USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 8/15/2013
GAIN Report Number: JA3035

Japan

Stone Fruit Annual

Approved By:
Benjamin Petlock

Prepared By:
Hisao Fukuda

Report Highlights:
Fresh cherries and peaches continue to be staple spring/summer fruit items in Japan. However, both suffer from stagnant consumption caused by the economic slowdown as well as a consumer shift away from fresh fruit. Combined with changes in demographics, i.e. a declining and aging population, future market growth prospects are grim.

Commodities:

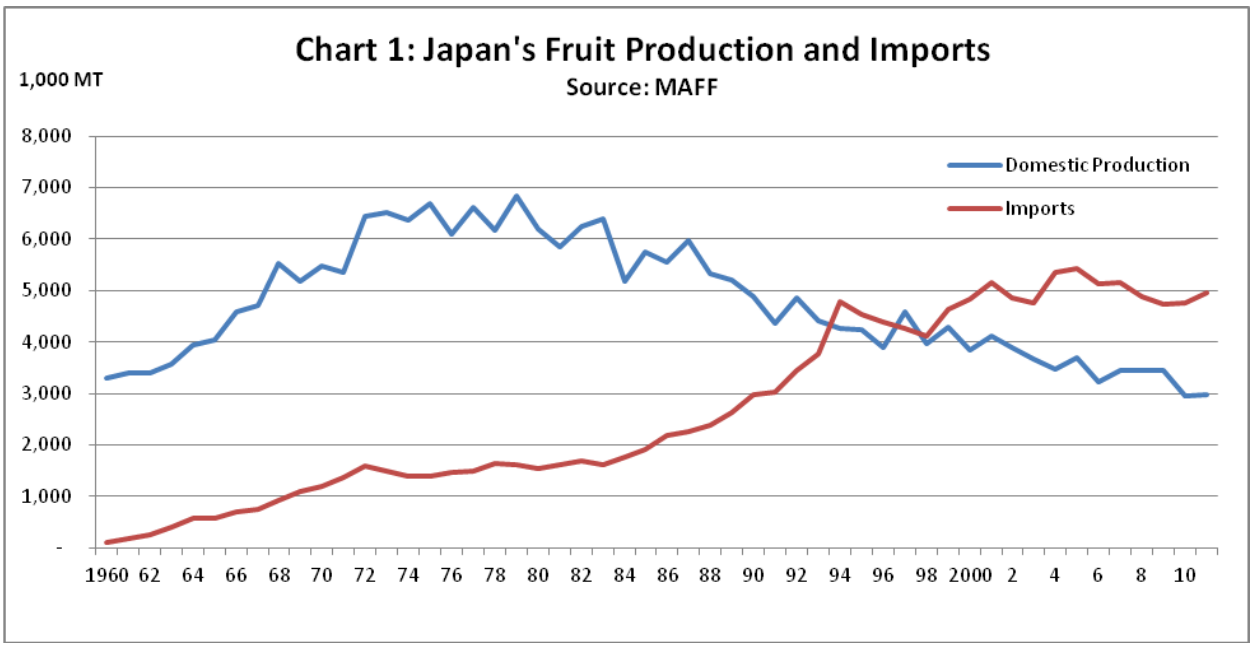
Fresh Cherries,(Sweet&Sour)

Fresh Peaches & Nectarines

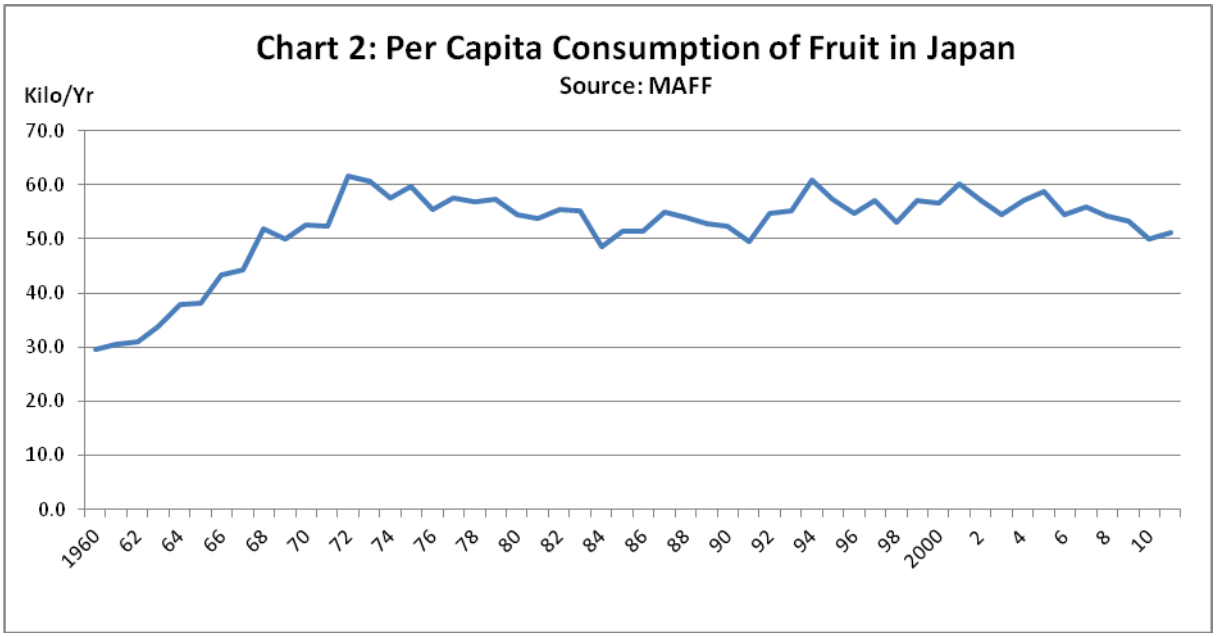
Author Defined:

