

through 1980. Preliminary estimates for 1980 stand at 8.0 pounds of fresh grapefruit per capita (2).

In the absence of increased levels of demand expansion activities, it appears reasonable to assume that the domestic market for fresh grapefruit will increase proportionally with population. Thus, without significantly increased advertising and promotion expenditures, the domestic fresh grapefruit market will probably be unable to absorb the projected increases in grapefruit production without price reductions. Thus, if projected grapefruit production levels for the next twenty years are realized, major changes in the grapefruit export marketing strategy and effort may be needed.

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FLORIDA CITRUS EXPORTS TO THE PACIFIC BASIN

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It is a great pleasure to submit this paper concerning shipments to the Pacific Basin countries.

We are referring to Japan, South Korea, Indonesia, Malaysia, Taiwan, and Hong Kong. These are the countries we currently refer to which have at least a reasonable population with sufficient disposable income to be able to afford imported Florida citrus. The combined total population of this area, allowing as an estimate of only that portion of the population that can buy, would equate to about 150 million people. Obviously as the standard of living expands, this could easily grow to over 200 million potential consumers over the next five years.

Currently these countries are importing about 25 million cartons of citrus from the United States. This includes oranges, grapefruit, and lemons. This is an estimated c. & f. value (cost and freight) of about 350 million dollars.

At this time, Florida has only about 85 million dollars of this business, with less than one million dollars going to Texas. Currently California has the balance of about 265 million dollars. While our prime concern is how much money is returned to this state, we prefer to show the figures on a delivered basis as we don't grow this fruit to be totally eaten at home.

Florida, at present, has about 7.2 million cartons of this Pacific Basin business and dominates the Japanese grapefruit business. Our share of the grapefruit business in Japan is about 75%; the balance going to California, and a small quantity going to Texas, Mexico, South Africa, and Israel. During the Florida grapefruit season we actually enjoy 98% of the Japanese grapefruit business, with the other supplying areas only in the market during early summer and fall when Florida fruit is not available.

The entrance of Florida grapefruit into the Japanese market was brought about 11 years ago when grapefruit

imports were liberalized by the Japanese government. Prior to that, a very strict license system prevented all but a token import.

The import of grapefruit in a 10 year period is very dramatic when you consider that the per capita consumption is almost half that of North America, which has had grapefruit available for almost 80 years, and at a price of almost half the cost in Japan.

You might be interested to know that prior to liberalization, the Japanese press was a tremendous help in the introduction of grapefruit. The Japanese are great travelers and had been exposed to grapefruit around the world, only to arrive back home and not able to purchase this fruit due to government restrictions on imports. Editorials began to spring up throughout Japan condemning this government action, and intimating that Japan was a backward nation. This helped to pressure the government to remove this obstruction to trade.

The distribution of citrus in Japan differs from our system. The majority of citrus sales are still in the fruit specialty stores and the so-called small "Mom and Pop" type of market. They have very fine modern supermarkets, however, this is in a land where property is so valuable that space for a super market could easily cost 25 million dollars or more. The small independent plays a very important role. The typical distribution is as follows: The shipper sells to the importer; The importer sells to the wholesaler or "seika company" as they are called. He, in turn, sells to the "nagaii," or jobber, as we would call it in this country. The jobber then sells to the retailer. This may sound unnecessary, however, each party plays a necessary role. The importer is really the banker. The wholesaler warehouses and delivers to the jobber. The jobber, in turn, delivers to the retailer, and is the final salesman in the wholesale sequence of distribution. Naturally, this is expensive as each party attempts to obtain a profit on his transaction.

In spite of all these transactions, in the middle of the season grapefruit generally sells, for medium sizes, at about 120 yen, or about 60 cents per fruit. The ridiculously high

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prices you hear about in Japan are generally from the fancy specialty fruit stores where it is true that grapefruit may sell for over a dollar per fruit.

Japan grows about 75 million boxes of Mikan type, or easy-peel fruit. This crop is marketed in about 5 months. Therefore, Japanese dealers are very interested in receiving imported oranges the rest of the year. Unfortunately, oranges are under a very severe government license system. The quota is so small in relationship to the demand that the license holder can easily make \$20.00 per carton for each carton imported. The import quota for Okinawa is different from that for mainland Japan. Also, the per capita gross national product and disposable income in Okinawa is much less than for mainland Japan. If we were to take the per capita consumption of Okinawa and relate it to the mainland of Japan we would have a potential orange demand of 50 million cartons annually.

