

Required Report - public distribution

Date: 8/20/2009

GAIN Report Number: TW9042

Taiwan

STONE FRUIT ANNUAL

Peaches/Nectarines, Cherries

Approved By:

Keith Schneller, Director, ATO Taipei

Prepared By:

Amy Chang-Chien Hsueh, Agricultural Marketing Specialist

Report Highlights:

Taiwan continued to be an important market for U.S. stone fruit, the number two export market for U.S. peaches/nectarines, and the number four export market for U.S. cherries in 2008. Stone fruit (cherries, peaches/nectarines, plums/prunes, and apricots) is well received in Taiwan, not only do consumers like them due to their attractive appearance, sweetness, juiciness and fragrance, most importantly, wholesale and retail trade also like to handle them simply because they are profitable.

Executive Summary:

Peaches/Nectarines: The United States continued to dominate the Taiwan peach/nectarine import market accounting for 89 percent of Taiwan's fresh peach/nectarine imports (33,875 mt or nearly US\$50 million) in 2008. Currently, the United States supplies nearly half of Taiwan's consumption. The direct competitors in the market were mainly local peaches/nectarines with 29,329 metric tons harvested in 2008.

Cherries: Taiwan does not produce cherries. Thus 100% of this variety is imported. U.S. cherry exports to Taiwan

decreased 23% in volume while total imports (10,127 mt) decreased 3% during the 2008 season. The entry of major Southern Hemisphere suppliers, i.e. Chile, Australia, and New Zealand has shifted some market share away from U.S. suppliers in recent years.

The United States, with an 89% share of Taiwan's peaches/nectarine imports and 53% of cherry imports, will remain the largest supplier of these stone fruit varieties to the Taiwan market into the foreseeable future. Currently, China remains excluded from the market for peaches/nectarines and cherries due to lack of market access and/or phytosanitary protocols, the U.S. will continue to account for most of northern hemisphere supply in Taiwan.



Due to Taiwan's year-long and wide variety of local fruit production, the Taiwan people have developed sophisticated tastes for fresh fruits, and per capita consumption is among the highest in the world. Attractive appearance (size, color, shape) and quality image are given significant weight by the Taiwan consumers. Taiwanese 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). Peaches and cherries are one of the most popular gift items in Taiwan.

It is estimated that 20-25% of fresh fruit is purchased in modern retail outlets, with hypermarkets being the most popular store format. These retail chains regularly conduct U.S. fruit promotions with even lower prices than wet market retailers to draw consumers into their stores. Traditional wet market accounts for 50%-60% of total fresh fruit sales. Recently, non-store retailing has been driven by home shopping and TV/internet shopping channels, accounting for an estimate of 5% of total fruit retail sale and is expected to continue to grow over the next few years.

On August 8, 2009, Taiwan was hit by Tropical Storm Morakot, which brought historic severe floodwaters and mudslides to Southern Taiwan. Hundreds of people were killed and injured while hundreds more still have not been found. Agricultural losses have reportedly reached over NT\$12 billion (US\$389 million). Seasonal fruits like bananas, papayas, guavas, longan, and litchi have suffered a severe damage. Due to serious shortage of fresh produce supply in the market, retail prices of all fresh fruits & vegetables have soared to a record high, 30%-40% increase on average. Trade analysts anticipated that peach & nectarine imports will be seen a significant rise in September 2009.

Commodities:

Fresh Peaches & Nectarines

Fresh Cherries,(Sweet&Sour)