Overview of Japan's Fruit Market

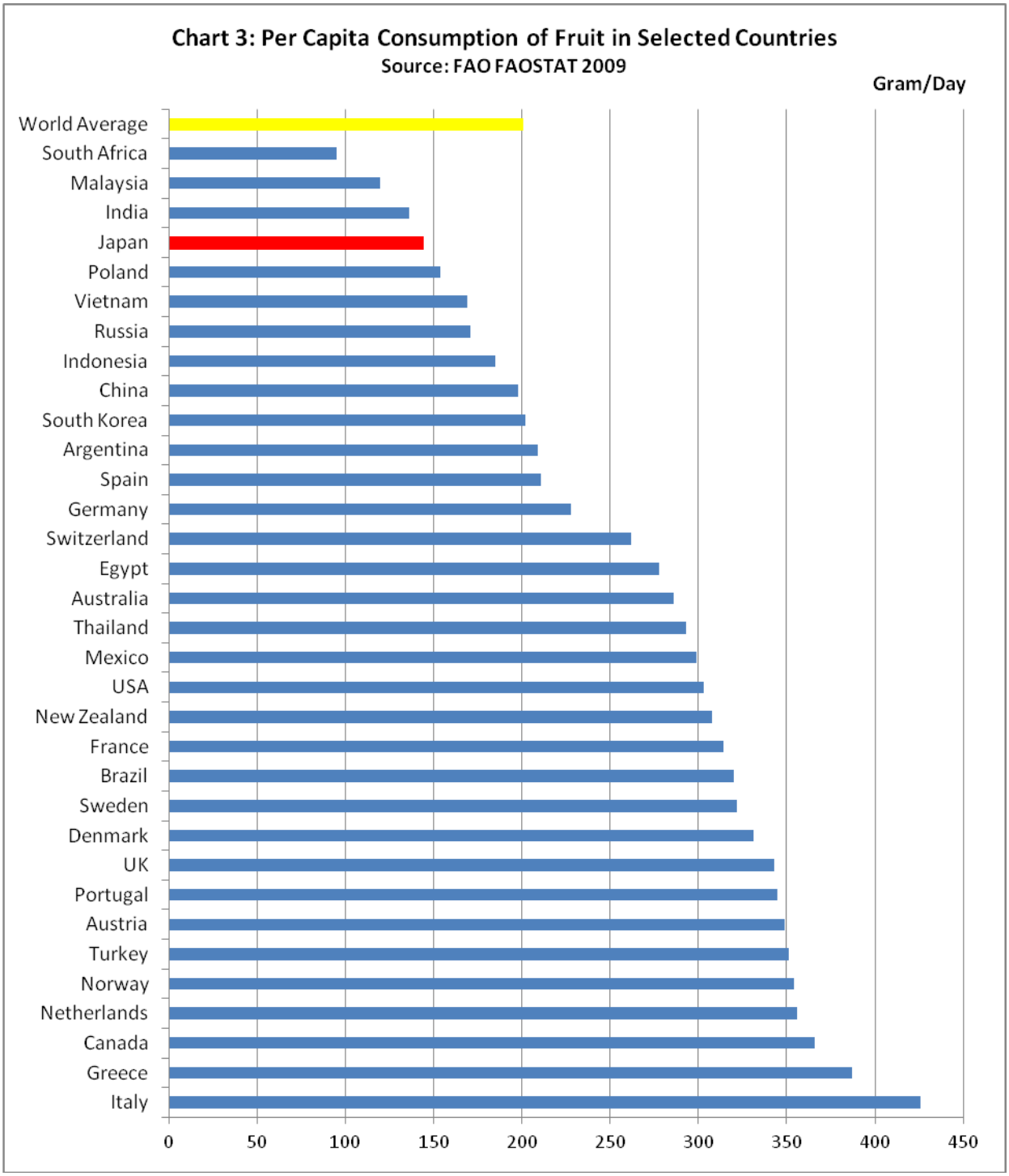
Japan's fruit production peaked in 1979 at 6.8 million metric tons. As the market access situation improved in the late 1980's to early 1990's, imports grew dramatically. However, Japan's economic struggle, which began in the late 1990's, dampened further expansion of imports. Additionally, as the Japanese farming population shrank, domestic production did not turn around despite the sluggish growth of imports.