We have been battling for years about this quota and have had only modest success. The Tokyo Round of talks in G.A.T.T. resulted in 2 very small advantages for imported fruits. First, the orange quota was expanded between 1981 and 1984. The number of oranges allowed to be imported is gradually being increased. The total increase, however, only amounts to less than one orange per person over a 3 year period. Nevertheless, the present import quota is about 4.5 million cartons and does offer Florida an opportunity to expand orange exports to Japan. Had we not had a freeze last January,¹ we could have probably have looked for a 350-400 thousand carton export market. Current government-to-government regulations call for a review in 1983, which could sizeably increase this export volume. Current thinking is that we will continue under license. However, they should be greatly expanded. I believe that in the spring of 1984 we could possibly export at least one million cartons of oranges. The few Florida oranges in Japan have been very well received. The fact that this license system produces some 90-100 million dollar gross profit, and is in direct opposition to G.A.T.T. does not seem to bother the Japanese at all.

As the orange issue begins to "heat up" again it has been effectively determined that the Japanese will accept some increase in importation of oranges, with possibly seasonal liberalization during the summer months, or increased quotas and some free importation period during the off-season for local Japanese fruit. I feel, unfortunately, that the Japanese are better traders than we are and, as a result, we will not gain the full advantages possible under the next round of negotiations. Regardless, however, Japan will remain the best possible customer for Florida orange exports in the future.

It is interesting to see what has happened over the last 5 years in the Hong Kong-Singapore-Indonesia market. This is primarily an orange market, with little latent interest in grapefruit. Whereas, the Japanese like a "sweet and tart" combination, the Chinese and East Asians are very attuned to only a sweet flavor with minimal acid. Hong Kong has the highest per capita orange utilization in the world, with nearly 40 pounds per capita being consumed. As the standard of living has expanded in Malaysia, this increase in orange utilization is dramatic. Singapore now imports over 2 million cartons of oranges annually from overseas. Some of this volume is now being re-shipped to Jakarta, Indonesia in fair volume. As the standard of living improves throughout the Pacific Basin, the opportunity to expand imports continues to expand.

Taiwan has been buying a limited volume of American

¹And unfortunately another in January, 1982, 2-1/2 months after this talk was presented. Ed.

oranges, both from Florida and California. They grow a substantial quantity of citrus; however, it is seasonal and supplies from May to October are either non-existent, or very inadequate. Although this country has less than 20 million people, it consumes a huge amount of fruit. Taiwan has already become America's largest apple importer. Certainly, exports of citrus can continue to expand into this country. This is partially political and the extent to which we influence their duties on citrus will have a large impact upon their ability to import. At one time duties were over 80%, however, this was reduced in order to accommodate imports to make the balance of trade with Taiwan more palatable and to influence our decisions as to how to deal with mainland China.

South Korea is an interesting country, with 30 million people. The economy continues to expand and the middle class expands each year. At the present time, citrus fruits are on the "luxury list," which simply means they cannot be imported. As the economy of this country expands, we must push very diligently to obtain a more friendly attitude. Here again, there is an insatiable demand for our oranges and also a small grapefruit demand.

Everyone always wants to know "what about mainland China?" I, personally, feel that, other than possibly some tourist demand for processed citrus products, China belongs to the next generation. I feel that there will be so many calls on their "hard currency" that they will buy consumer goods very sparingly. The only thing that could change this would be oil! China has a substantial local citrus production and supplies the local Hong Kong market in early fall. If we are not very aggressive, I suspect China could be more of a potential exporter than an importer. However, if Coca Cola became aggressive in pushing Florida juice, or if someone would take a barter position, it is possible that China could speed up its capability for special receipt of American citrus.

As I see the potential for mainland China, they could only buy a volume of citrus if they were to obtain a large capacity to export oil, or if their number one potential export "manpower" were to produce unusual profits, or income.

To summarize the Pacific Basin picture:

1) Current imports of citrus, which now total 25 million cartons, could grow over the next 5 years to over 40 million cartons if Japanese restrictions on oranges are partially lifted and incomes in other Asian countries improve.

2) Shipments of grapefruit to Japan can increase by at least 2 million cartons if the season can be extended to include all of May in volume.

3) Malaysia and Indonesia will continue to expand in orange volume as their gross national product increases.

4) Orange business and a limited volume of grapefruit can be developed in Taiwan and South Korea, however, politics will be a guiding factor in these areas. Taiwan will depend on our continuing relations with mainland China. Korea will depend on whether we allow continued expansion of textiles, shoes, and other Korean products into the United States.

5) Florida's potential, other than to Japan, will depend greatly on our shipping capability, which is currently very poor. If ability to supply the rest of Asia improves, we should have improved sales throughout the other countries of the Pacific Basin.

We have been dealt a great setback in the last few weeks caused by California-OSHA setting unrealistic and unnecessary standards for E.D.B.-fumigated fruit. Their requirements in warehouses and in the back rooms of stores for warning signs has made California supermarket chains re-

fuse to handle our fruit. This has triggered a similar reaction in Japan, and if not changed, could cause a dramatic reduction in grapefruit sales. We assume that, through aggressive action and cooperation, we will overcome this extremely trying situation.

