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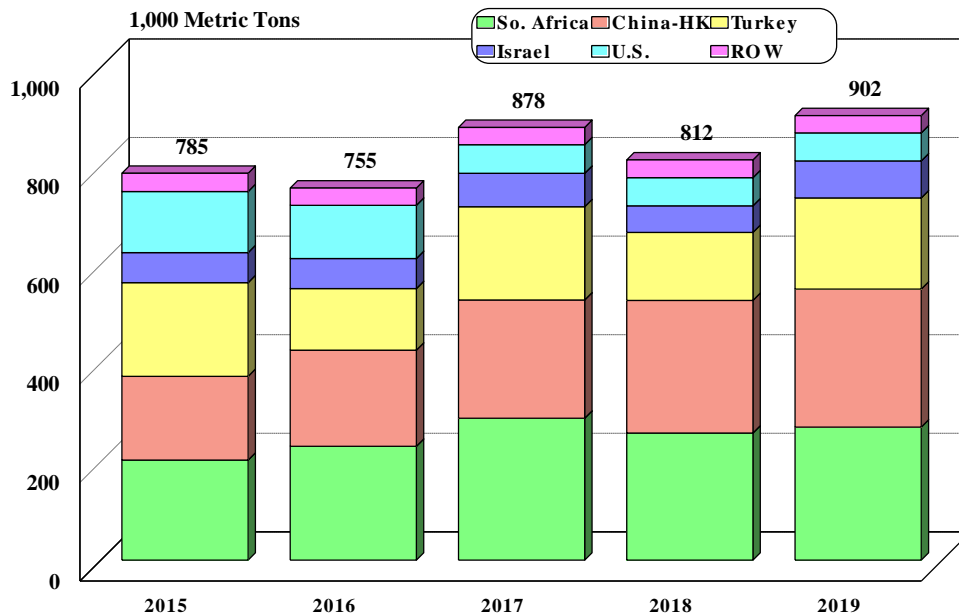


GLOBAL MARKETS FOR TEXAS GRAPEFRUIT¹

The global export market for fresh grapefruit has averaged \$813 million annually from 2015 through 2018. At the time of this report, the total value of 2019 world grapefruit exports had yet to be reported but was expected to be near or slightly higher than the previous 4-year average. U.S. grapefruit, grown primarily in Texas, Florida, and California, compete against product from many countries.

World grapefruit exports have been strong and reached a high of 902 thousand metric tons (TMT) during 2019. South Africa is currently the leading exporter of grapefruit followed closely by China. Those two countries accounted for over half of grapefruit exports during 2019. Turkey is the third leading grapefruit exporter followed by Israel and the United States. While the U.S. share of world grapefruit exports has fallen, there is no single reason for this decrease as some countries have expanded production and their own international efforts, while others have had changes in consumer demand or in their regulations which have negatively impacted U.S. exports.

World Fresh Grapefruit Exports, 2015-2019

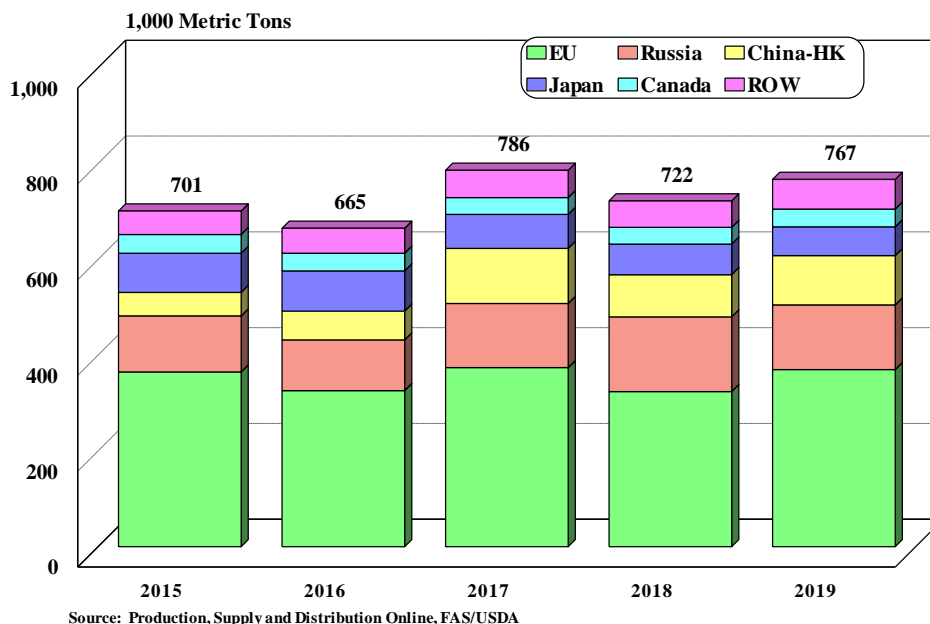


Source: Production, Supply and Distribution Online, FAS/USDA

¹ *Global Markets for Texas Grapefruit* is a report of the project *Export Market Analysis for Selected Texas Commodities*, funded by the Texas Department of Agriculture. For more information, please contact the Center for North American Studies, Department of Agricultural Economics, Texas A&M AgriLife Extension Service, College Station, TX, 77843-2124. 979-845-3070.