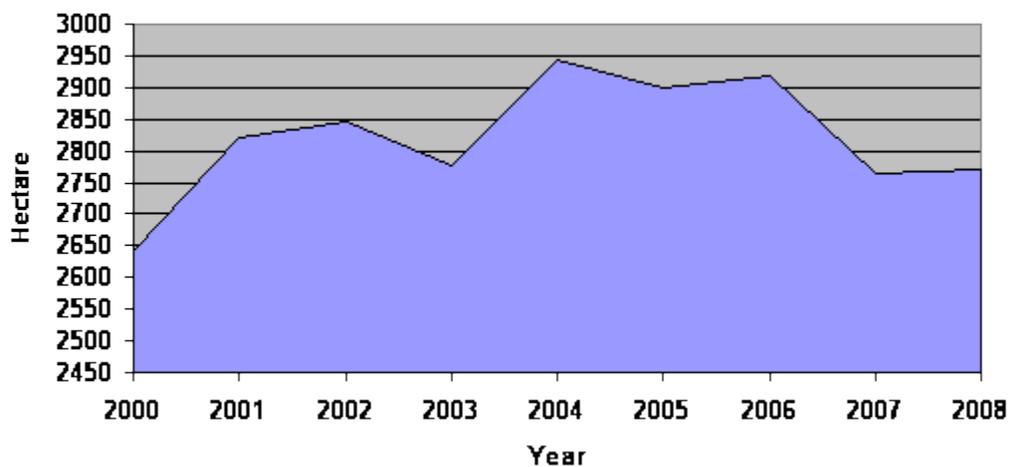
Production:
PEACHES & NECTARINES

Production

In 2008, peach & nectarine production totaled 29,329 metric tons, a more than three percent increase from the previous year. The Taiwan Council of Agriculture predicted that the production of peaches/nectarines was expected to reach 30,373 metric tons for 2009, a four percent rise from 2008, although the total harvested areas were expected to be reduced by 6%, due to abolishment of some farm lands (aging of peach trees) mainly in Northern Taiwan. With the exception of Taoyuan County in Northern Taiwan, almost all growing areas reported a slight increase in peach/nectarine harvest in 2009. Taoyuan County suffered low temperature and rainfall damage during March/April that has resulted in drop in harvest. As the majority of growing areas of peaches/nectarines are concentrated in the Northern and central part of Taiwan, the impact of Typhoon Morakot on peach/nectarine production is limited for this year.

Taiwan nectarines (white flesh) are available in the market from May and peaches are harvested in July/August.

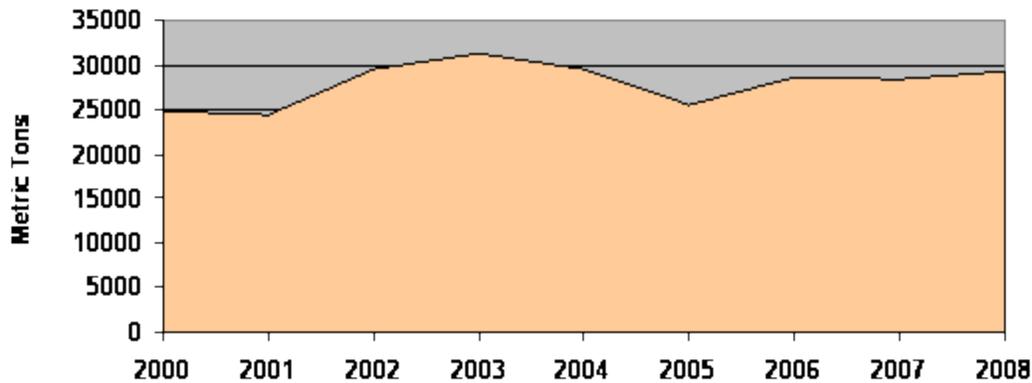
AREA PLANTED - Peaches & Nectarines



Area Planted – Peaches & Nectarines – source: Taiwan Council of Agriculture

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Hectare	2,643	2,821	2,845	2,776	2,942	2,899	2,919	2,765	2,772

PRODUCTION - Peaches & Nectarines



Source: Taiwan Council of Agriculture

Production - Peaches & Nectarines – source: Taiwan Council of Agriculture

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Hectare	24,919	24,267	29,366	31,265	29,482	25,468	28,508	28,435	29,329

Consumption: PEACHES & NECTARINES

Consumption

Currently, the U.S. retains a dominant 89% market share in peach & nectarine imports. Taiwanese consumers and traders have strong preference for U. S. peaches & nectarines. White flesh peaches with size of #17-#21 and nectarines with size of #56-#72 are most popular in the market. The peak season of peaches (May-September) covers the Moon Festival period. Sales of peach gift packs which is one of the most popular fruit gift pack items increase significantly from the stance of the retail market during Moon Festival holiday. Taiwanese people use fruits, imported fruits in particular, broadly as an expression of social courtesy and thoughtfulness as gifts to close friends. The color, size, and general appearance of fruit is typically quite important for gift packs to the retail customers.

CHERRIES

Production

Taiwan does not produce cherries. Thus 100% of this variety is imported.

Consumption

Taiwan has been the number two export market for U.S. Northwest cherries and the number three export market for California cherries. This market is important for U.S. growers because they know the Taiwanese importers will pay a premium price for the largest cherries. Although the majority (50%-60%) of fresh fruit in Taiwan is still sold in traditional wet markets, it is estimated that 20%-25% of cherries are sold in supermarkets and hypermarkets. These chains often conduct U.S. cherry promotions using lower than wet market prices to attract a greater number of consumers during the summer season as a loss-leader program. Therefore, these modern retail stores are taking market share from the wet markets, in terms of cherry sales. TV/Internet home shopping, and convenience stores have experienced tremendous growth in sales in recent years in Taiwan. Fresh cherries are one of the few fruits that benefit significantly from these non-traditional

shopping outlets. It is expected that online grocery shopping with home delivery services will continue to expand in the coming years. Cherry gift packs are one of the most popular gift pack items in Taiwan. Cherries with 9.5-10 Row are preferred by Taiwanese consumers. Taiwan imports of cherries are expected to increase for 2009 due to increased supplies, lower prices, and increasing intensive promotions during June-August peak season.

