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Taiwan

Fresh Deciduous Fruit Annual

Fresh Apples

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Report Highlights:

In MY2013/14, Taiwan imported a record 160,756 metric tons (MT) of apples from around the world, which is valued at nearly US\$240 million. Apples continue to be the most popular imported fruit in Taiwan, and the Fuji apple remains the favorite variety accounting for 90% of total retail sales. Unfortunately, aggressive pricing and flexible payment terms allowed Chile to regain its position (MY2010/11) as the largest supplier of apples to Taiwan in MY2013/14. Although U.S. apple exports decreased to Taiwan in MY2013/14, Post forecasts the United States will regain its former position as the leading supplier of apples to Taiwan in MY2014/15 due to an anticipated record harvest throughout the United States. Meanwhile, local apple production continues to follow a long-term decline and currently meets only less than one percent of domestic demand.

Executive Summary:

In MY2013/14, local apple production decreased to 1,292 metric tons (MT), a nearly 15 percent decrease from the previous year. Local apple production has slowly been decreasing since 2002 and is no longer profitable due to high labor and transportation costs, as well as competition from imports. In addition, several eco-awareness projects in Taiwan have hindered further exploitation of the mountain areas where Taiwan apples are grown.

Taiwan is reliant on apple imports and has one of the highest per capita consumption rates in the world – 132kg/person. In MY2013/14, Taiwan imported 160,756 MT of apples, the highest import total in Taiwan’s apple import history. Aggressive pricing as well as flexible payment terms have allowed Chile to regain its former (MY2010/12) position as the leading supplier of apples to Taiwan. Chile exported a record 62,343 MT of fresh apples to Taiwan in MY 2013/14. Meanwhile, exports of New Zealand apples to Taiwan tripled and reached 21,836 MT in MY2013/14 as a result of the Free Trade Agreement (FTA) between New Zealand and Taiwan, which eliminated apple import tariffs from New Zealand on December 1, 2013. New Zealand apples are expected to be more competitive in the Taiwan market in the future. With a somewhat weaker local economy, however, Taiwan importers estimate total imports to remain at 160,000 MT in MY2014/15.

Although U.S. apple exports decreased to Taiwan in MY 2013/14, Post forecasts the United States will regain its former position as the leading supplier of apples to Taiwan in MY 2014/15 due to an expected record harvest in Washington. Taiwan importers also favor U.S. apples due to its consistent supply and quality. As a result, Post forecasts U.S. apple exports to Taiwan to recover moderately to 60,000 MT in MT 2014/15.



Source: Global Trade Atlas

Commodities:

Apples, Fresh

Production:

Even prior to Taiwan's accession to the World Trade Organization (WTO) in 2002, local apple production, from orchards set in Taiwan's temperate central mountain range, was insignificant (less than 10,000 MT/year). Since Taiwan's WTO accession and market liberalization, cropland has steadily been taken out of production. Taiwan's geographical location also leaves producers vulnerable to natural disasters. Tropical storms Mindulle (2004) and Morakot (2009) brought severe flooding and mudslides that damaged orchards and Taiwan has not been able to fully recover since that time. In order to prevent the further degradation or destruction of national lands, the "Land Restoration Strategic Program and Action Plan" was launched in 2005. In accordance with this policy, Taiwan's Council of Agriculture (COA) has been withdrawing land that is located in mountainous areas higher than 1,500 meters in central Taiwan from production. Unfortunately, several large apple producing areas have been removed from production as a result of this policy.

However, in MY2013/14, the area planted actually increased 4% to 175 hectares, but only 1,292 MT of fresh apples were harvested, reflecting a nearly 15% decrease from the previous year. This was mainly attributed to damage caused by a few tropical storms (especially, super typhoon Usagi) that brought torrential rainfall to Taiwan and affected several agricultural production areas. In MY2014/15, the planted area is projected to remain at 175 hectares with production estimated at 1,300 MT. Local apple production currently meets less than 1% of domestic demand, making the impact of annual crop yield fluctuations insignificant.