The leading importers of grapefruit include the European Union (EU), whose countries account for nearly half of all fresh grapefruit imports of 767 TMT. While that is about 15 percent lower than reported exports, it is believed the difference is due to trade among EU members was not reported in the import data. Other major import markets include Russia, China including Hong Kong (China-HK), Japan, and Canada.

World Fresh Grapefruit Imports, 2015-2019



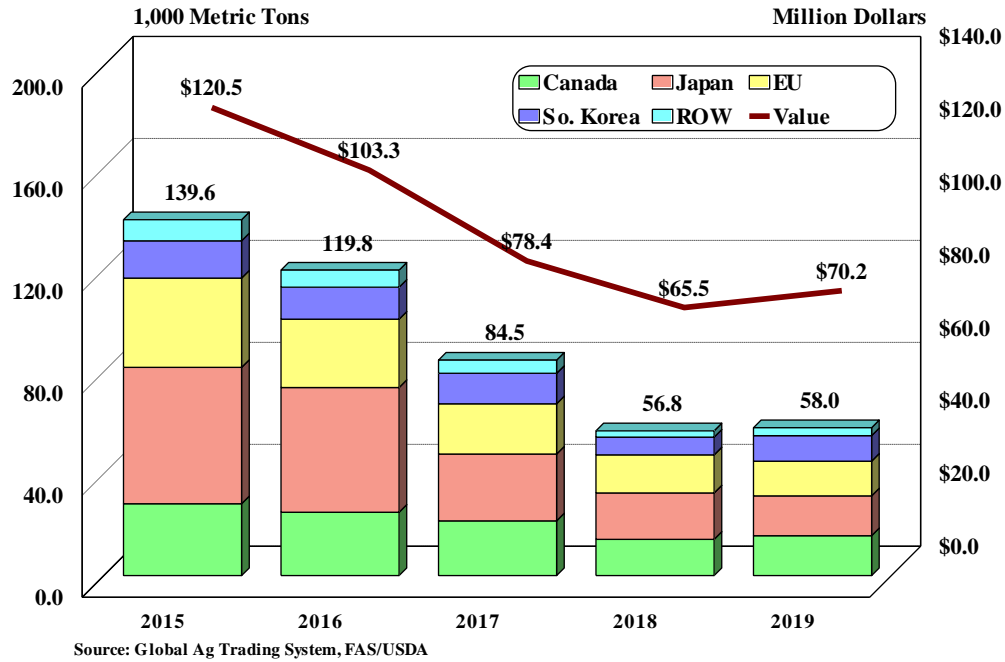
As will be illustrated below, major U.S. grapefruit export markets include the EU, Japan and Canada. Each of these markets will be discussed in greater detail as will South Korea, another important market for U.S. grapefruit. The last market discussed will be China-HK as it is a large market which is dominated by other grapefruit exporters but is more similar to other U.S. markets in culture than Russia is, and the shipping distance is similar to Japan and South Korea.

The leading importers of grapefruit include the European Union (EU), which accounts for nearly half of all fresh grapefruit imports of 767 TMT.

U.S. Grapefruit Exports

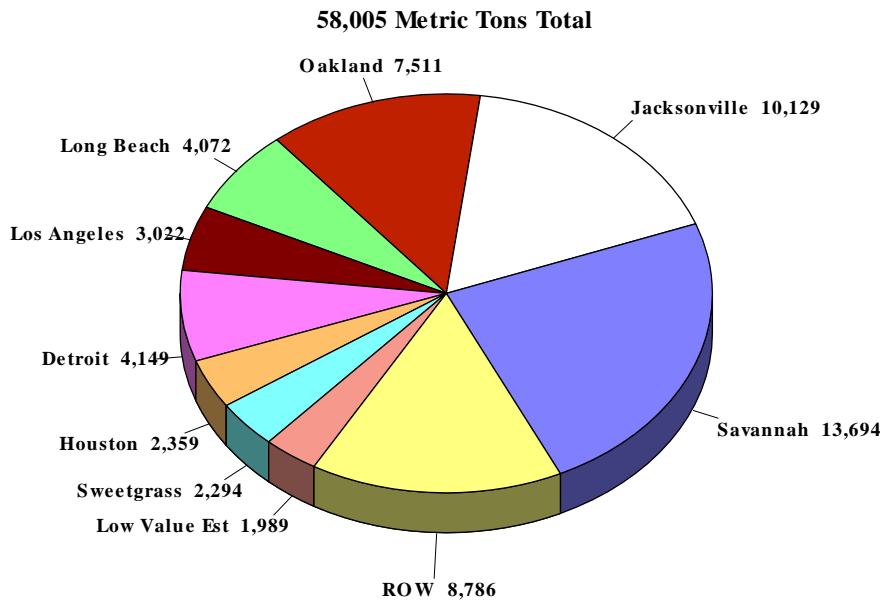
U.S. grapefruit exports have declined over the past five years. There are various reasons for this downward trend, but the reasons are market specific. For instance, the EU recently instituted new maximum residue levels (MRLs) for agricultural chemicals on fresh produce imports which impacted U.S. exports while South Korea is concerned about Mexfly, which is present in the United States, particularly south Texas. While 2019 grapefruit exports of 58.0 TMT and valued at \$70.2 million was slightly above 2018 exports, grapefruit exports are down significantly from 2015. Important foreign markets for U.S. grapefruit during 2019 include Canada (15.7 TMT), Japan (15.6 TMT), the EU (13.6 TMT), and South Korea (10.0 TMT). All of these markets have dropped since 2015; however, the Canadian and Korean markets both grew slightly during 2019 as compared to the previous year.

U.S. Fresh Grapefruit Exports, 2015-2019



U.S. grapefruit exports have declined over the past five years. The reasons for this downward trend are market specific; however, the Canadian and Korean markets both grew slightly during 2019 as compared to the previous year

U.S. Fresh Grapefruit Exports by Port, 2019



Source: Global Ag Trading System, FAS/USDA and WISERTrade

As U.S. grapefruit are shipped to a wide variety of foreign markets, a wide variety of ports are utilized. The Port of Savannah is the largest port for U.S. grapefruit exports, shipping mainly to EU members and South Korea. The Port of Jacksonville is next with the vast majority of their exports being shipped to Japan. The Ports of Oakland, Long Beach, and Los Angeles each ship the majority of their grapefruit shipment to Japan or South Korea. The Ports to Detroit and Sweetgrass, Montana, are land ports with their grapefruit shipments all destined for Canada, as are the Low Value Exports, which is the estimated volume of gift boxes and other shipments valued at \$250 or less. *The Port of Houston is the 7th rank port for U.S. grapefruits and most of the grapefruit that leaves Houston are shipped to EU countries.*

Most U.S. grapefruit exports are from California and Florida, but Texas fresh grapefruit exports have grown from 9,807 metric tons (MT) in marketing year (MY) 2014 to 12,348 MT during MY2018 before dropping the past two years. Texas grapefruit exports mainly go to Canada by truck to the provinces of Saskatchewan, Alberta, Quebec, Ontario and British Columbia. The EU is the next leading market for Texas grapefruit, with most shipped to France, Germany, and The Netherlands likely out of the Port of Houston. During the last marketing year, new EU restrictions impacted Texas grapefruit exports to that market.

Texas Grapefruit Exports, MT

	<i>Marketing Year November-May</i>						
	<u>13/14</u>	<u>14/15</u>	<u>15/16</u>	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>
Canada	7,352.9	7,772.6	7,741.3	8,046.1	5,472.4	5,506.2	4,204.0
EU	1,643.3	2,107.5	1,826.7	3,228.9	6,373.3	4,836.4	170.2
Japan	424.1	482.2	312.1	907.0	411.6	114.3	155.2
China/HK	300.6	0.0	0.0	19.4	61.7	0.0	0.0
Other	86.2	25.5	77.7	6.5	28.7	22.9	0.0
Total	9,807.2	10,387.7	9,957.8	12,207.9	12,347.8	10,479.7	4,529.4