Trade:

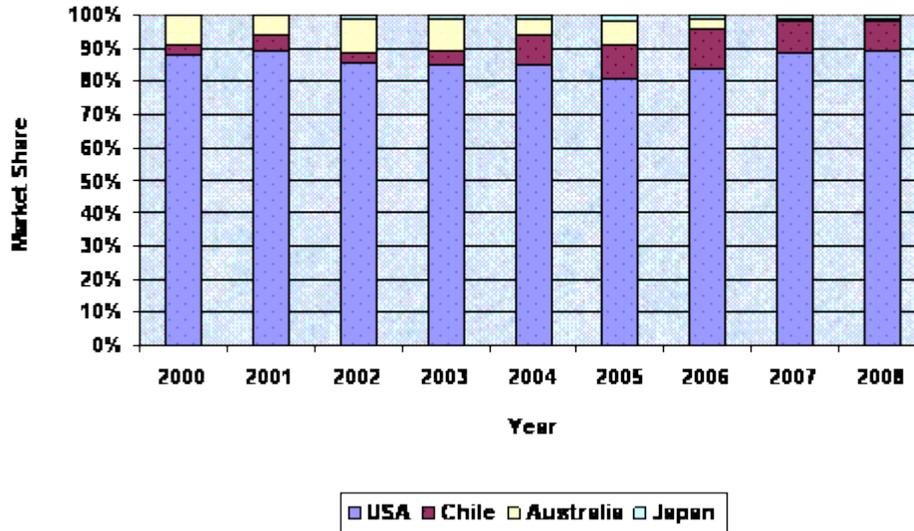
PEACHES & NECTARINES

Trade

In 2008, Taiwan imported a total of 33,875 metric tons or nearly US\$50 million worth of peaches and nectarines, a 10% decrease in terms of volume and 4% increase in terms of value from the previous year. Trade analysts have recently adjusted their initial prediction of a 10 percent import decrease for 2009 after Typhoon Morakot hit Taiwan severely in early August 2009. The disaster has resulted in a serious short supply of fresh fruits & vegetables in the market. Therefore, it is anticipated that peach/nectarine import will increase sharply during September/October. Thus import volume is expected to remain at 2008 level of 34,000 mt for 2009.

The United States had the largest market share (89%), followed by Chile (9%), Japan (1%), and Australia (0.5%). U.S. peach imports dropped 9%, while Japan's small but premium export sales continued to be up 5%, compared to 2007. Other suppliers posted a negative growth in this category in 2008. Japan peaches with 300-500 metric tons per season entering into Taiwan have not created threat to U.S. peaches. The direct competitors were mainly local peaches with 29,329 metric tons have been harvested in 2008. Southern hemisphere supplier Chile, earning some advantage from increasing supply and lower costs of production, managed to hold peach volumes steady as the market's second largest supplier (after the United States).

Trends in Market Share by Country Fresh Peaches & Nectarines



Taiwan Fresh Peach/Nectarine Imports (Metric Tons)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Imports	43,738	46,971	45,928	38,559	40,263	39,178	33,344	37,730	33,875
US Imports	38,327	42,013	39,147	32,731	34,311	31,917	27,934	33,342	30,252
US Mkt Share	88%	89%	85%	85%	85%	81%	84%	88%	89%

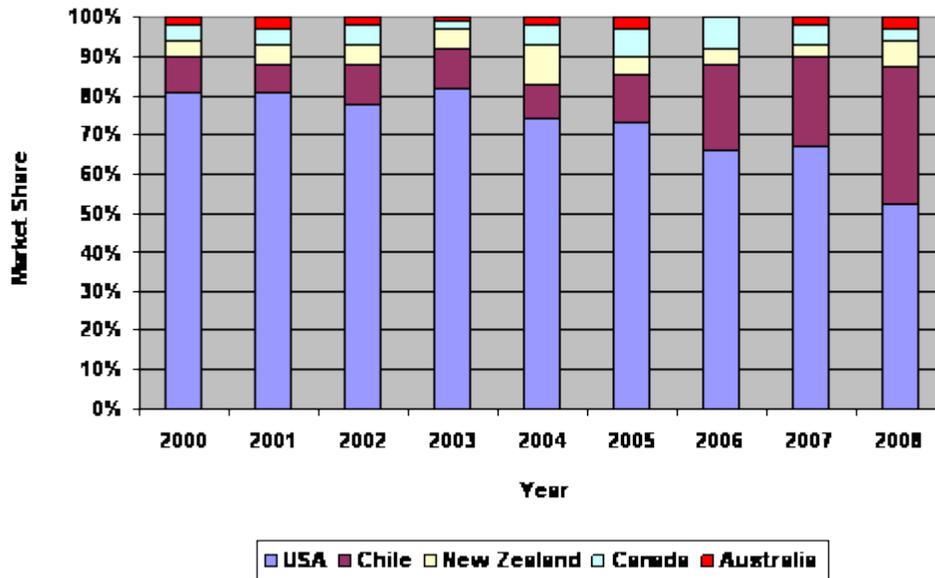
CHERRIS

Trade

Fresh cherry imports into Taiwan dropped 3% in volume and increased nearly 27% in value during the 2008 season to reach 10,127 metric tons worth US\$61.50 million. The United States continued to be the leading supplier with 53% of the market, followed by Chile (35%), New Zealand (7%), Australia (3%), and Canada (3%). As shown in the table below, the US market share began a downward trend in 2002 when Taiwan joined the WTO. The entry of Southern Hemisphere suppliers, e.g. Chile, New Zealand, and Australia, has shifted some market share away from U.S. suppliers. Chile is making significant inroads in cherries – continuing to grow by 46 percent reaching 3,533 mt in sales volume and ranking second largest supplier in 2008. Trade analysts anticipate that the Taiwan cherry market will continue to grow to reach 11,000 mt in 2009. The U.S. can be expected to gain some more share reaching 68% of the total market for 2009.

Imports of fresh cherries from China, permitted from 2005, have not yet made an impact on the market due to quality issues, and importer concerns regarding consumer acceptance of Chinese cherries.

Trends in Market Share by Country
Cherries



Taiwan Fresh Cherry Imports (metric tons)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Imports	9,105	10,421	8,486	11,806	9,881	10,588	11,974	10,438	10,127
US Imports	7,405	8,397	6,631	9,672	7,325	7,788	7,887	6,974	5,339
US Mkt Share	81%	81%	78%	82%	74%	74%	66%	67%	53%

Policy:

General Phytosanitary Requirements

Taiwan subjects stone fruit imports to inspection based on three basic laws: the Food Safety Management Act, Food Safety Management Regulations, and Maximum Residue Level Standards.

Taiwan currently bans or subjects to pest-free certification imports of stone fruit from countries with the following pests: (1) Mediterranean fruit fly, (2) Peach fruit fly, (3) Codling moth, (4) Apple maggot, (5) Mexican fruit fly, (6) Plum curculio, (7) Queensland fruit fly, (8) South American fruit fly and (9) Western Flower Thrips.

Taiwan defines maximum residue levels (MRLs) for around 330 chemical compounds and checks shipments on a random basis. Taiwan's Department of Health (DOH) is currently trying to expand the list of MRLs for chemical compounds commonly used outside Taiwan. The Agricultural Affairs Section at the American Institute in Taiwan along with U.S. industry representatives have worked to ensure that all pesticide and other chemicals of concern to U.S. industry are permitted under temporary arrangement during the review period as well as to see that chemicals and residue levels will be

defined in such a way as to not become a trade barrier to U.S. suppliers. The DOH review process is expected to run several years during which formal announcement of new MRLs will be made.

The China Factor in Competition in the Taiwan Stone Fruit Market

Taiwan opened the two stone fruit categories of fresh apricots (January 2007) and fresh cherries (February 2002) to import from China. To date, Taiwan has recorded no imports of either. While importers have indicated interest in assessing China’s supplies of fresh cherries, logistical difficulties and continuing quality control difficulties have, to date prevented any successful sales. Cherries, with their unique position as a high volume, high value, short sales window item, represent both high risk and high profit for Taiwanese importers. As such, established suppliers in the United States and other major fruit producing countries are still preferred due to their reliability and responsiveness.

At the present time, the import of stone fruit from China, while remaining a long-run threat to US market share, is not considered a factor in current market competition.

Marketing:

To ensure a healthy market for US stone fruit in Taiwan, US industry and exporters are encouraged to maintain targeted and effective marketing programs that underscore stone fruit as the summer fruit of choice for Taiwan consumers. Promotion programs may do best to address key consumer objectives (health, face value, reliable quality) and take advantage of Taiwan’s interest in new varieties of familiar fruits by introducing and promoting such.

**Production, Supply and Demand Data Statistics:
Statistics**

Nectarines Fresh Peaches & Taiwan	2007		2008		2009		
	2007/2008		2008/2009		2009/2010		
	Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		
	USDA Official Data	Old Post	USDA Official Data	Old Post	USDA Official Data	Jan	
		Data		Data		Data	
Area Planted	2,765	2,765	2,765	2,765	2,772	2,600	(HA)
Area Harvested	2,630	2,630	2,630	2,693	2,686	2,533	(HA)
Bearing Trees	935	935	935	930	943	870	(1000 TREES)
Non-Bearing Trees	43	43	43	50	33	40	(1000 TREES)
Total Trees	978	978	978	980	976	910	(1000 TREES)
Commercial Production	28,418	28,418	28,435	30,373	29,329	30,373	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
Production	28,418	28,418	28,435	30,373	29,329	30,373	(MT)
Imports	37,731	37,731	37,731	40,000	33,876	34,000	(MT)
Total Supply	66,149	66,149	66,166	70,373	63,205	64,373	(MT)
Fresh Dom. Consumption	66,145	66,145	66,166	70,373	63,205	64,373	(MT)
Exports	4	4	0	0	0	0	(MT)
For Processing	0	0	0	0	0	0	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
Total Distribution	66,149	66,149	66,166	70,373	63,205	64,373	(MT)
TS=TD			0		0	0	
Comments							
AGR Number							

Import Trade Matrix

Country	Taiwan		
Commodity	Fresh Peaches & Nectarines		
Time Period	2007-2008	Units:	mt
Imports for:	2007		2008
U.S.	33,342	U.S.	30,252
Others		Others	
Chile	3,523	Chile	3,044
Australia	476	Australia	406
Japan	387	Japan	173
New Zealand	3	New Zealand	
Korea		Canada	1
Total for Others	4,389		3,624
Others not Listed	0		0
Grand Total	37,731		33,876

Export Trade Matrix

Country	Taiwan		
Commodity	Fresh Peaches & Nectarines		
Time Period	2007-2008	Units:	MT
Exports for:	2007		2008
U.S.	0	U.S.	0
Others		Others	
Singapore	4		
Total for Others	4		0
Others not Listed	0		0
Grand Total	4		0

Cherries,(Sweet&Sour) Fresh Taiwan	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		Market Year Begin: Jan 2010	
	USDA Official Data	Old Post	USDA Official Data	Old Post	USDA Official Data	Jan
		Data		Data		Data

Area Planted	0	0	0	0	0			0	(HA)
Area Harvested	0	0	0	0	0			0	(HA)
Bearing Trees	0	0	0	0	0			0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0			0	(1000 TREES)
Total Trees	0	0	0	0	0			0	(1000 TREES)
Commercial Production	0	0	0	0	0			0	(MT)
Non-Comm. Production	0	0	0	0	0			0	(MT)
Production	0	0	0	0	0			0	(MT)
Imports	10,437	12,000	10,438	11,500	10,127			11,000	(MT)
Total Supply	10,437	12,000	10,438	11,500	10,127			11,000	(MT)
Fresh Dom. Consumption	10,437	12,000	10,438	11,500	10,127			11,000	(MT)
Exports	0	0	0	0	0			0	(MT)
For Processing	0	0	0	0	0			0	(MT)
Withdrawal From Market	0	0	0	0	0			0	(MT)
Total Distribution	10,437	12,000	10,438	11,500	10,127			11,000	(MT)
TS=TD			0		0			0	
Comments									
AGR Number									

Comments To Post

Import Trade Matrix

Country	Taiwan	
Commodity	Fresh Cherries,(Sweet&Sour)	
Time Period	2007-2008	Units: MT
Imports for:	2007	2008
U.S.	6,974	U.S. 5,339
Others	Others	
Chile	2,422	Chile 3,533
Canada	479	Canada 281
New Zealand	338	New Zealand 668
Australia	224	Australia 305
Total for Others	3,463	4,787
Others not Listed	1	1
Grand Total	10438	10,127

Export Trade Matrix

Country Taiwan
Commodity Fresh Cherries,(Sweet&Sour)
Time Period 2007-2008 **Units:** MT
Exports for: 2007 2008
U.S. 0 **U.S.** 0

Others		Others	
Australia	0.04		0

Total for Others 0.04 0
Others not Listed 0 0
Grand Total 0.04 0