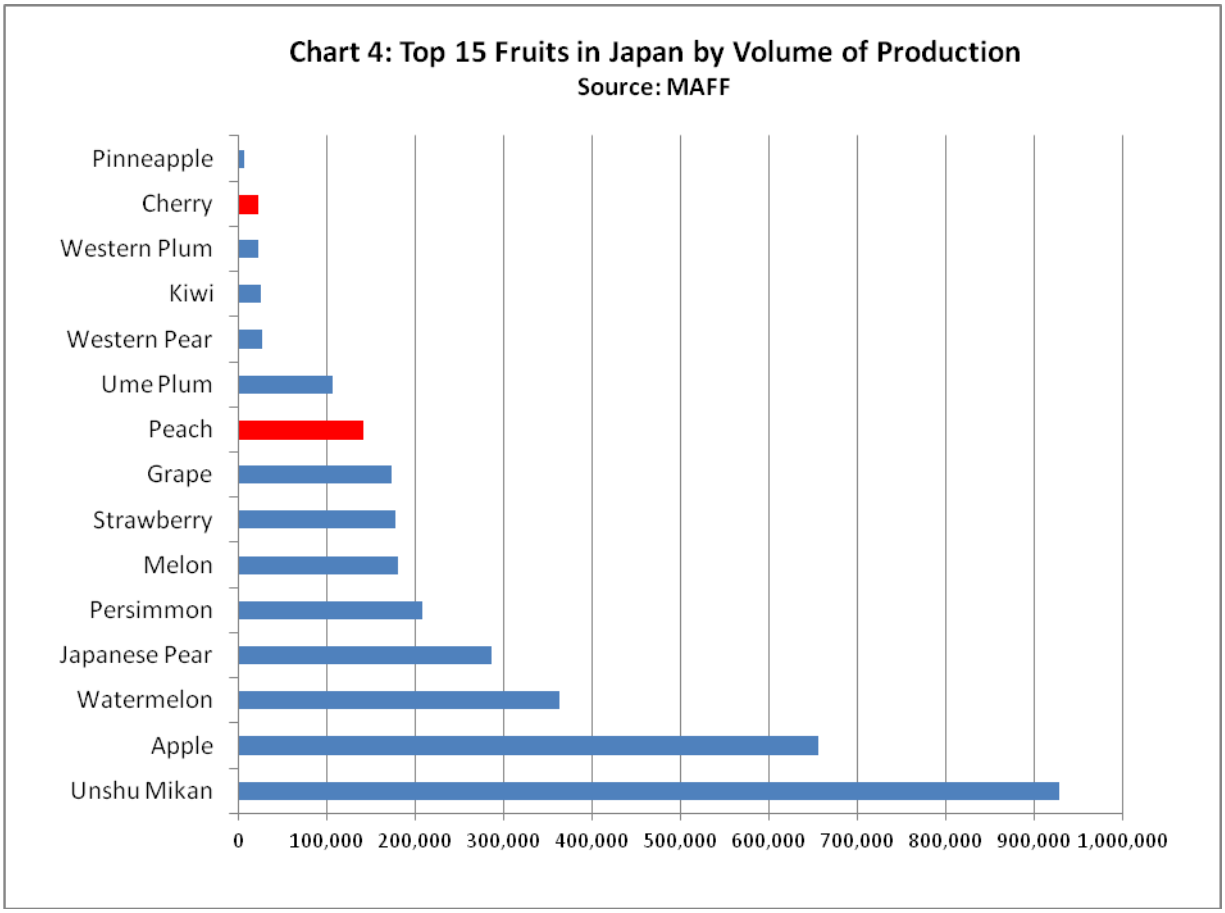
Japan's annual per capita consumption of fruit doubled from 29.6 kilograms in 1960 to 61.6 kilograms in 1972. However, since its peak in 1972, consumption has been hovering between 50 and 60 kilograms over the last several decades.