As I mentioned earlier, we were able to partially accomplish 2 things in the Tokyo round of talks. The first, as discussed, is the gradual increase in orange quotas. The second, a very important issue, is the grapefruit duty. The Japanese impose a duty on the C.I.F. value (cost, insurance, and freight) of all imported citrus. Until last season, this

duty was 40% from December 1 to June 1. The June 1 to December 1 rate was 20%. This duty was reduced 2½ percent last season and will continue to be reduced over 4 years. This means a 10 percent reduction by 1984. Over a 4 year period this will mean over \$1.00 per carton duty reduction. This is a significant cost saving, which can be used to compensate higher fruit costs and freight.

We believe that a continued aggressive position on duties and quotas in all Pacific Basin countries will eventually lead toward greater free trade and additional business for the Florida citrus industry.

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FLORIDA'S PLACE IN THE EUROPEAN EXPORT MARKET

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We could start this off with a very blunt statement that Florida has no place in the world market, but fortunately, that is not true. The truth is that Florida has a potential in the world market, but we must take a hard look at the market before we can really define this potential.

First and foremost, let's take a look at this marketplace and what are its demands.

Western Europe, in reality the European Economic Community (EEC) and the Scandinavian countries are where the action is. There are over 440 million people in these countries and they have a well defined and viable economic structure. This is true even though England is in serious economic difficulty and Italy has such an unstable political situation that the names of the heads of the government are not painted on signs—they use chalk! These problems notwithstanding, all of these countries do buy and do consume a large volume of citrus fruit. They are also consuming increasingly large quantities of orange juice.

The juice business has been particularly interesting in Europe because it has been spotty in its success. Sweden has reached the point where per capita consumption of orange juice is higher than in the U.S. This came about in less than 10 years, so it is obviously a success story, but the same thing hasn't happened in Norway, nor has it happened in any other European countries. What is the answer or the reason? The answer is a good distribution system. Almost all of this business in Sweden is done by dairy co-operatives who are selling a good quality reconstituted juice.

Another side of the picture is frozen concentrated orange juice (FCOJ) in England. This product has been distributed in retail sizes in England for the past 15 years and its growth since 1973 has been static. Why? Part of it is distribution—another factor is pricing.

The question can and should be asked—why isn't Florida doing better in Europe then? The answer is to find the distribution system and pattern. This is the single most important factor and when it can be found, healthy movement can be realized. If the distribution system is lacking, then we have problems.

There is no question that price does enter into the picture. While Florida's overall volume has increased, proportionately her share of the market has decreased. This indicates, of course, that the entire market has expanded and the volume has increased, but the competition from Brazil has been severe. Be assured that Brazil will continue

to increase their production and will continue to sell below the Florida prices. Some recent developments in the European Common Market will have a very strong impact on the entire citrus industry in Western Europe and that is the entry of Greece, which is a citrus producer into the E.E.C., and the fact the Spain will become a member of the E. E. C. by 1985, or possibly earlier. While Greece is a relatively small producer, 10 to 12 million boxes of citrus production. Spain is a major producer with 72 million boxes in 1979-80 season, of which 38 million boxes were exported almost entirely to Western Europe. Spain has the land and the climate to grow citrus and as a member of the E.E.C., their exports would be duty-free as opposed to the U.S. or even Brazil. So the potential for Spain to emerge as a supplier, not only of fresh, but also processed citrus is of real significance. Recognizing that some of the major world processors like Coca Cola or Cutrale from Brazil could build a plant in Spain, import concentrate from the U.S. or Brazil, blend this with the Spanish product and then ship by rail or truck to the major European markets at zero duty, would be tough competition for anyone. Whether or not Florida can stay in the marketplace at the present level is very speculative, but they most certainly will be able to maintain a share of the market because of the quality of Florida Juice and the fact that Florida has built a consumer franchise because of this quality.

The fresh fruit deal is another ball game, and it is a ball game in which I am particularly interested.

Let's keep talking about Europe. It is still a big market, and the best potential we have is for grapefruit—but red grapefruit. An example of the volume that is sold to Germany, France and Holland shows that in the calendar year 1974, they imported 17 million plus cartons. Of that total, the U.S. sold less than 10%. That showed us where the potential was, and it was then that Florida and Texas recognized that red grapefruit was the way to go.

In the calendar year 1975, there was about a 4% expansion of the market and the U.S. share went to about 12%; and this increase was almost completely red grapefruit and the majority of it came from Texas.

Then, in the 1976-77 season, the sale of Florida red grapefruit really took off, and our grapefruit became a factor. In 5 short years, the sale of Florida, and I must add, primarily Indian River, red grapefruit increased 2½ times.

An obvious question is—why red grapefruit and not some of our high quality whites? Part of the answer is that Europe has been accustomed to Israeli white grapefruit for years and really had nothing to compare it with. When a consumer saw Israeli white and Florida whites, in their mind, the