Consumption:

The apple is currently the most heavily consumed imported fruit in Taiwan. Only oranges, 95% of which are grown domestically, are consumed in greater volume. However, in terms of real growth, the apple is losing ground to a host of other imported fruits, including: cherries, grapes, peaches, and various berries. Due to the variety of imported and domestic fruits now available, apple consumption is not expected to reach the highs from the late 1990's without some change in the competitive picture, such as new positive findings regarding the health benefits of apples or an expansion of fruit consumption in general.

The vast majority of people in Taiwan view fruit as an important part of their daily diet. Fruit is frequently eaten as a snack or as a dessert and is the most common food served to visitors in the home or office. Unless bought solely for personal consumption, the color, size, and general appearance of fruit is typically quite important to Taiwan retail customers. The "best-looking" fruit, typically sold in gift packaging, fetches the highest prices. The apple symbolizes many positive things to Taiwan consumers and should remain a key item in gift baskets. The most expensive apple on the market, the Japanese-grown Fuji, sells well at premiums of 100 percent because of its size and quality perceptions.

Fuji, with its sweet taste and firm texture, remains the overwhelmingly favorite variety, accounting for 90% of total retail apple sales. The remainder of the market is comprised of Gala, Red Delicious, and Granny Smith. While countries like the United States, Chile and New Zealand continue to focus on supplying the Taiwan market with traditional varieties, Japan is having some success introducing less

common varieties into the market to maintain its “premium” image and to justify higher prices. In fact, it is not uncommon to find Japanese and Korean fruit in the market priced at US\$6-8 per piece.

While eaten year round, Taiwan consumers generally purchase significantly more apples during the autumn and winter months - the prime production months for northern hemisphere growers. Reasons for this include the general perception of the apple as a "cool weather" fruit and the incorporation of apples into the many festivals held during this time of the year. Local, tropical fruit such as mangos, papaya, and lychees dominate during the summer months. Taiwan people send food products in gift packages to their friends and relatives during three major lunar-year festivals: Chinese New Year (usually in February); the Dragon Boat Festival (usually in June); and the Moon Festival (usually in September).

Fuji apples replaced Red Delicious many years ago as one of the most popular gift items during the lunar New Year holiday in Taiwan.

In order to maintain a dominant position, particularly against "new" competitors such as Japan, New Zealand, and Korea, U.S. suppliers should continue to work closely with Taiwan importers, distributors, and retailers and reinforce the strong positive image of U.S. apples.

Trade:

Taiwan is a relatively mature market for fresh apples. In MY2013/14, Taiwan imported a record high 160,756 MT of apples (valued at nearly US\$240 million). This represents an increase of 18% by volume and 29% by value. Part of the reason for the sharp increase this past marketing year was the record imports from Chile (+50%) and New Zealand (+180%). Import volumes from other major supplier countries except the United States (-25%), France (-43%), and Canada (-60%) also increased significantly in MY 2013/14, especially Japan (+25%) and South Korea (+95%).

Chile posted a 50% increase in volume, with shipments growing from 41,602 MT in MY2012/13 to 62,343 MT in MY2013/14. According to importers, during the past season, Chile exporters offered aggressive pricing and more flexible payment terms to Taiwan importers, due to their overall small apple size, which obviously demands lower prices, as well as poor export market conditions. As a result, Chile enjoyed a record year in MY2013/14. Importers indicated that Taiwan is the most important destination for Chilean Fuji apples with an average 80-90% of Chilean apples being exported to Taiwan.

Meanwhile, New Zealand apple exports to Taiwan increased from 7,798 MT in MY2012/13 to 21,836 MT in MY2013/14. This significant growth has been attributed to the Taiwan-New Zealand bilateral Free Trade Agreement (FTA), known as ANZTEC, which took effect on December 1, 2013. The import tariff for New Zealand apples dropped from 20 percent to zero as a result of the FTA. Post anticipates that U.S. apple exports to Taiwan will only be slightly affected since the apple season between the United States and New Zealand are almost perfectly counter-seasonal.

