and eliminated in JFY 1990-91. The FCOJ 1991-92 quota was set at 40,000 58° Brix MT.

A temporary import allocation system was established for the importation of SSE orange-juice gallons beginning in JFY 1988-89. Single-strength orange juice as defined by the Japanese government is unconcentrated or concentrated orange juice ready for final consumption. The initial quota for 1988-89 was 4.0 million SSE gallons. The quota increased to 7.2 million SSE gallons by 1990-91, and beginning in JFY 1991-92 the quota was eliminated.

Current Japanese tariff rates are as follows:

Containing added sugar

not more than 10% by weight of sucrose	30%
other	35%

Not containing added sugar

not more than 10% by weight of sucrose	25%
other	30%

Average U.S. orange-juice exports to Japan under the 1988 Agreement were 8.3 million SSE gallons per JFY year (Table 5). This was a 359.3% increase from average annual exports under the 1984 Agreement. U.S. orange-juice exports for JFY 1991-92, April

through December 1991, were 8.3 million SSE gallons, a 37.4% increase over the same period in 1990-91. The Japanese government adjusted orange-juice import quotas yearly to reflect domestic demand. During the mid 1980s, the U.S. market share of FCOJ exports to Japan declined due to a series of serious freezes which reduced U.S. supply during the 1980s. By 1988-89, the U.S. market share exceeded prefreeze levels, though still only accounting for about 25% of the total Japanese market.

The U.S. market share of the Japanese market for single-strength juice increased during the 1980s, reaching 97%. This increasing trend, according to industry and USDA/FAS officials, is attributed to the fact that Florida quality meets or exceeds Japanese standards.

GRAPEFRUIT JUICE

The 1984 U.S.-Japan Beef-Citrus Agreement effectively removed Japanese import quotas on grapefruit juice. Over the life of the 1984 Agreement, U.S. average annual exports of grapefruit juice to Japan were 6.9 million SSE gallons per year, a 128.8% increase over the 1979-80 through 1983-84 average of 3.3 million SSE gallons per year. In the five years since the elimination of the quota system on grapefruit juice, per annum U.S. exports have averaged 7.9 million SSE gallons, compared to 3.3 million SSE gallons in the five-year period before the 1988 agreement.

Table 1. Japanese import quotas for fresh oranges.^a

Year ^b	Quota	
	metric tons	$\frac{4}{5}$ -bu. cartons ^c
1984-85	93,000	4,556,173
1985-86	104,000	5,095,076
1986-87	115,000	5,633,978
1987-88	126,000	6,172,880
1988-89	148,000	7,250,684
1989-90	170,000	8,328,489
1990-91	192,000	9,406,293
1991-92	^d	^d

^a Includes oranges and tangerines.

^b Japanese fiscal year, April through March.

^c Assumes 45-lb. cartons.

^d Quota system eliminated.

NOTE: The 1984 Agreement covered 1984-85 through 1987-88. The 1988 Agreement covered 1988-89 through 1991-92.

Table 2. Volume of U.S. exports of fresh citrus by variety.^a

Season ^b	Grapefruit	Orange ^c	Tangerines	NSPF ^d	Total
----- metric tons -----					
1984-85	115,863	92,517	8	1,487	209,876
1985-86	128,781	108,515	126	1,193	238,615
1986-87	189,709	115,797	153	58	305,716
1987-88	223,667	119,710	42	993	344,412
1988-89	233,144	121,691	193	227	355,255
1989-90	226,690	117,871	171	47	344,780
1990-91	197,088	134,604	176	113	331,981
----- 1,000 $\frac{4}{5}$ -bu. cartons ^e -----					
1984-85	6,010	4,533	0 ^f	73	10,616
1985-86	6,680	5,316	6	58	12,061
1986-87	9,841	5,673	7	3	15,524
1987-88	11,602	5,865	2	49	17,518
1988-89	12,094	5,962	9	11	18,076
1989-90	11,759	5,775	8	2	17,544
1990-91	10,224	6,594	8	6	16,832

^aU.S. Department of Commerce data.^bJapanese fiscal year (JFY) April through March.^cOrange category includes oranges and Temples.^dNot specifically provided for.^eAssumes $\frac{4}{5}$ -bu. carton of grapefruit weighs 42.5 pounds; $\frac{4}{5}$ -bu. carton of oranges weighs 45 pounds.^fLess than 1,000 cartons.

Table 3. Value of U.S. exports of fresh citrus by variety to Japan.^a

Season ^b	Grapefruit	Orange ^c	Tangerines	NSPF ^d	Total
----- \$1,000 -----					
1984-85	45,683.62	66,208.06	3.50	983.22	112,878.39
1985-86	58,783.33	72,568.54	104.31	713.42	132,169.60
1986-87	90,504.90	71,574.99	119.15	38.36	162,237.40
1987-88	114,206.85	76,790.15	55.19	583.79	191,635.96
1988-89	118,488.19	80,200.11	97.68	156.73	198,942.72
1989-90	125,214.00	78,950.01	199.30	41.56	204,404.87
1990-91	129,474.10	89,910.83	113.01	91.72	219,589.67

^aU.S. Department of Commerce data.^bJapanese fiscal year, April through March.^cOrange category includes oranges and Temples.^dNot specifically provided for.Table 4. Japanese import quotas for concentrated orange juice.^a

Season	5:1 58°	58°	65°	11.8°
metric tons		----- gallons -----		
1984-85	7,000	1,405,867	1,214,739	8,422,900
1985-86	7,500	1,506,286	1,301,506	9,024,535
1986-87	8,000	1,606,705	1,388,273	9,626,171
1987-88	8,500	1,707,124	1,475,040	10,227,807
1988-89	15,000	3,012,572	2,603,013	18,049,070
1989-90	19,000	3,815,924	3,297,149	22,862,156
1990-91	23,000	4,619,277	3,991,286	27,675,241
1991-92	40,000	8,295,767	7,167,957	49,702,042

^aDefinition: concentrated orange juice which requires further processing in Japan. Size is greater than four liters.

NOTE: The 1984 Agreement covered 1984-85 through 1987-88. The 1988 Agreement covered 1988-89 through 1991-92.

Table 5. Volume of U.S. exports of processed citrus products.^a

Season ^b	Juice		
	Grapefruit	Orange	NSPF ^c
----- 1,000 SSE gallons -----			
1984-85	5,300.31	1,958.01	253.90
1985-86	6,015.87	1,359.80	2,490.99
1986-87	7,779.29	1,605.94	479.92
1987-88	8,546.22	2,323.87	520.22
1988-89	11,044.12	6,348.93	697.62
1989-90	5,623.03	10,589.95	517.83
1990-91	6,536.64	8,027.30	368.30

^aU.S. Department of Commerce data.^bJapanese fiscal year, April through March.^cNot specifically provided for.Table 6. Value of U.S. exports of processed citrus products.^a

Season ^b	Grapefruit	Orange	NSPF ^c	Total
----- \$1,000 -----				
1984-85	9,903.71	3,056.21	512.07	13,471.99
1985-86	11,738.47	2,675.27	2,675.76	17,089.49
1986-87	13,894.22	2,434.70	601.35	16,930.26
1987-88	16,326.23	4,250.97	852.52	21,429.72
1988-89	22,644.08	11,846.94	1,117.59	35,608.60
1989-90	14,676.45	17,991.32	1,009.93	33,677.70
1990-91	17,426.51	19,613.20	1,050.35	38,090.06

^aU.S. Department of Commerce data.^bJapanese fiscal year, April through March.^cNot specifically provided for.