

COUNTRY PROGRESS REPORT

Country: Japan

Product: Grapefruit and Grapefruit Juice

I. Market Assessment Update – September 2022

Japan remains one of the most important export markets for fresh Florida Grapefruit. Historically, it has been the top export market for the industry. However, in 2021-22, exports to the market declined and Japan slipped to the second largest market for fresh Florida Grapefruit by volume and value. France overtook Japan as the largest export market for Florida Grapefruit, after sharing roughly the same export volume and value in 2020-21, exports to Japan experienced a sharper decline in 2021-22. The endemic presence of citrus greening disease, as well as decreased grapefruit production acreage due to a high number of intense weather events, has limited the available supply of fresh Florida Grapefruit in recent years. This has contributed to decreased exports in many markets, including Japan. Specifically, in 2021-22, grapefruit exports from Florida to Japan totaled 3,664 MT and were valued at \$4.94 million—representing a decrease of 39.5% and 44.2% respectively from the prior year.

Contributing to decreased exports is a consistent decrease in consumer consumption of fresh fruit that has taken place over the last fifty years. In fact, average fresh fruit consumption per household has declined 67% from the level recorded in 1973. For fresh grapefruit, in response to declining relevance and sales, grapefruit was removed as an independently tracked category in 2019 by health authorities. Now, grapefruit consumption is now measured as part of the “Other Citrus” category. The U.S. is not the only grapefruit origin facing this challenge. Overall, there has been a 34% decline in grapefruit imports into Japan since 2017, with lower shipment volumes reported from all grapefruit origins during that timeframe.

In Japan, Florida Grapefruit, and by extension all U.S.-origin grapefruit, faces greater competition from other origins year-to-year. U.S. grapefruit’s most direct competition in Japan comes from Israel. Israeli grapefruit experienced growth of around 2.9% in export volume accompanied by a 14% increase in value during the reviewed period. Additionally, 2021-22 marked the first year that Israeli grapefruit export volume surpassed U.S. grapefruit export volume in the market. However, U.S. fresh grapefruit maintained solid sales and surpassed the value of Israeli grapefruit exports by more than \$3.4 million. Illustrating that the U.S. is still preferred between the two origins even with a higher price point. That said, neither the U.S. nor Israel came close to matching grapefruit imports coming from South Africa. South Africa commanded an impressive 42% market share in the 2021-22 year. Due to the counter-seasonality of South Africa’s harvest, the origin does not directly compete with Florida Grapefruit.

In addition to fresh grapefruit, Florida also exports grapefruit juice to Japan. Shipments to the market in 2021-22 decreased dramatically from the year prior—totaling 510,512 L valued at \$525,025. This represents a reduction of 80% in volume and value from 2020-21. The decreasing Japanese market for grapefruit juice contributed to this decline. To detail, grapefruit juice imports into Japan have contracted by more than 14% annually for the last two years. In addition, U.S. and Florida Grapefruit Juice continue to face strong competition in Japan from origins like Israel, which commands just over 50% of the market. Exacerbating these issues is decreased production of Florida Grapefruit Juice, which contributes to higher pricing. Despite the challenges in Japan, the market remained FDOC’s third most profitable export market for Florida Grapefruit Juice, behind Canada and Pan Europe.

Overall, Japan is and will continue to be one of the most important export destinations for Florida Grapefruit and Grapefruit Juice. However, external challenges will continue to exert a profound influence on Florida Citrus's performance in the market. One such challenge began in April 2022 (just as Florida Grapefruit season was concluding), when the Japanese Yen fell to a historic high against the U.S. dollar. The strength of the dollar relative to the yen has only increased in the months since and is already contributing to increased costs of imported goods such as Florida Citrus products. The combination of challenges presented by decreased consumption of fresh fruit, a limited supply from Florida, and a decrease in the buying power of Japanese consumers will make FDOC programing in Japan essential going forward. By combating the various trade and consumer constraints Florida Citrus faces in Japan, FDOC programing aims to cement Florida Grapefruit's reputation for superior taste and versatility. This work will provide a base for future promotions and lead to greater success once domestic production rebounds and external economic concerns subside.