Japanese apples, accounting for 10% of the total apple import market in Taiwan, grew 25% in MY2013/14 to 16,512 MT. The growth is attributed to the aggressive depreciation of the Japanese yen as well as Taiwan consumers' decreased concern about potential radiation leaks from nuclear power plants in food products from Japan. Japanese apples have been the most popular gift item during the lunar New Year holiday season (usually in February) due to its colorful appearance and large size.

Although U.S. apple exports and market share declined in MY2013/14, the United States is expected to regain its former position as the leading supplier of apples to Taiwan in MY2014/15. Taiwan importers favor U.S. apples due to its high-quality and consistent supply. U.S. apple exports to Taiwan are forecast to recover moderately to 60,000 MT in MY2014/15 due to an expected record harvest in Washington, which typically accounts for 90-95% of total U.S. apple exports to Taiwan. Washington apples are extremely popular among consumers, and Taiwan remains one of the top five export markets for Washington apples.

According to Taiwan Customs statistics, the market share for Chilean apples jumped to 39% in MY2013/14, followed by the United States (31%), New Zealand (14%), Japan (10%), South Africa (5%) and South Korea (1%). Overall total imports are forecast to remain at 160,000 MT in MY 2014/15.

Unfortunately, the U.S. share of the Taiwan import market for apples began a long-term downward trend in 2000. Taiwan's 2002 WTO accession accelerated this trend by eliminating quota restrictions on imports from Argentina, Australia, Chile, the European Union, Japan, New Zealand, and South Africa. The accession also removed a previous ban on apple imports from South Korea. China remains prohibited from exporting fresh apples to Taiwan due to phytosanitary concerns. Despite last year's reversal, the United States is expected to remain the dominant supplier of apples to Taiwan over the next several years.

Importers in Taiwan have a broad choice of suppliers from which to choose (with the important exception of China due to phytosanitary concerns) so changes in market share will continue to shift year-to-year based on supplier prices, product quality, and availability. In general, while Taiwan buyers do express a continued preference for U.S.-origin Fuji apples, Taiwan importers are more than willing to shift purchase orders to other competing suppliers when cost factors run against U.S. exporters. A recent significant change in thinking among Taiwan importers is that they do not want to risk placing a large volume of forward orders for apples from one single supplier or country, especially when exports could be suspended due to the detection of Codling Moth/Peach Moth or violations of Taiwan's MRLs (maximum residue limits) for agrochemicals (see Import Regulations and Requirements section.)

Taiwan importers prefer the flexibility to switch their orders to other countries if the primary supplying country is suddenly suspended. However, Chile and the United States should remain the top two largest exporters of apples to Taiwan.

Policy: Tariffs

Taiwan currently applies a 20% tariff on all apple imports. Taiwan Customs assesses tariffs based on a region-specific reference price rather than the actual invoiced value. Import duties on New Zealand apples were eliminated on December 1, 2013, when the FTA between Taiwan and New Zealand took effect.

Import Regulations and Requirements

General Phytosanitary Requirements

A phytosanitary certificate of origin issued by the Plant Protection & Quarantine (PPQ), Animal & Plant Health Inspection Service (APHIS) of the U.S. Department of Agriculture, stating that the fruit has been thoroughly inspected and found free from relevant pests, is required for all apple exports to Taiwan.

The Codling Moth is found in apples from the United States, and a pest of quarantine concern to Taiwan, where it is not known to exist. Following the Codling Moth detection in Taiwan in November 2002, Taiwan suspended the importation of all U.S. apples. In June 2003, the United States and Taiwan signed a protocol with a penalty structure that allowed Taiwan to suspend imports of U.S.-origin apples if three Codling Moth detections occurred in a single shipping season (often referred to as “three strikes”). While this penalty structure has facilitated continued trade, there is the possibility of another market closure if there are “three strikes” in a single shipping season. U.S. regulatory authorities have provided Taiwan with U.S. research demonstrating that the risk associated with Codling Moth transmission and establishment in Taiwan via U.S.-origin apples is extremely low. Taiwan authorities continue to review this research, but have not yet met with U.S. officials to discuss the U.S. findings in detail. Negotiations and revisions to the “Systems approach work plan for the exportation of apples from the United States into Taiwan” continue in the interim.

Maximum Residue Limit (MRL)

Imports of fresh fruit and vegetables, including apples, are subject to random inspection for chemical residues at the port of entry by Taiwan’s Food and Drug Administration (TFDA)/Ministry of Health and Welfare. A Taiwan importer of highly perishable produce, like apples, may submit an affidavit to the TFDA to move the consignment to its own warehouse before the testing is complete. However, the shipment cannot be released into commercial channels until/unless the test results are negative.

Shipments are tested at the normal sampling rate of 2-5 percent. If the sample tests positive for any prohibited chemical or at a level that exceeds Taiwan's established maximum residue level (MRL) for approved chemicals, the shipment will be rejected and future shipments will also be subject to sanctions in the form of enhanced inspection. If there is an initial noncompliance finding on record, future shipments of the same product, e.g. apples, imported by the same Taiwan importer from the same origin, e.g. the United States, the random inspection rate will increase to 20 percent. A second non-compliance finding for the same combination of Taiwan importer, product and origin will result in batch-by-batch inspection for all future shipments under that same three-way combination.

In an effort to more accurately identify the source of a violation and to target more carefully any subsequent sanctions, TFDA is now encouraging Taiwan importers of fresh produce to identify the source state. This practice is consistent with TFDA's stated goal of managing MRL risk at the source, but it also benefits U.S. exporters by helping to narrow the scope of the sanctions. As an example, growers/exporters of apples from Washington would not be penalized on the basis of MRL violations on apples shipped from other states. Therefore, exporters of U.S. apples should advise their Taiwan buyers

to identify the source state (e.g. California or Washington) when filling in the application form for import inspection.

Marketing:

Distribution Channel

Nearly all fresh fruit imports, including apples, are consumed as fresh produce. The Taiwan consumer's emphasis on both convenience and freshness is the key to shopping preferences. Currently, traditional/neighborhood wet markets account for about 45% all fresh apple sales, followed by supermarkets/hypermarkets, fruit shops, street hawkers, and foodservices/TV shopping/on-line shopping. Due to the current slowdown in the local economy and ongoing acquisition/mergers within the supermarket/hypermarket sector, further expansion of such modern retail outlets is expected to decrease. As a result, no significant change in the distribution channel structure is expected in the near future.

Taiwan - Apple Distribution Channel	
Traditional/neighborhood wet markets	45%
Supermarkets/hypermarkets	26%
Fruit shops	18%
Street hawkers	5%
Foodservices/TV shopping/on-line shopping	6%

Author Defined:

Production, Supply and Demand Data

<i>Apples, Fresh Taiwan</i>	<i>2012/2013</i>		<i>2013/2014</i>		<i>2014/2015</i>	
	<i>Market Year Begin: Jul 2012</i>		<i>Market Year Begin: Jul 2013</i>		<i>Market Year Begin: Jul 2014</i>	
	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>
<i>Area Planted</i>	170	169	160	175		175
<i>Area Harvested</i>	170	169	160	175		174
<i>Bearing Trees</i>	60	60	60	63		63
<i>Non-Bearing Trees</i>	0		0	0		0
<i>Total Trees</i>	60		60	63		63
<i>Commercial Production</i>	1,500	1,519	1,500	1,292		1,300

Non-Comm. Production	0	0	0	0		0
Production	1,500	1,519	1,500	1,292		1,300
Imports	135,700	135,667	160,000	160,756		160,000
Total Supply	137,200	137,186	161,500	162,048		161,300
Fresh Dom. Consumption	137,200	137,186	161,500	162,048		161,300
Exports	0	0	0	0		0
For Processing	0	0	0	0		0
Withdrawal From Market	0	0	0	0		0
Total Distribution	137,200	137,186	161,500	162,048		161,300
<i>HA, 1000 TREES, MT</i>						

Source: Taiwan Council of Agriculture; GTA