Source: Texas Valley Citrus Committee

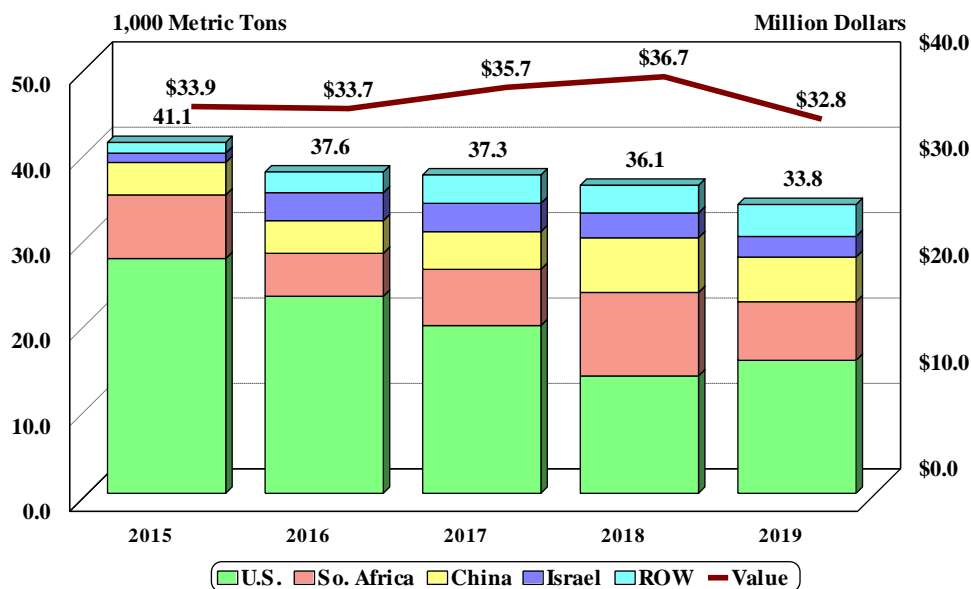
U.S. grapefruit exports require a phytosanitary certificate (PC). Most markets require only a PC with the state and county of origin listed. However, some countries have additional requirements such as fumigation requirements due to the presence of certain pests or, in the case of the EU, stricter MRL requirements. A PC can be obtained by contacting the USDA Animal and Plant Health Inspection Service (APHIS). Contact information for the APHIS in Texas may be found at: https://www.aphis.usda.gov/aphis/ourfocus/planthealth/sa_export/sa_ecs/texas.

U.S. Grapefruit Exports to Canada

Canada is now the largest export market for U.S. fresh grapefruit. Following years of declining sales, U.S. grapefruit exports increased to 15.7 TMT valued at \$15.4 million in 2019. Canada also imports grapefruit from South Africa, China and Israel. Canada imported a total of 33.8 TMT of grapefruit valued at \$32.8 million; thus, U.S. grapefruit capture about 45 percent of the Canadian import market. While U.S. grapefruit still dominates the Canadian import market for grapefruit, U.S. market share has fallen in recent years, down from 67 percent in 2015. South Africa, China and Israel grapefruit have an increased presence in the Canadian market. South African grapefruit market share in Canada has grown slightly to capture 21 percent, while China's market share has nearly doubled to 16 percent and Israel's has tripled to 7.4 percent.

Under the U.S.-Mexico-Canada Agreement (USMCA), which recently replaced NAFTA, Canadian tariffs on U.S. grapefruit are set at zero percent. In fact, as Canada is not a producer of grapefruit, they have set the Most Favored Nation tariff at zero percent, which means any grapefruit from a country that is a member of the World Trade Organization have no additional tariffs applied to them upon entry into Canada. As all exporters of grapefruit to Canada are WTO members, then no grapefruit imported by Canada are subject to a tariff.

Canada Fresh Grapefruit Imports, 2015-2019



Source: Statistics Canada Data from WISERTrade

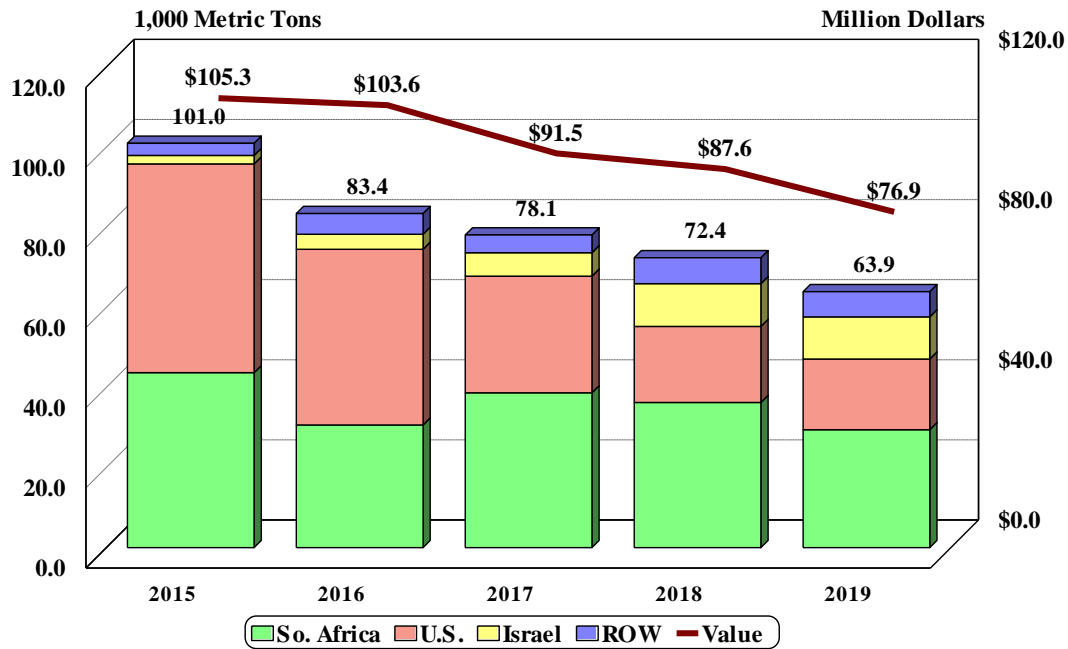
Canada is the largest foreign market for Texas grapefruit, a rank it has held every year except MY2018 when the EU was the largest market. This long-time market relationship is both cultural and practical as our shared geography provides a fairly straightforward truck transportation to main destinations within Canada. If the EU’s new MRL restrictions persist, Texas grapefruit shippers may find it advantageous to attempt to expand their presence in the Canadian market.

Though much smaller, the Canadian market is similar to the U.S. market, with a relatively wealthy population and several major cities such as Toronto, Montreal, Vancouver, and Calgary to which shipments would be targeted. One item to remember is that Canada is bilingual, so marketing, including labels and box markings, would need to be done in both English and French.

U.S. Grapefruit Exports to Japan

Japan is the second largest export market for U.S. fresh grapefruit following numerous years of being the leading market. U.S. grapefruit exports decreased to 15.6 TMT valued at \$21.5 million. Japan also imports grapefruit from South Africa and Israel. Japan imported 63.9 TMT of grapefruit valued at \$76.9 million; thus, U.S. grapefruit capture about 25 percent of the Japanese import market. While U.S. grapefruit still has a large share of the Japanese import market, U.S. exports have fallen in recent years, and Israel grapefruit has an increased presence in the market.

Japan Fresh Grapefruit Imports, 2015-2019



Source: Japanese Ministry of Finance Data from WISERTrade

Japan is a high value market as consumers there have an income high enough to purchase more expensive, higher quality product. As it costs the same amount to ship higher quality fruit as it does to ship lower quality fruit, most markets in which the market has the income prefer to purchase higher quality product. For comparison purposes, the unit value of U.S. grapefruit exported to Japan is \$1.38/kg, or \$0.63/lb. whereas grapefruit exported to Canada is \$0.98/kg, or \$0.45/lb.

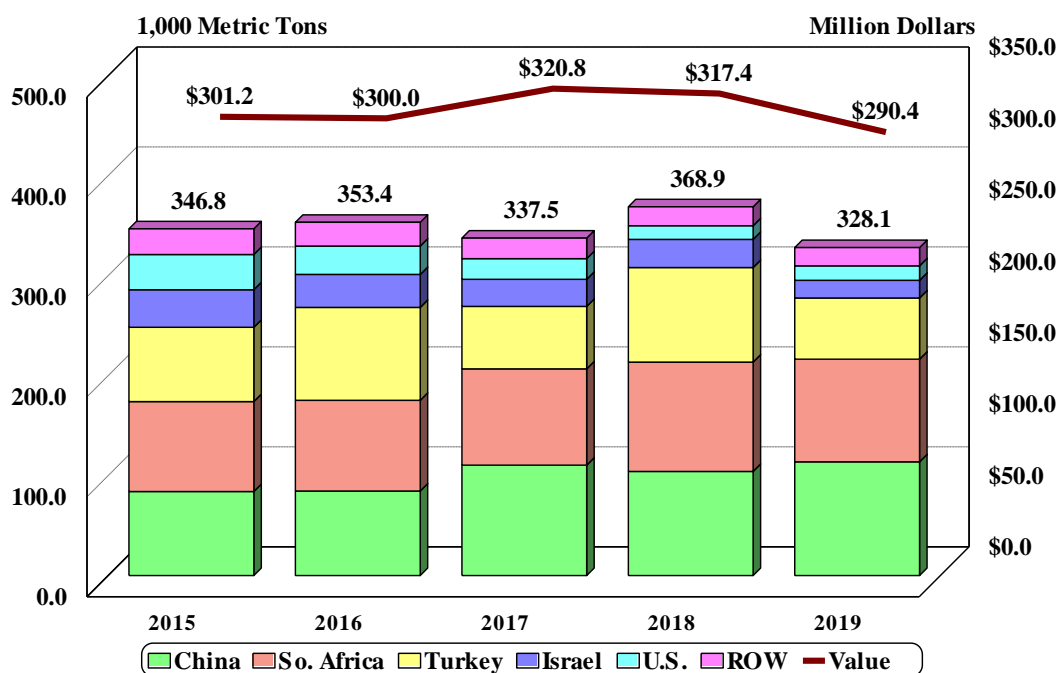
Texas grapefruit are exported to Japan, peaking at 907 metric tons (MT) during MY2016/17. U.S. grapefruit faces a 10 percent ad valorem tariff upon entering Japan; that is, the importer must pay a tax of 10 percent of the landed value to the Japanese customs agency. This puts downward pressure on the price the Japanese importer is willing to pay, but as noted, the Japanese consumer is often willing to pay the extra amount to purchase what they want. In a recently negotiated trade agreement between the United States and Japan, grapefruit was not included but will be addressed in the next round. However, Mexico, who has had an agreement with Japan for 15 years, faces no tariffs on grapefruit and they are aggressively trying to enter the Japanese market as a lower-cost supplier of grapefruit.

The Japanese market is similar the U.S. market in that they have a significant sized population, with purchasing power and several major cities, including Tokyo, the largest city in the world with 37 million people, and Osaka with 19 million. Of course, Japanese being spoken is just one of many cultural differences between the United States and Japan, so familiarity with the market is an important part of successfully exporting to Japan. Finally, Japan is very far away, making proper climate-controlled multimodal transportation a very crucial component of exporting grapefruit to Japan.

U.S. Grapefruit Exports to the European Union

The EU is the third largest export market for U.S. fresh grapefruit following years of being the second leading market. During 2019, U.S. grapefruit exports decreased to 13.4 TMT valued at \$17.4 million, down from 35.0 TMT valued at \$28.3 million in 2015. The EU also imports grapefruit from China, South Africa, Turkey and Israel, with typically all having larger market shares than U.S. grapefruit. They imported 328.1 TMT of grapefruit valued at \$290.4 million; thus, U.S. grapefruit capture about four percent of EU import market volume and six percent of the value. China has recently taken over the top spot for grapefruit exports to the EU.

EU Fresh Grapefruit Imports, 2015-2019



Source: Eurostat Data from WISERTrade

Even though EU consumer income is high, the EU is a lower value market for grapefruit as they also produce substantial quantities of grapefruit, particularly in Spain and Cyprus. For comparison purposes, the unit value of U.S. grapefruit exported to EU is \$0.89/kg, or \$0.40/lb., much lower than Japan and slightly lower than Canada. However, the unit value of U.S. grapefruit imported from the EU is \$1.28/kg, or \$0.58/lb., much higher than the overall average.

Texas grapefruit are exported to the EU, and for many years it was a very strong market for Texas product, peaking at nearly a 6,373 MT during MY2017/18. Texas grapefruit exports to the EU flow mainly to France, Germany and the Netherlands. France and the Netherlands are the two biggest EU markets for U.S. grapefruit as well. However, during the 2019/20 marketing year, Texas grapefruit exports to the EU dropped to 325 MT. Industry representatives have reported that the main reason for decreased exports is new EU regulations focused on maximum residue levels (MRL) for agricultural chemicals. These new MRLs are difficult for Texas grapefruit exporters to maintain as the EU requires treatments for various citrus diseases and

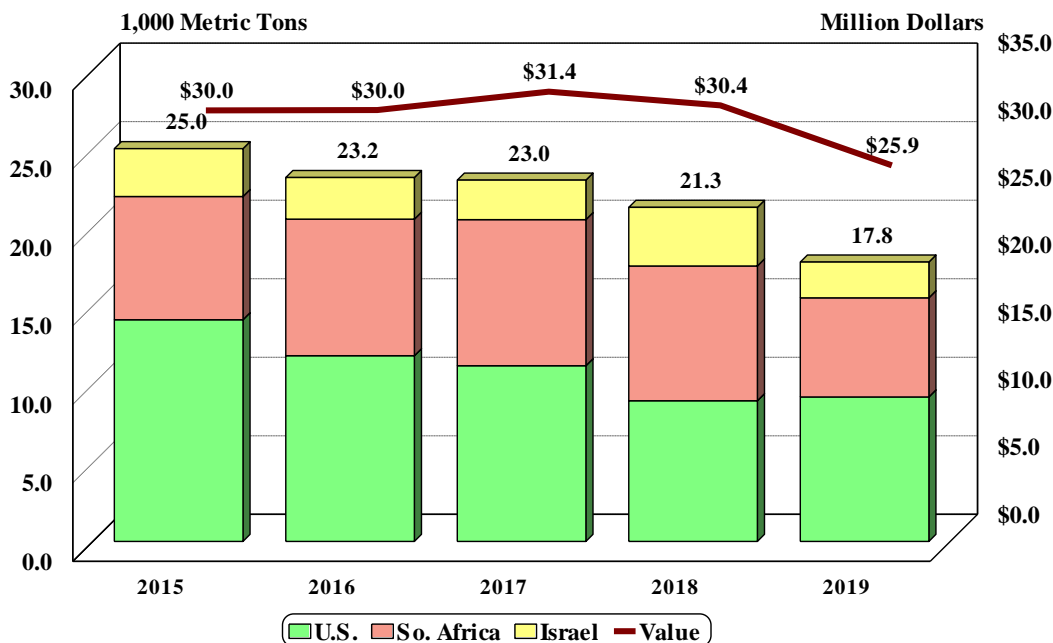
pests including canker, black spot, and fruit flies. EU tariffs on U.S. grapefruit vary by time of year but are relatively low – 1.5 percent from November through April, which includes the bulk of the Texas production season, and 2.4 percent from May through October.

The EU market is similar to the U.S. market in that they have a significant sized population, with purchasing power and several major cities, including Paris, Rome, Berlin, London, and Amsterdam. Further, once a product enters the EU market, it generally can freely move anywhere within the EU. However, with 28 countries currently in the EU, and 27 languages other than English spoken in the EU, and each country having their own unique culture, learning about particular target market within the EU is extremely important. Please note that at the beginning of 2021, the United Kingdom is scheduled to exit the EU, and that is the one English speaking country in the market. Finally, while the EU is not as far away as Japan, it is far enough away so that proper climate-controlled multimodal transportation is a very crucial component of exporting grapefruit to the EU.

U.S. Grapefruit Exports to South Korea

South Korea is the fourth largest export market for U.S. fresh grapefruit, a position it has held for many years. During 2019, U.S. grapefruit exports decreased to 10.0 TMT valued at \$13.3 million, down from 14.6 TMT valued at \$14.7 million in 2015. South Korea also imports grapefruit from South Africa and Israel, and U.S. grapefruit often has the largest market share as they did in 2019. South Korea imported a total of 17.8 TMT of grapefruit valued at \$25.9 million; thus, U.S. grapefruit captured just over half of the Korean grapefruit import market during 2019.

South Korea Fresh Grapefruit Imports, 2015-2019



Source: UN Data from GATS, FAS/USDA

South Korea is a high value market as consumers there have an income high enough to purchase more expensive, higher quality product. And just as with shipping grapefruit to Japan, since it costs the same amount to ship higher quality fruit as it does to ship lower quality fruit, most markets in which the market has the income prefer to purchase higher quality product. For comparison purposes, the unit value of U.S. grapefruit exported to South Korea is \$1.33/kg, or \$0.60/lb., very similar to exports to Japan.

Very few Texas grapefruit are exported to South Korea, with only two 40-pound cartons being shipped there during MY2014/2015. The reason is that almost all of the Texas grapefruit production area in the Lower Rio Grande Valley are quarantine for grapefruit shipments to South Korea due to Mexfly. If Texas grapefruit were to regain access to the South Korean market, they would gain access to a high value market while facing no restrictions regarding quantities or tariffs, unlike other citrus.

The South Korean market is similar the U.S. market in that they have a significant sized population, with purchasing power and several major cities, including Seoul and Busan, the major port. Korean is spoken by all but many in South Korea also speak English as it is widely taught in elementary and secondary schools. There are, however, many cultural differences between the United States and South Korea, so familiarity with the market is an important part of successfully exporting to there. Finally, South Korea is far away, making proper climate-controlled multimodal transportation a crucial component of exporting grapefruit to South Korea.

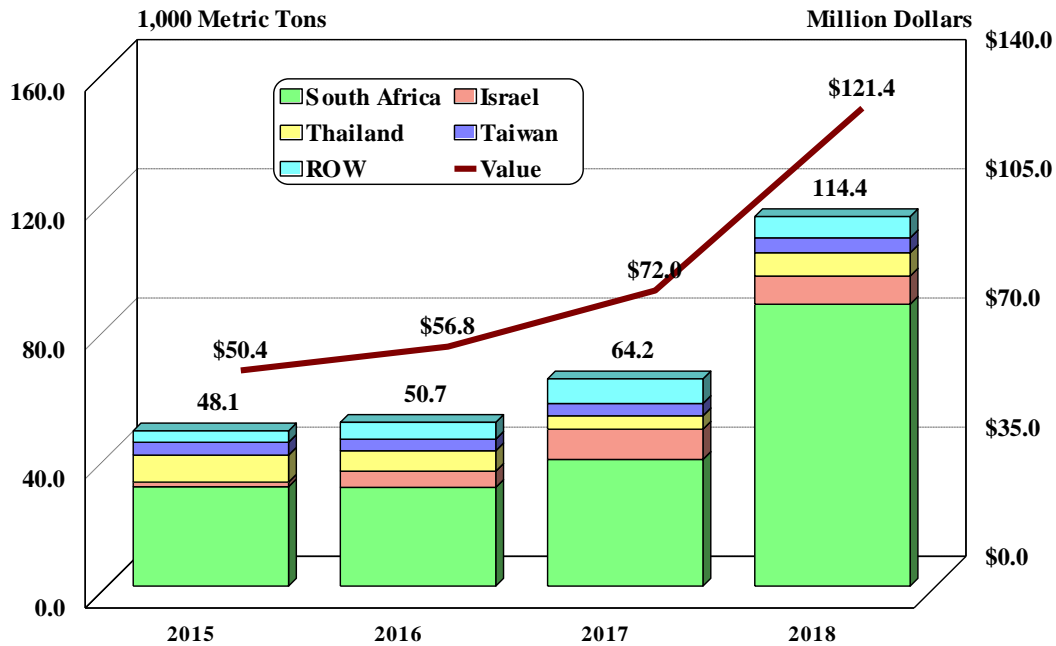
The Chinese Market for Grapefruit Exports

An important global market for grapefruit exports in which the United States has minimal participation is China, which includes Hong Kong. China is the world's third leading importer of grapefruit and the second leading exporter, so they are very involved in the global grapefruit sector. U.S. grapefruit exports also do not have a significant share in Russia, the second leading global market, but China was chosen to discuss due to their similarities to the Japanese and South Korean markets. Aside from China and Russia, other major markets that import grapefruit primarily from countries other than the United States are the Ukraine and Switzerland.

During 2018, the latest year for which data are available, China imported 114.4 TMT of grapefruit valued at \$121.4 million, resulting in a landed unit value of \$1.06/kg, or \$0.48/lb. South African grapefruit exports dominate the Chinese import market, in large part to their ability to ship grapefruit at a \$0.98/kg (\$0.44/lb.) unit value. By contrast, unit values for the next three largest suppliers, all of which combined do not equal the South African share, fall in a range between \$1.32-\$1.54/kg, or \$0.60-\$0.70/lb. The unit value for the small amount of U.S. grapefruit exported to China is even higher.

China could develop into an attractive market for U.S. grapefruit. While U.S. citrus exports were not included in the recent Phase One trade agreement between the United States and China, the fact that both countries desire to negotiate a better trading relationship is encouraging. Therefore, retaliatory tariffs imposed by China in April 2018 and again in February 2020 during the recent trade war have resulted in U.S. grapefruit facing a 57 percent tariff while competitors face a 12 percent tariff. This disadvantage could be eliminated as negotiations continue. Further, U.S. exporters regularly ship higher-valued grapefruit to Japan and South Korea, indicating the

China Fresh Grapefruit Imports, 2015-2018



Source: UN Data from GATS, FAS/USDA

distance is not a deterrent. The key will be if U.S. exporters can return to pre-trade war tariff levels and have the ability to export product to China at a lower unit value.

Some parts of the Chinese market are familiar with Texas product as Texas grapefruit was exported to China during MY13/14, MY16/17, and MY17/18. Further, as long as grapefruit shipments to China are certified in accordance with the requirements listed in the APHIS *Citrus Workplan-Texas*, then a very large grapefruit consuming market could become more available to Texas grapefruit exporters.

Finally, in conversations with the USDA Foreign Agricultural Service Agricultural Trade Office in located in Guangzhou, China, there several reasons that U.S. grapefruit have a smaller presence in China. Reasons include some already mentioned such as the *higher price and growing unit values of U.S. grapefruit compared to competitors like South Africa; lack of advantage in texture and taste compared to competitors; lack of branding similar to South African fruits; fewer Chinese traders being aware of U.S. grapefruit due to the lack of in-country representation; and seasonality of U.S. grapefruit being similar to China resulting U.S. grapefruit competing with Chinese domestic production of pomelos.* Further, *some Chinese traders believe that U.S. exporters are less proactive as South African exporters in pushing exports to Chinese market.* If Texas grapefruit exporters are able to find a way to overcome these issues, they may find a good market in China.

Conclusions

Numerous strong current U.S. grapefruit export markets and one market that is not as strong have been discussed. All of these markets offer opportunities and challenges to exporters of

Texas grapefruit. The opportunities center around the major markets being familiar with U.S. grapefruit, and in some cases Texas grapefruit, and consumers in the market who have sufficient purchasing power. The challenges are that U.S. and Texas grapefruit typically have a higher unit value when compared to competitors, and then market-specific phytosanitary, MRL, and tariff issues. As these issues are reconciled, Texas grapefruit may have more opportunities in foreign markets.

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