II. Financial allocations and resources

MAP - \$1,048,196

FDOC - \$30,791

III. Trade Results Tables

Fresh Grapefruit

	Export Goal		Actual Exports	
	Value	Quantity (c/n)	Value	Quantity (c/n)
2019/20	\$26,648,264	957,716	\$12,322,951	580,676
2020/21	\$21,292,900	706,952	\$8,158,857	362,097
2021/22	\$15,834,329	705,737	\$4,936,965	201,991

Source: FDOC Fresh Shipment Report.

Grapefruit Juice

	Export Goal		Actual Exports	
	Value	Quantity (SSE)	Value	Quantity (SSE)
2019/20	\$6,152,277	1,142,414	\$2,048,686	374,285
2020/21	\$932,579	196,081	\$3,038,068	582,743
2021/22	\$1,971,260	379,836	\$546,025	112,297

Source: FDOC Processor data

IV. Evaluation findings

SECTOR: CONSUMER (middle to upper income health-conscious women between the ages of 25 and 49)

CONSTRAINT:

- Decreasing relevance in the produce category – In an increasingly competitive and crowded market for fruits and vegetables, grapefruit has become less top-of-mind over the last decade. Relevance has especially declined for consumers under the age of 40.
- Lack of awareness of grapefruit versatility – Grapefruit is commonly associated with breakfast, but many consumers do not eat grapefruit at other times of the day, and do not take advantage of Florida Grapefruit's versatility in food and beverage applications.
- Lack of awareness of Florida as a premium product – Most consumers consider all grapefruit to be the same and do not pay attention to origin-specific distinguishing qualities. Increasing awareness of Florida's best-in-class taste attributes is a key opportunity to increase demand for Florida Grapefruit and justify premium pricing.

PERFORMANCE MEASURES	2020/21 BENCHMARK	2021/22 GOAL	2021/22 ACTUAL
Percentage of consumers who have purchased grapefruit in the last six months	25	29	21
Percentage of <u>grapefruit consumers</u> who purchased grapefruit at least once per month in the last six months	65	66	54
Percentage of <u>grapefruit consumers</u> who, in the last six months, have used grapefruit at home as a topping on a salad, in a recipe, or to make fresh-squeezed juice	28	13	25
Percentage of consumers who have consumed a smoothie or juice that contains fresh squeezed <u>grapefruit</u> in the last six months	22	28	21
Percentage of consumers who have consumed an alcoholic beverage with fresh squeezed grapefruit in the last six months	20	27	18
Percentage of <u>grapefruit consumers</u> who check origin signs or stickers at the point of sale when purchasing grapefruit	60	47	79
Percentage of consumers who are aware of Florida as a grapefruit supplier and identify Florida as their favorite origin of grapefruit	31	35	32
Percentage of consumers who are aware of Florida as a grapefruit supplier and associate superior sweetness and juiciness with Florida Grapefruit	59	19	39
Percentage of consumers who are more willing to purchase grapefruit if it is from Florida	53	52	48
Percentage of consumers who are willing to pay more for grapefruit if it is from Florida	33	34	40

Source: FDOC Annual Performance Measure Study.

Results of evaluations/impact on constraint or opportunity

FDOC's consumer program in Japan aims to counter common consumer misconceptions surrounding grapefruit and to raise awareness of the superior taste, quality, versatility, and nutritional benefits provided by Florida Grapefruit. In Japan, many consumers are unaware of the qualities of Florida Grapefruit and choose to consume other fruits. To educate consumers and raise awareness of the "Florida Difference," FDOC implements an array of media campaigns, educational activities, and in-store promotions to emphasize Florida Grapefruit as the world's premium citrus origin.

During the 2021-22 program year, FDOC engaged with consumers through several media outlets. FDOC organized eight television placements, four print articles, and three radio placements during peak Florida Grapefruit season that highlighted Florida Grapefruit's sweetness, juiciness, and seasonality. The TV placements also announced the chance to win a 4-pack of fresh Florida Grapefruit for winners to experience the Florida Difference firsthand. Through these advertisements, FDOC's messaging reached over 1,885,000 Japanese consumers, and fresh Florida Grapefruit was delivered to 35 giveaway winners. In addition, FDOC created animated commercials featuring Florida Grapefruit which were shown in 94 AEON movie theaters during the previews for the children's movie *Sing 2*. FDOC also chose ten of these locations to distribute packets containing Florida Grapefruit information booklets, leaflets, and a FDOC-branded grapefruit straw or spoon to movie-goers. These packets enticed consumers to pick up fresh Florida Grapefruit on their way home. In total, the animated commercial was shown 8,404 times and reached an audience of 294,546 consumers over 14 days.