Fruit is not traditionally a staple in Japanese meals. It is considered primarily a snack or a dessert item. Compared to other developed and developing countries in the world, Japan's per capita consumption of fruit is among the lowest at 140 grams a day, less than half of what is consumed in the United States (see chart 3).



Although Japan produces a variety of fruits, unshu mikan oranges and apples occupy more than half of total fruit production. Both peaches and cherries are among the top 15 fruits in terms of production volume.



Fresh Cherries

Domestic Production/Price

Japan's sweet cherry production has been steady over the last decade. The prefecture of Yamagata, located 200 miles north of Tokyo, is by far the largest cherry growing region, producing nearly 75 percent of Japan's output. Although the nation's total harvested area in 2012 remained at the same level as 2011, production volume declined by 13 percent from the previous year due to lower yields in Yamagata, caused by snow damaging tree branches, as well as inclement weather during the blooming period. For the 2013/14 season, given the average yield of the past ten years, Post forecasts the nation's total output of cherries to increase to approximately 18,600 metric tons, despite an expected slight decline in the acreage.

Table 1: Japan's Cherry Production

	*Area (hectare)	Production (mt)	Yield (mt/ha)	**Price (yen/kg)
2003	3,990	19,300	4.84	1,627
2004	4,180	16,400	3.92	1,908
2005	4,380	19,100	4.36	1,481
2006	4,490	20,800	4.63	1,481

2007	4,490	16,600	3.70	1,963
2008	4,490	17,000	3.79	1,841
2009	4,450	16,600	3.73	1,757
2010	4,470	19,700	4.41	1,350
2011	4,470	20,400	4.56	1,343
***2012	4,440	17,800	4.01	1,753

Source: MAFF

* Area harvested
** Average wholesale price, May through July
*** Preliminary

Table 2: Major Cherry Producing Areas in Japan

	*Area (hectare)	% of total	Production (mt)	% of total
Total	4,440	100.0%	17,800	100.0%
Yamagata	2,910	65.5%	13,200	74.2%
Hokkaido	512	17.6%	1,540	11.7%

Source: MAFF

Trade

Imports:

Japan has been a steady customer of U.S. cherries over the years. American dark cherries, known as "American cherries", have successfully established a strong foothold on retail shelves throughout Japan during the spring/summer season. The recent introduction of the Rainier variety, similar to Japanese cherries in appearance, has further enhanced the already appreciated U.S. brand recognition. Imports from California start in late April or early May and last through mid-late June. Imports from the Northwest take over in early-mid June and end in late August. Although 2012 exports of both California and Northwest cherries were undisrupted throughout the season, Northwest production reportedly suffered from heavy rainfall early in the 2013 season, which reduced the crop size and deteriorated the quality of the fruit. Industry sources anticipate a notable decrease in imports from the United States, particularly from the Northwest, for the 2013/2014 season.

Table 3: Japan's Fresh Cherry Imports

	Quantity (MT)				
Country	2008	2009	2010	2011	2012
World	8,525	10,013	11,009	10,351	10,471
United States	8,454	9,920	10,904	10,263	10,415
New Zealand	21	32	24	16	31
Australia	17	35	26	8	15
Chile	33	26	53	64	11
Canada	0	0	2	0	0

Source: Ministry of Finance

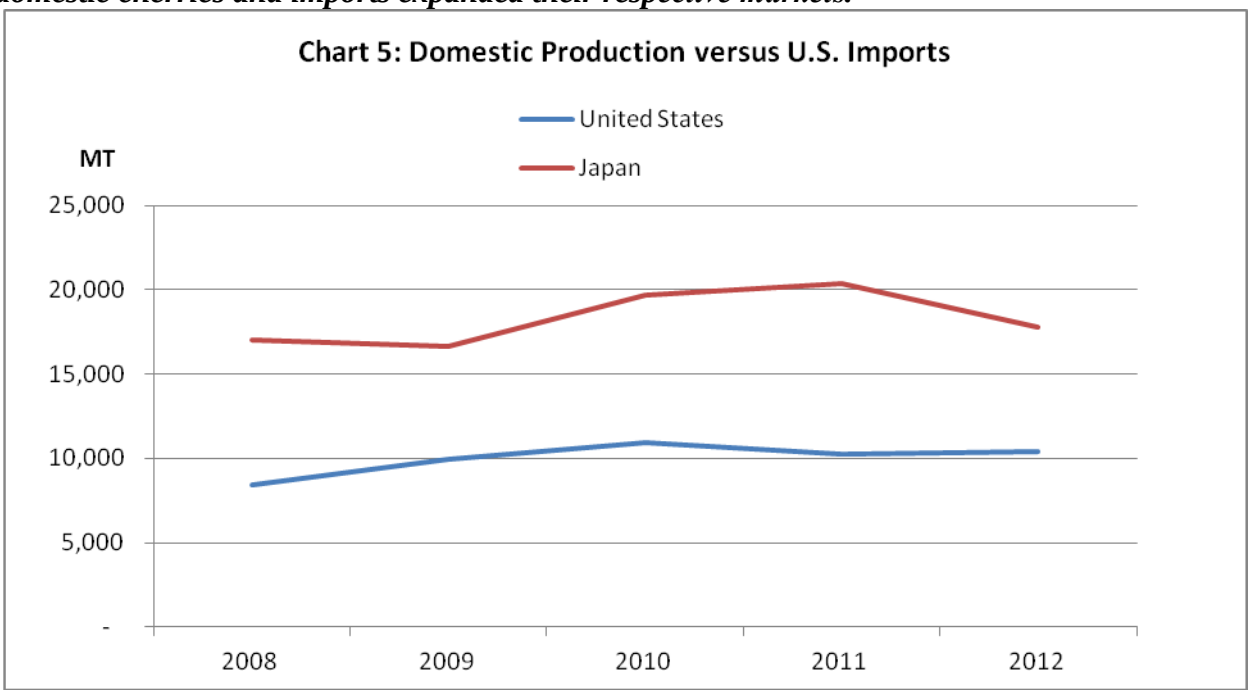
Table 4: Import Price of Fresh Cherries

Country	Unit Value (United States Dollars/MT)				
	2008	2009	2010	2011	2012
World	8,264.67	7,676.38	8,268.98	9,988.3	9,130.74
New Zealand	13,838.14	12,753.39	15,230.72	14,822.74	17,472.55
Australia	15,025.42	17,197.40	16,745.63	23,178.54	17,157.91
Chile	11,639.11	11,424.18	10,725.86	11,703.83	12,371.82
United States	8,224.22	7,616.74	8,220.67	9,960.29	9,091.08
Canada	0	0	12007.91	0	0

Source: Ministry of Finance

Because of their lower price and distinct quality profile, American cherries are preferred for daily household consumption, whereas Japanese cherries are often chosen as gift items. Given this unique position for American products, although the season for Japanese cherries overlaps with that for imports, they do not compete directly with each other, as evidenced by steady domestic production. In fact, a February 2007 briefing paper by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) entitled "Impact Assessment of Past Trade Liberalization" states as follows:

"The lifting of the import ban has led to a gradual increase in imports (to the level of about two-thirds of domestic production). However, domestic cherries and imports have not been in direct competition, as domestic cherries have transitioned to cater to a higher quality market; thus both domestic cherries and imports expanded their respective markets."



Exports:

Japan's exports of fresh cherries are nil. Producers are not actively pursuing export opportunities as Japanese fresh cherries would not easily be marketable overseas, because they have to be exported by air, adding significant cost to their already high prices.

Consumption/Marketing

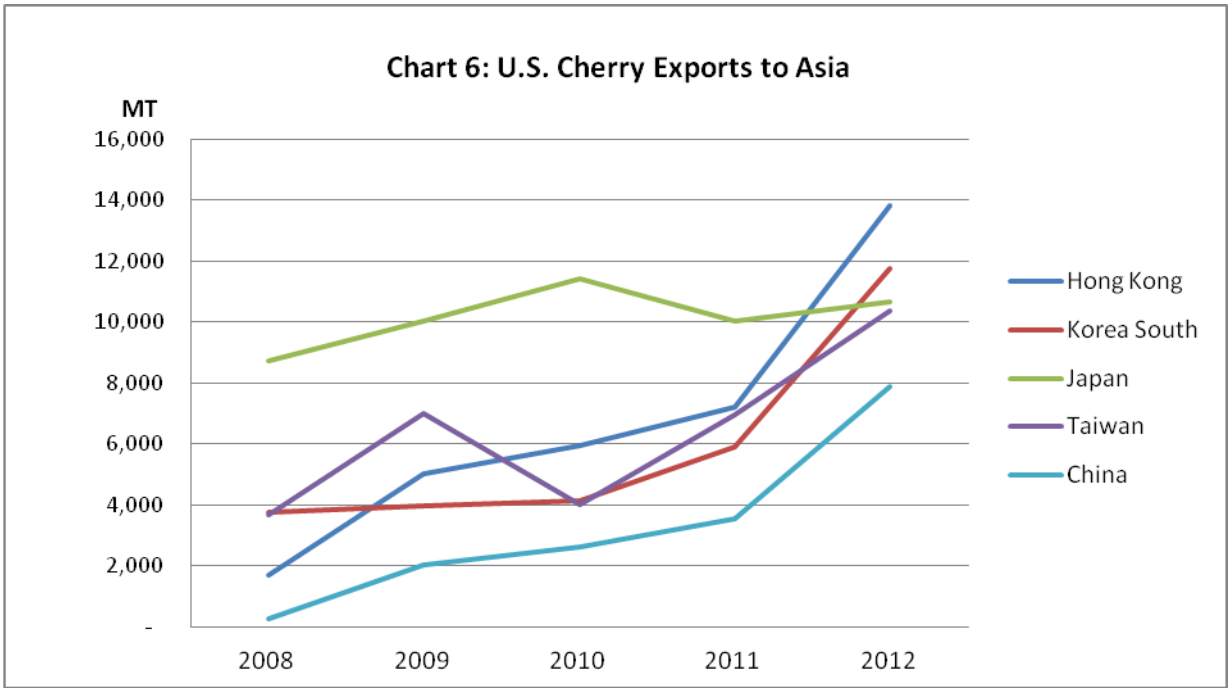
Although domestic cherries and imported cherries are compatible in the Japanese fruit market, both face the challenge of stagnant fruit consumption. Post estimates that per capita consumption of cherries averages about 200 to 240 grams annually.

In the early years of U.S. cherry market development in Japan, after phytosanitary restrictions were lifted in 1977, U.S. dark cherries were branded as "American Cherries" for a more familiar and brighter image to attract Japanese consumers. This branding strategy was extremely effective in promoting the penetration of U.S. cherries into the Japanese market and, as a result, Japanese trade continues to promote all U.S. cherry varieties under the unified name of "American Cherries." However, following the 1992 ending of restrictions on the import period, trade sources point out that the "seasonality" or the excitement of the arrival of the "American Cherry Season" has also gone. They suggest strategies that include more segmented branding focusing on specific qualities, such as the best season for a particular variety from a particular region, may be necessary to appeal to sophisticated Japanese consumers.

With expanding wealth in other Asian countries, Japan, which was by far the largest export destination until five years ago, has now become one of several major Asian markets, along with Hong Kong, South Korea, Taiwan, and China. Under the Korea-U.S. Free Trade Agreement, Korea's 24 percent tariff on U.S. cherries was completely eliminated in 2012, resulting in a leap in exports. Japanese importers lament that Korean buyers are buying up the premium bigger sized cherries, while Japanese major retailers continue to focus on smaller sizes, in order to keep the prices down and attract consumers in this prolonged period of slow economic growth. Chart 6 displays the increasing importance of other Asian markets for U.S. cherry exports.

Table 5: U.S. Cherry Exports

Country	Quantity (MT)				
	2008	2009	2010	2011	2012
World	50,884	69,747	64,458	78,261	105,588
Canada	23,607	30,066	26,272	32,024	36,863
Hong Kong	1,668	5,016	5,953	7,204	13,822
Korea South	3,750	3,955	4,141	5,894	11,769
Japan	8,719	10,033	11,427	10,023	10,650
Taiwan	3,675	7,015	4,010	6,950	10,383
China	237	2,039	2,623	3,536	7,882
Australia	1,846	3,353	3,038	4,747	4,652
United Kingdom	3,362	3,144	2,520	2,688	3,986
Mexico	623	836	569	610	1,097
Other	3,397	4,290	3,905	4,585	4,484



Policy

Due to the presence of codling moth in the United States, two types of protocols were established, and U.S. fresh cherries can be imported into Japan under either procedure. One protocol requires all U.S. cherry varieties to be fumigated with methyl-bromide before entering Japan. Starting in 2009, a second protocol, commonly known as the "systems approach," allows imports of U.S. cherries without methyl-bromide fumigation, provided certain monitoring conditions are met. Currently, about 10 percent of California cherries and 40 percent of Pacific Northwest cherries enter Japan under the systems approach.

As of 2005 and 2008 respectively, New Zealand and Australia (Tasmania) are also able to ship cherries to Japan under the systems approach protocol. Protocol negotiations between MAFF and other suppliers, such as Chile, continue, while Canada has expressed interest in starting discussions. Although no new suppliers have been approved to export under this protocol, MAFF notes that countries are increasingly interested in shipping under this latest procedure for environmental purposes, as they seek to phase-out their use of methyl-bromide as a fumigant. The industry also prefers non-fumigated fruit for longer shelf life.

Since the last Stone Fruit Annual report (August 2012), USDA's Animal and Plant Health Inspection Service (APHIS), FAS Tokyo, and U.S. cherry growers have succeeded in resolving the following plant health issues:

California Cherry Exports reinstated into the Systems Approach:

On March 28, 2013, MAFF officially reinstated the State of California back into the systems approach export program for cherries. At MAFF's request, APHIS suspended all California cherry exports under the systems approach in May 2012, following a confirmed finding of codling moth. APHIS then submitted a corrective measures report to MAFF in July 2012. MAFF's timely reinstatement allowed California cherry growers to implement the new proposed measures in time for this year's cherry season. It is important to note that the temporary suspension of California cherries from the systems approach did not affect cherries from the Pacific Northwest.

The Inclusion of Idaho to the Pacific Northwest Systems Approach Program:

On May 31, 2013, MAFF officially confirmed the State of Idaho as eligible to export cherries to Japan under the systems approach. Previously, Idaho cherries were only allowed to enter Japan with methyl-bromide fumigation. However, as there are no fumigation facilities in Idaho approved by MAFF to treat cherry exports to Japan, the State had been unable to ship directly to Japan until MAFF's recent confirmation.

MAFF Allows Fumigation Program to accept Cherries as a Single-Commodity:

On May 31, 2013, MAFF officially announced that it would allow its fumigation program to accept fresh cherry varieties as a single commodity provided that the fruit is larger than 2 cm in diameter. Prior to this announcement, any new-to-market cherry varieties were required to undergo heavy monitoring during fumigation trials and additional testing to confirm the treatment's effectiveness. This was an onerous process that severely restricted the introduction of new U.S. cherry varieties into the Japanese market. MAFF exempted only twelve U.S. cherry varieties from extensive monitoring under the methyl-bromide fumigation protocol. First requested in 2007, this long-awaited decision will open new opportunities to increase U.S. cherry imports to Japan, valued at $95 million in 2012.

MAFF approves addition of alternative dosage level under its Cherry Fumigation Program:
For many years, U.S. cherry growers grappled with having to segregate cherry shipments based on the different fumigation dosage requirements of importing countries. This especially created an unnecessary burden for U.S. growers who had to differentiate shipments in order to do separate treatments prior to exporting to Japan. Hence in 2012, the United States requested MAFF to add a higher fumigation dosage alternative under its cherry export program to mirror those of other export markets. After APHIS demonstrated that a slight increase in dosage did not have significant effects on the quality of the fruit or on the residue levels, MAFF approved the addition of a higher alternative dosage on May 31, 2013. MAFF's approval allows U.S. cherry growers to have a choice in dosage levels and facilitates the fumigation of export shipments to Japan.

Tariff Table

Japan: Import Duties 2013

Tariff Code (HS)	Description	Duty Rate (%)*
0809.29	Fresh cherries	8.5%

Source: Customs Tariff Schedules of Japan 2013

** all duties are charged on a CIF basis*

Fresh Peaches/Nectarines

Domestic Production/Price

Japan's peach production has been steadily declining over the last decade due to a reduction in acreage caused by the decreasing number of farmers, with current production area shrinking to 9,950 hectares. Production volume in 2012 also dropped three percent to 135,200 MT. According to MAFF, high temperatures and dry weather in the major production area of Yamanashi during the harvest time made the fruit smaller and caused heat damage and cracks on some fruit. For the 2013/14 season, given the average yield of the past ten years, Post forecasts the nation's total output of fresh peaches to increase slightly to approximately 139,000 MT, despite an expected continued decline in the acreage.

Table 6: Japan's Peach Production

	*Area (hectare)	Production (mt)	Yield (mt/ha)	**Price (yen/kg)
2003	10,500	157,000	14.95	394
2004	10,300	151,900	14.75	467
2005	10,300	174,000	16.89	378
2006	10,300	146,300	14.20	476
2007	10,200	150,200	14.73	445
2008	10,100	157,300	15.57	414
2009	10,100	150,700	14.92	406
2010	10,000	136,700	13.67	478
2011	9,989	139,800	14.00	416
***2012	9,950	135,200	13.59	454

Source: MAFF

* Area harvested
** Average wholesale price June through August
*** Preliminary

Table 7: Major Peach Producing Areas in Japan

	*Area (hectare)	% of total	Production (mt)	% of total
Total	9,950	100.0%	135,200	100.0%
Yamanashi	3,270	32.9%	44,800	33.1%

Fukushima	1,560	15.7%	27,500	20.3%
Nagano	1,090	11.0%	18,500	13.7%
Other	4,030	40.5%	44,400	32.8%

Source: MAFF

Trade

Imports:

No imports of fresh peaches/nectarines were recorded in 2012 as imports of fresh peaches and nectarines are banned from practically all producing countries in the world, except for nectarines from the United States and New Zealand with fumigation requirements. U.S. nectarines are subject to methyl-bromide fumigation before entering Japan due to the presence of codling moths in the United States. The current fumigation requirements add cost and deteriorate the delicate fruit quality. As a result, Japan has not imported U.S. nectarines since 2005.

Exports:

Buyers' concern over radioactive nuclide contamination due to the Fukushima Daiichi nuclear power plant failure following the Great East Japan Earthquake/Tsunami of March 11, 2011 caused a significant drop in Japan's exports of fresh peaches in 2011. As explained in detail in the following section, rigorous testing implemented by the Ministry of Health, Labor and Welfare (MHLW) appears to have helped alleviate most buyers' fears, and in 2012, exports have nearly recovered to their pre-earthquake levels, and are expected to grow further in 2013.

Table 8: Japan's Exports of Fresh Peaches

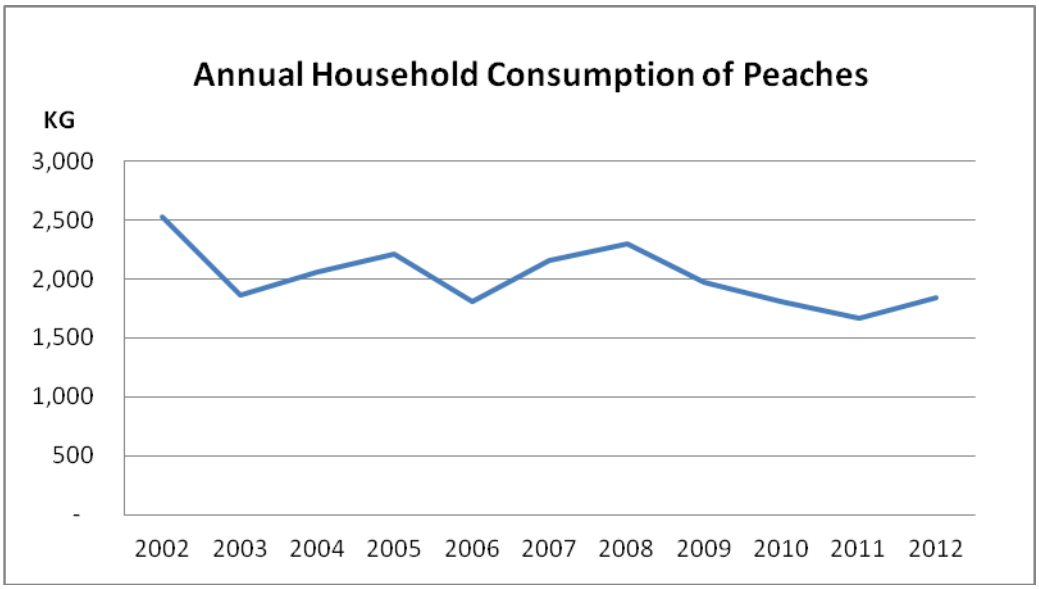
	Quantity (MT)				
Country	2008	2009	2010	2011	2012
World	562	514	494	280	440
Hong Kong	135	204	229	156	242
Taiwan	421	306	261	122	191
Other	6	4	6	2	6

Source: Ministry of Finance

Consumption/Marketing

As Table 7 above shows, Fukushima is one of the major peach producing areas in Japan. Consumers' concern over radioactive nuclide contamination dampened demand for agricultural products harvested in Fukushima, and peaches were no exception. Under the oversight of MHLW, Fukushima Prefecture has been conducting rigorous monitoring of radionuclide contamination in agricultural products, including peaches. There has been no finding of contamination in peaches above the regulatory threshold. With aggressive public relations and promotions, retailers state that demand for Fukushima peaches should return to the pre-earthquake level this season.

As Japan's overall fruit consumption remains flat, peach consumption also continues to suffer from stagnant demand.



Source: Family Income and Expenditure Survey, Ministry of Internal Affairs and Communications

Policy

For plant protection reasons, imports of fresh peaches and nectarines are banned from practically all producing countries in the world, except for nectarines from the United States and New Zealand with fumigation requirements. All varieties of U.S. and New Zealand nectarines are required to be fumigated with methyl-bromide before entering Japan.

Tariff Table

Japan: Import Duties 2013

Tariff Code (HS)	Description	Duty Rate (%)*
0809.30	Fresh Peaches/Nectarines	6.0%

Source: Customs Tariff Schedules of Japan 2013

** all duties are charged on a CIF basis*

PS&D Tables

Fresh Cherries,(Sweet&Sour) Japan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	4,860	4,850	4,820	4,850		4,830
Area Harvested	4,450	4,440	4,410	4,440		4,420
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0

Total Trees	0	0	0	0		0
Commercial Production	18,500	18,000	18,000	15,900		16,600
Non-Comm. Production	2,500	2,400	2,000	1,900		2,000
Production	21,000	20,400	20,000	17,800		18,600
Imports	10,351	10,351	10,000	10,471		7,500
Total Supply	31,351	30,751	30,000	28,271		26,100
Fresh Dom. