

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 9/9/2011

GAIN Report Number: TW11016

Taiwan

Stone Fruit Annual

Peaches, Nectarines, and Cherries

Approved By: Jeffrey Hesse, Agriculture Section, AIT Taipei

Prepared By: Amy Hsueh, Agricultural Marketing Specialist

Report Highlights:

In 2010, Taiwan remained an important market for U.S. stone fruit -- the number two export market for U.S. peaches/nectarines and the number five export market for U.S. cherries. Stone fruit (cherries, peaches/nectarines, plums/prunes, and apricots) are well received in Taiwan. Taiwan consumers like these fruit due to their attractive appearance, sweetness, juiciness and fragrance. Taiwan wholesalers and retailers like to handle these fruits because they are profitable.

Executive Summary

Peaches/Nectarines: The United States continued to dominate the Taiwan peach/nectarine import market, accounting for 82 percent of Taiwan's total fresh peach/nectarine imports (26,628 metric tons [MT] or US\$45 million) in 2010. U.S. peach/nectarine exports to Taiwan increased 12% by volume while world exports to Taiwan increased 10% during the 2010 season. Currently, the United States supplies nearly 40% of Taiwan's total consumption. The direct competitors in the market were mainly local peaches/nectarines with 28,348 metric tons harvested in 2010.

Cherries: Taiwan does not produce cherries, thus 100% of this fruit is imported. U.S. cherry exports to Taiwan decreased 39% by volume while world exports to Taiwan (8,769 MT) decreased 28% during the 2010 season. The United States continued to dominate the Taiwan cherry import market, accounting for 54% of Taiwan's total cherry imports. However, 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 is expected to remain the largest supplier of these stone fruit varieties to the Taiwan market into the foreseeable future. Currently, China is excluded from the market for peaches/nectarines due to phytosanitary protocols.

Given Taiwan's year-round availability and wide variety of local fruit, Taiwan consumers have developed sophisticated tastes for fresh fruits, with the result that Taiwan's per capita consumption is among the highest in the world. Attractive appearance (size, color, shape) and quality image are given significant weight by Taiwan consumers. People in Taiwan commonly 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). Imported peaches and cherries are among the most popular gift items included in these packages.

In Taiwan, an estimated 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, offering even lower prices than available in wet markets to draw consumers into their stores. Nevertheless, traditional wet markets continue to account for 50-60% of total fresh fruit sales, while fruit specialty stores have around 20% retail market share. Recently, non-store retailing has been driven by home shopping and TV/internet shopping, accounting for approximately 5% of total fruit retail sales. This segment is expected to continue to grow over the next few years.



U.S. peaches/nectarines in local supermarket



Air-shipped California cherries in local supermarket

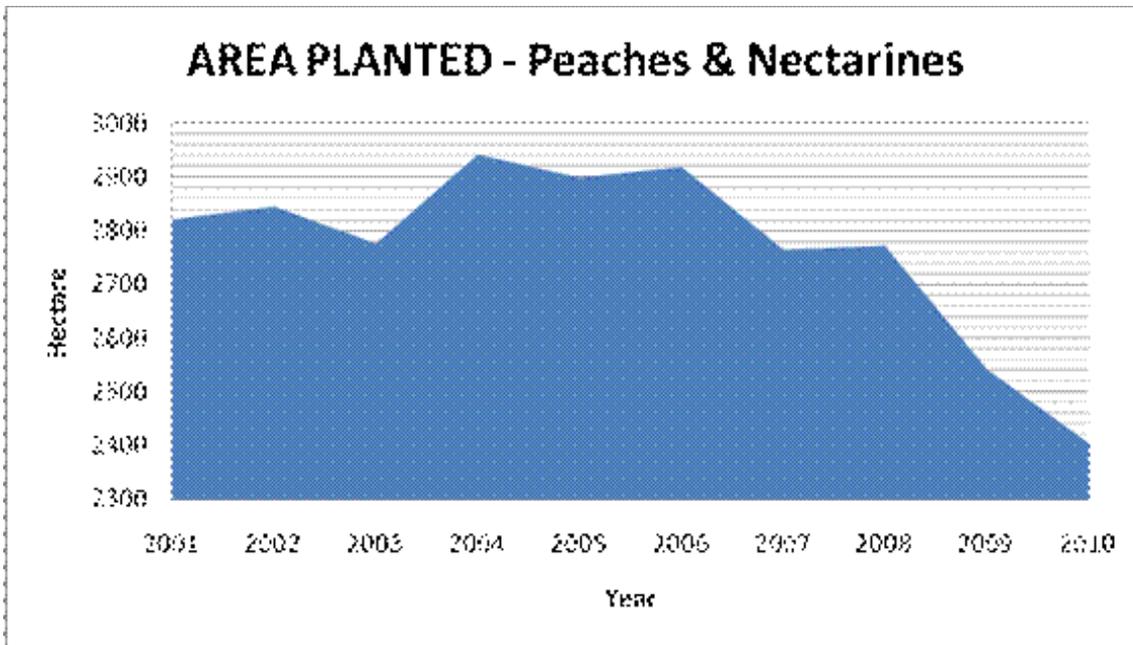
Fresh Peaches & Nectarines

Production

In 2010, Taiwan peach & nectarine production totaled 28,348 metric tons, a nearly two percent decrease from the previous year. Area planted declined to 2,404 hectares, a five percent decrease from 2009. Although no significant natural disasters were reported in the growing areas, some of the lands previously designated for planting peaches & nectarines were reallocated to growing other crops in 2010.

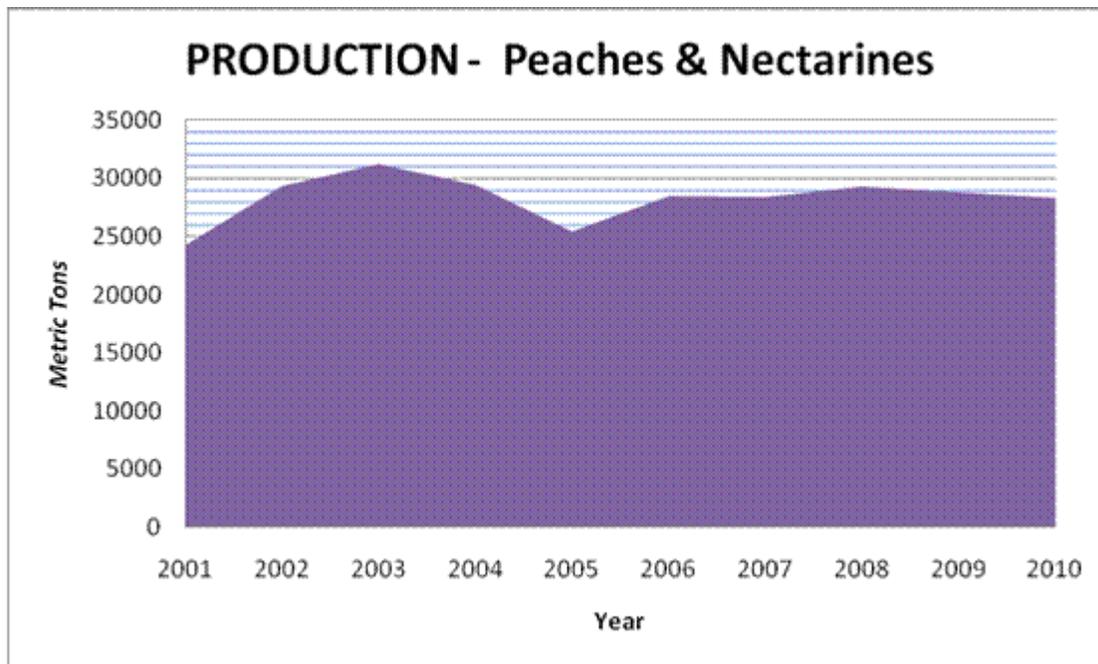
Taiwan's Council of Agriculture (COA) estimated that the production of peaches/nectarines reached 32,807 metric tons in 2011/2012, an increase of nearly 16% from 2010. The area harvested was estimated at 2,398 hectares, up nearly 2% from 2010. No significant natural disasters were reported in Central Taiwan, which is the largest growing area, during the growing/harvest season in 2011/2012. In addition, many new trees were reported to have reached production in 2011/2012. The area planted shows a 0.5% increase in 2011/2012 since the growing area for peaches/nectarines in southern Taiwan that was seriously damaged by Typhoon Morakot in 2009 has resumed production in 2011/2012.

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



Area planted - Peaches & Nectarines

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Hectare	2,821	2,845	2,776	2,942	2,899	2,919	2,765	2,772	2,542	2,404



Production - Peaches & Nectarines

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Tons	24,267	29,366	31,265	29,482	25,468	28,508	28,435	29,329	28,838	28,348

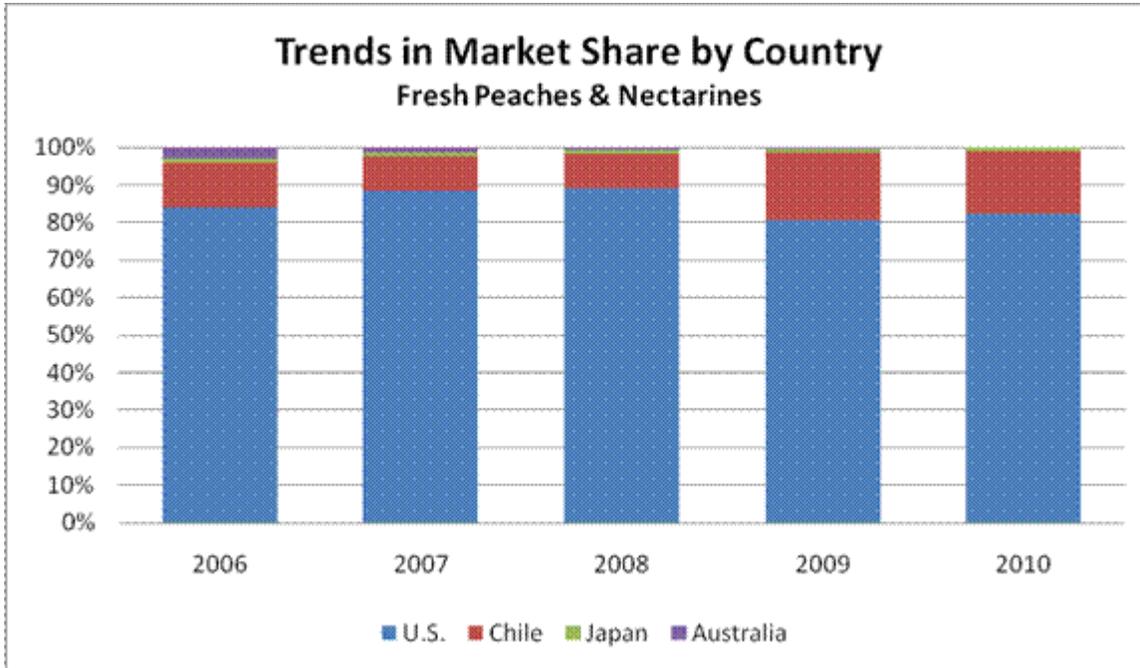
Trade

In 2010, Taiwan imported a total of 26,628 metric tons or US\$45 million worth of peaches and nectarines, an increase of nearly 10% in volume terms and an increase of more than 5% in value from the previous year. The United States had the largest market share (82%), followed by Chile (17%), Japan (1%), and Australia (0.1%). In 2010, imports of U.S. peaches and nectarines increased 12%. Among other major suppliers, Japan and Australia posted significantly negative growth in this category while Chile recorded a modest 0.34% increase in import volume in 2010. Japan peaches, with 200-500 metric tons per season entering Taiwan, are not a major threat to U.S. peaches. Southern hemisphere supplier Chile gained some advantage from increasing supply and lower costs of production, managing to hold its position as the second largest supplier after the United States.

U.S. Peach & Nectarine Exports to Taiwan				
Year	Peaches		Nectarines	
	Metric Tons	US\$1,000	Metric Tons	US\$1,000
2006	10,251	18,491	17,683	17,068
2007	11,929	19,945	21,413	20,719
2008	11,589	23,008	18,663	19,945
2009	9,270	20,921	10,301	13,759
2010	9,392	21,473	12,560	15,708

Source: Taiwan Directorate General of Customs

Trade analysts predict that peach/nectarine imports will decline by 8%, falling to 24,500 MT in 2011/2012. The reduction in import sales is, in part, the result of an abundant harvest of local summer fruits (mangoes, litchis, pineapples, papaya, and peaches) during 2011. Industry sources indicated that there was no problem of oversupply of peach imports during 2011 season. Many Taiwan importers were happy with the sales of peaches imported (mostly air-freighted) mainly from the United States in 2011.



Source: GTA

Production, Supply and Demand Data Statistics:

Fresh Peaches & Nectarines Taiwan	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	2,542	2,542	2,500	2,404		2,415	(HA)
Area Harvested	2,483	2,483	2,438	2,359		2,398	(HA)
Bearing Trees	887	887	893	829		840	(1000 TREES)
Non-Bearing Trees	21	21	22	14		9	(1000 TREES)
Total Trees	908	908	915	843		849	(1000 TREES)
Commercial Production	28,838	28,838	31,643	28,348		32,807	(MT)
Non-Comm. Production	0	0	0	0		0	(MT)
Production	28,838	28,838	31,643	28,348		32,807	(MT)
Imports	24,312	24,312	22,000	26,628		24,500	(MT)
Total Supply	53,150	53,150	53,643	54,976		57,307	(MT)
Fresh Dom. Consumption	53,150	53,150	53,643	54,976		57,307	(MT)
Exports	0	0	0	0		0	(MT)
For Processing	0	0	0	0		0	(MT)
Withdrawal From Market	0	0	0	0		0	(MT)
Total Distribution	53,150	53,150	53,643	54,976		57,307	(MT)
TS=TD		0		0		0	(HA)
Comments							
AGR Number							

Fresh Cherries, (Sweet&Sour)

Production:

Taiwan does not produce cherries, thus 100% of cherries are imported.

Consumption:

In recent years, 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 that Taiwan consumers will pay a premium price for the largest cherries. Although the majority (over 50%) of fresh fruit in Taiwan is still sold in traditional wet markets, industry estimates indicate that 20-25% of cherries are sold in supermarkets and hypermarkets. During the summer season, these chains often conduct U.S. cherry promotions with prices below wet market prices as a loss-leader program to attract a greater number of consumers. Therefore, these modern retail stores are taking some market share from the wet markets in terms of cherry sales. TV/Internet home shopping and convenience stores have also 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. Online grocery shopping, with home delivery services, is expected to continue to expand in the coming years. Cherry gift packs are one of the most popular gift pack items in Taiwan. Cherries with 9-10 rows are preferred by Taiwan consumers.

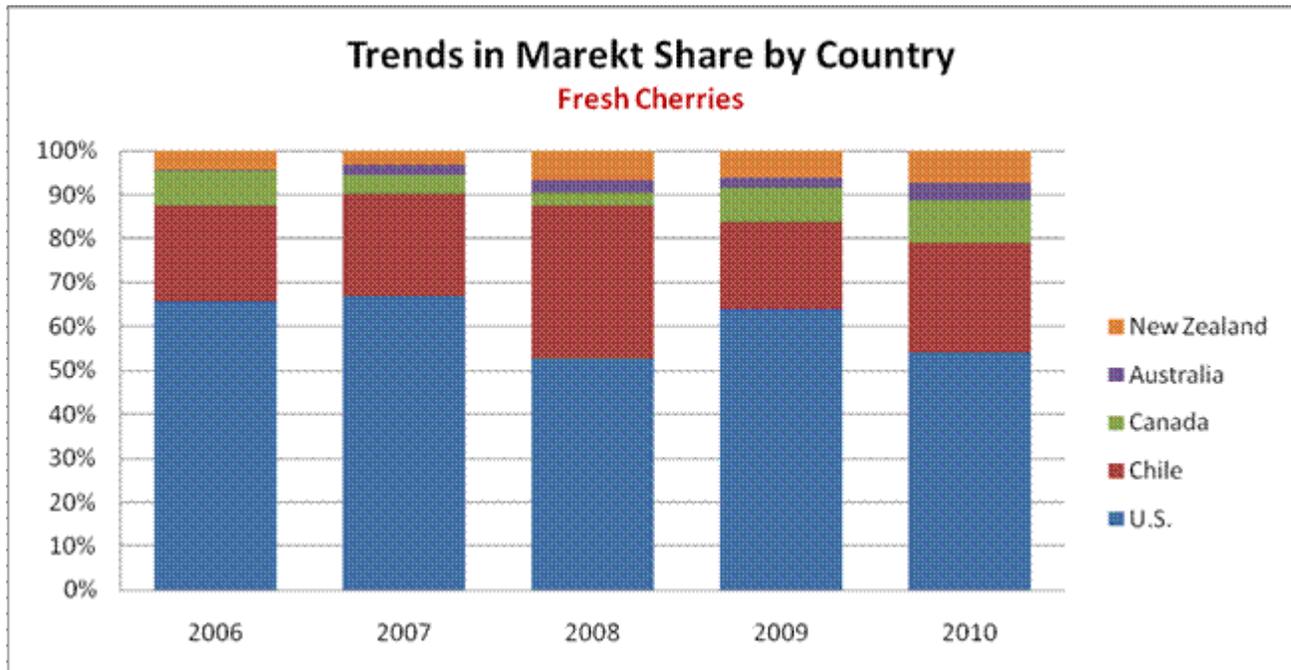
Trade:

Fresh cherry imports into Taiwan decreased 28% in volume and 11% in value during the 2010 season to reach 8,769 MT worth US\$56.70 million. The United States continued to be the leading supplier with 54% of the market, followed by Chile (25%), Canada (9%), New Zealand (7%), and Australia (4%). U.S. cherry exports to Taiwan decreased 39% by volume and 24% by value in 2010. As shown in the table below, the U.S. market share began a downward trend in 2002 when Taiwan joined the WTO. The entry of Southern Hemisphere suppliers, i.e. Chile, New Zealand, and Australia, has shifted some market share away from U.S. suppliers. Chile continued to be the second largest supplier despite a 9% drop in volume in 2010. Taiwan has permitted the import of fresh cherries from China since 2002. These imports have not yet made an impact on the market due to quality issues and importer concerns regarding consumer acceptance of Chinese cherries.

Industry sources indicated that Taiwan cherry imports are expected to increase by an estimated 25%, reaching 11,000 MT for 2011/2012. In general, demand has remained at around 10,000 MT per year over the past 10 years. The significant reduction in imports during 2010/2011 was mainly due to the smaller harvest in the United States, currently the largest supplier to the Taiwan market, and the resulting high cost for the fruit. Other minor factors that affected imports included Taiwan's strict MRL (maximum residue level) standards that have contributed to lower consumer confidence in imported fruits and an abundant harvest of local summer fruits.

Many Taiwan fruit importers have set up branch offices in China to handle shipments entering the market through their headquarter offices in Taiwan. These Taiwan importers now import fruit not only for Taiwan but also for the China market. At present, U.S. fruit exports to China through these Taiwan

importers remain flat.



Source: GTA

	Taiwan Fresh Cherry Imports (Metric Tons)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Imports	9,105	10,421	8,486	11,806	9,881	10,588	11,974	10,438	10,127	12,229	8,769
US Imports	7,405	8,397	6,631	9,672	7,325	7,788	7,887	6,974	5,339	7,817	4,735
US Mkt Share	81%	81%	78%	82%	74%	74%	66%	67%	53%	64%	54%

Policy:

General Phytosanitary Requirements

Stone fruit imports into Taiwan are subject to an inspection based on three basic Taiwan laws: the Food Safety Management Act; Food Safety Management Regulations; and Maximum Residue Level Standards. Taiwan currently bans imports of stone fruit from some countries with various pests of quarantine concern. Imports of stone fruits from the United States require a phytosanitary certificate of origin issued by the office of Plant Protection & Quarantine (PPQ), Animal & Plant Health Inspection Service, USDA stating that the fruit has been inspected and found free from relevant pests. Taiwan monitors maximum residue levels (MRLs) for around 330 chemical compounds and checks shipments

on a random basis. Taiwan's Department of Health (DOH) is in the process of reviewing a backlog of MRL applications for agrochemicals that are internationally-approved and commonly used in the United States and in other producer countries but for which MRLs have not yet been established in Taiwan.

The Agricultural Affairs Office at the American Institute in Taiwan, along with U.S. industry representatives, have been working with Taiwan authorities to develop a review process that will allow for the timely establishment of MRLs not only for agrochemicals on the backlog lists but also for new agrochemicals that in many cases would replace older, less effective compounds. These discussions are ongoing.

The China Factor in Competition for the Taiwan Stone Fruit Market

Taiwan has opened the two stone fruit categories of fresh apricots (January 2007) and fresh cherries (February 2002) to imports from China. To date, however, Taiwan has recorded no imports under either category. While importers have indicated interest in testing China's supplies of fresh cherries, logistical difficulties and continuing quality control problems have so far prevented any 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. The import of stone fruit from China, while still a long-term threat to U.S. market share, is not considered a factor in current market competition.

Production, Supply and Demand Data Statistics:

Fresh Cherries,(Sweet&Sour) Taiwan	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	0	0	0		0	(HA)
Area Harvested	0	0	0	0		0	(HA)
Bearing Trees	0	0	0	0		0	(1000 TREES)
Non-Bearing Trees	0	0	0	0		0	(1000 TREES)
Total Trees	0	0	0	0		0	(1000 TREES)
Commercial Production	0	0	0	0		0	(MT)
Non-Comm. Production	0	0	0	0		0	(MT)
Production	0	0	0	0		0	(MT)
Imports	12,229	0	8,600	8,769		11,000	(MT)
Total Supply	12,229	0	8,600	8,769		11,000	(MT)
Fresh Dom. Consumption	12,229	0	8,600	8,769		11,000	(MT)
Exports	0	0	0	0		0	(MT)
For Processing	0	0	0	0		0	(MT)
Withdrawal From Market	0	0	0	0		0	(MT)
Total Distribution	12,229	0	8,600	8,769		11,000	(MT)
TS=TD		0		0		0	
Comments							
AGR Number							

Comments To Post

Import Trade Matrix			
Country	Taiwan		
Commodity	Fresh Cherries (Sweet & Sour) Nectarines		
Time Period	2009-2010	Units:	MT
Import for:	2009		2010
U.S.	7,817	U.S.	4,735
Others:			
Chile	2,415	Chile	2,210
Canada	975	Canada	829
New Zealand	730	New Zealand	630
Australia	291	Australia	365
Japan	1	Japan	0
Total for Others	4,412		4,034
Others not Listed	0		0
Grand Total	12,229		8,769