In addition to traditional media placements, FDOC utilized online media to showcase the versatility of Florida Grapefruit. FDOC partnered with two food-related websites—Cotta, a baking needs portal, and Kurashiru, a cooking and recipe platform—to stimulate new uses of Florida Grapefruit among Japanese consumers. A unique recipe video was produced and uploaded to Kurashiru's website and social media platforms featuring the recipe for "Florida Grapefruit Chicken Sauté," and targeted ads were placed in digital flyers in Kurashiru's mobile app. These ads directed users to the Cotta online promotion where consumers could purchase Florida Grapefruit online. The promotion with Cotta also included the placement of a web article which highlighted Florida Grapefruit's exceptional quality and culinary versatility. To further emphasize Florida Grapefruit's versatility in baking, four social media influencers created and showcased recipes within the article that used Florida Grapefruit as an ingredient. A live cooking demonstration presented by a renowned Japanese pastry chef was also streamed live on Cotta's announcement page. Finally, a recipe contest open to all registered Cotta users was conducted and received 425 entries. From these, 60 finalists were selected and posted a total of 122 recipes on the contest results page. These promotions generated over 1,330,000 impressions during the two-week promotional period and inspired hundreds of passionate foodies to incorporate Florida Grapefruit in their recipes.

FDOC also targeted promotional efforts at retail locations in Japan, comprising of in-store promotions aimed at attracting consumers to Florida Grapefruit. FDOC was permitted to resume in-store sampling in some physical locations, while recommendation sales were conducted at the discretion of store managers in others. In total, 152 sampling demonstrations and 20 recommendation sales promotions were conducted during the program year. In addition to traditional store demonstrations, three promotional Florida Grapefruit sales events were organized in special event spaces where samples of Florida Grapefruit were handed out to entice shoppers to purchase Florida Grapefruit products. These included whole or fresh-cut Florida Grapefruit and fresh-squeezed

Florida Grapefruit Juice, as well as Florida Grapefruit jelly cups and pound cake. These promotions resulted in sales of over \$56,000 USD. Even so, reduced visitor counts at all retail and special event locations because of COVID-19 restrictions resulted in lower-than-expected sales volumes. However, future promotions are expected to welcome more consumers as traffic in public spaces return to normal volumes.

Despite the many attempts to educate consumers on the superior quality and taste of Florida Grapefruit, seven out of ten performance measures showed year-over-year declines. While Japanese consumers are increasingly checking the origin stickers when purchasing grapefruit, the lack of awareness of the Florida Difference among consumers has hampered sales growth. This has been compounded by the low volumes of Florida Grapefruit available for import which has allowed other origins to dominate the market. In addition, 77% of Japanese survey respondents disclosed that they did not encounter any of the Florida Grapefruit promotions during the program year. Of those that did, 37% indicated that they purchased more Florida Grapefruit as a result of the promotions, signifying the potential effect of FDOC's efforts when it does reach consumers. Increasing the reach and type of promotions to impact as many potential grapefruit consumers as possible will positively support Florida Grapefruit exports in the future.

Conclusion

FDOC conducted a wide range of marketing outreach activities in the 2021-22 program year to reach Japanese consumers. However, the external challenges faced during the year contributed significantly to the year-over-year declines in seven out of ten performance measures. Even so, FDOC importantly met and exceeded the goals in the percentage of consumers who, in the last six months, have used grapefruit at home as a topping on a salad, in a recipe, or to make fresh-squeezed juice; as well as in consumers who are aware of Florida as a grapefruit supplier and associate superior sweetness and juiciness with Florida Grapefruit. Japanese consumers' recognition and use of Florida Citrus is strengthening, which—in combination with the growing number of Japanese consumers who are willing to pay more for grapefruit if it is from Florida—bodes well for its success going forward. Still, there remains room for improvement; especially considering the large number of survey respondents that are on the fence regarding any preferences for Florida Grapefruit versus other origins. Demonstrating the Florida Difference for Japanese consumers will be essential for growing sales going forward. In sum, the constraints continue to be relevant for Florida Grapefruit in the Japanese market and expanded educational activities that reach more targeted consumers will provide better results against the performance measures.

SECTOR: TRADE (Japanese importers, wholesalers, retailers, and foodservice operators)			
CONSTRAINT: • <u>Decreasing relevance in the produce category</u>– In today’s crowded produce category, grapefruit has become a less relevant item for the trade. FDOC’s retail and foodservice marketing efforts can help increase that relevance by providing support to the trade to improve the merchandising of Florida Grapefruit. • <u>Marketing support can alleviate price concerns</u> – Florida Grapefruit has experienced significant price increases in recent years due to production challenges and an unfavorable exchange rate. Providing importers and retailers with marketing support can make the difference between sustaining shelf space for Florida Grapefruit and losing significant market share to other citrus, other fruits, or cheaper grapefruit from Turkey, Israel, or Mexico. • <u>Lack of convenience</u> – Grapefruit is not as convenient or easy to eat as many other competing fruits. As such, product innovation such as fresh-cut grapefruit or fresh-squeezed grapefruit sold at foodservice are opportunities for Florida Grapefruit to expand consumption.			
PERFORMANCE MEASURES	2020/21 BENCHMARK	2021/22 GOAL	2021/22 ACTUAL
Percentage of targeted Japanese retailers whose sales of Florida Grapefruit increase more or decrease less than the rate of increase/decrease of total Florida Grapefruit imports into Japan	78	85	77*
Percentage of targeted Japanese retailers that specify Florida in their day-to-day origin identification signage for Florida Grapefruit at over 80% of stores checked by FDOC merchandisers	78	75	38**
Percentage of targeted Japanese retailers that work with FDOC to develop a customized in-store promotion.	44	55	38**
Percentage of targeted foodservice entities that launch a new menu item featuring fresh Florida Grapefruit, including fresh-squeezed juice	98	100	100

Source: FDOC Korea Merchandising Team / Related Korean Trade

* As FL GF imports have not been enough to supply all stores of targeted retailers, most of the targeted retailers have decreased the sales volume of FL GF.

**Only 19 retailers were targeted due to low FL GF imports which was insufficient in supplying retailers.

Results of evaluations/impact on constraint or opportunity

Whereas the consumer program seeks to increase consumer awareness and acceptance of Florida Citrus, FDOC’s trade program provides marketing support and education to importers, retailers, and foodservice operators to bolster Florida Citrus’ demand among trade in Japan. Activities highlight the superior taste, quality, and health benefits of Florida Citrus to offline and online retailers. Showcasing these features of Florida Citrus is especially important as produce sections become more diverse and competitive. FDOC accomplishes this by providing marketing materials to support retailers, and through foodservice partnerships that show the versatility of Florida Citrus. And, to distinguish Florida Grapefruit from other origins, supermarkets used customized Florida Grapefruit stickers on the produce in their stores, while Florida Grapefruit branded POS materials were used in others to specify the origin. These activities all provide support for Florida Citrus sales growth.

FDOC expanded its food service promotions during the 2021-22 program year, selecting unique partners to create grapefruit menu items. Promotions were organized in locations such as cafes, chocolate shops, bars, and restaurants. FDOC also provided marketing support with banners, flyers, and signs that publicized the special menu items. In total, 128 food service locations across the country generated sales of over \$222,000 USD. Foodservice operators are excited to partner with FDOC for these promotions due to their popularity with consumers, resulting in all 93 individual foodservice operators targeted agreeing to create menu items for their stores, and the performance measure for the percentage of targeted foodservice entities that launch new menu items featuring fresh Florida Grapefruit far exceeding last program years' result.

FDOC also partnered with two other U.S. trade associations for trade promotions—the Distilled Spirits Council of the U.S. (DISCUS) and Alaska Seafood Marketing Institute (ASMI). FDOC and DISCUS together participated in an ATO-sponsored three-week promotion titled “Taste of America 2022 – American Spirits & Florida Grapefruit Cocktail Fair” where ten bars in Tokyo were recruited to create an original cocktail using both American spirits and Florida Grapefruit Juice. Bar customers were asked to vote for and post photos of their favorite cocktail on Instagram, which would enter them into a drawing for prizes. This contest also served to drive traffic to FDOC’s Japanese social media sites. Likewise, FDOC worked with ASMI to put together a two-week promotion together with four high-end restaurants which created dishes pairing Florida Grapefruit and Alaskan Seafood. This promotion was also featured in the online version of OMOSAN Street Magazine along with information about both Florida Grapefruit and Alaskan Seafood. Altogether, these two promotions sold almost 1,300 items valued at approximately \$14,500 USD. These promotions served to highlight the diverse usages of Florida Grapefruit to consumers, as well as inspire those in the foodservice industry to develop menu items featuring Florida Citrus.

To further solidify the proficiency of the foodservice industry regarding Florida Grapefruit as an ingredient, FDOC conducted educational sessions with future culinary professionals, dieticians, and nutritionists. These sessions not only taught students technical skills, such as the proper ways to cut grapefruit, but also the unique characteristics of grapefruit that make it a great ingredient. Students also learned the history and season of Florida Grapefruit, as well as the health benefits. These educational sessions are a way to keep Florida Grapefruit top of mind for culinary and nutrition professionals as they develop their careers after graduation.

Additionally, FDOC engaged in an educational campaign to combat misinformation surrounding grapefruit drug interaction (GFDI). Many consumers wrongly believe that grapefruit and grapefruit-derived products interact with all medications, and thus avoid them completely. This is exacerbated by pharmacists who do not have a proper understanding of GFDI and too often tell patients to avoid grapefruit even for medications that do not pose any risks of GFDIs. As such, FDOC partnered with two pharmacy chains to engage in proactive GFDI education with their patients. FDOC also conducted a highly technical online educational seminar delivered by Dr. Hisakazu Otani, the Director of Pharmacy Department at the Keio University Hospital and Professor of Pharmacy and Pharmacokinetics at the Keio University Medical School and whom is the forerunner of food-drug interaction research in Japan. Dr. Otani also assisted in creating materials for medical professionals and the general public, which are available on FDOC’s Japanese-language website.

Overall, FDOC’s trade program in Japan successfully provided support for Florida Grapefruit sales growth. However, the low import volumes of Florida Grapefruit and Grapefruit Juice into Japan made it difficult to reach many of the performance measure goals set by FDOC ahead of the program

year. The low availability made sourcing Florida Grapefruit very challenging for many retailers and hindered their ability to participate in promotions. Still, FDOC effectively pivoted to undertake activities that will serve to enhance interest in and enthusiasm for Florida Citrus as supply-side issues are resolved and continue to support export sales growth in Japan.

Conclusion

FDOC's trade outreach efforts were successful in the 2021-22 program year. While retail promotions are essential to FDOC's program in Japan, the emphasis on supporting and promoting with foodservice establishments allowed the diversified usages and superior quality of Florida Citrus to reach and inspire a wide range of consumers as well as foodservice operators. However, the supply and price challenges facing Florida Grapefruit and Grapefruit Juice have made the supply of these products difficult. Thus, continued marketing support of importers and retailers will be essential to retaining retailer interest as well as increasing the stock of these products in more stores as supply challenges ease. Accordingly, the constraints identified continue to be relevant to the Japanese market, and continuing support of trade in the country will be essential for the success of Florida Citrus in the future.

V. Overall Market Recommendations

Japan remains an important market for Florida Citrus exports. However, many consumers in Japan are not consistent purchasers of grapefruit; many mischaracterize it as too bitter or sour, or lack awareness of the myriad ways that grapefruit can be prepared and consumed. To address this, FDOC will utilize media outlets more effectively to deliver recipe content to consumers that use Florida Grapefruit as an ingredient. TV spots featuring cooking and baking segments will continue to be utilized to showcase Florida Citrus' versatility. Also, with the recipe section of FDOC's Japanese-language website receiving the most traffic, FDOC will increase efforts to direct consumers to their website to reinforce it as a valuable resource. FDOC also plans to increase the number of in-store sampling demonstrations as pandemic regulations allow to show consumers firsthand the superior taste and sweetness of Florida Grapefruit and Grapefruit Juice.

Regarding support of trade, FDOC plans to increase the number of promotional partnerships with retailers once import volumes can sufficiently support growing sales. In addition, FDOC will more effectively raise awareness of the Florida Differences to justify premium prices to foodservice operators who use other, less expensive, origins through digital initiatives that highlight that Florida Grapefruit is the highest quality product available. Altogether, these trade and consumer promotions as well as the expected easing of supply-side issues will continue to support the development of Florida Grapefruit and Grapefruit Juice awareness and usage; which will, in turn, grow exports to Japan going forward.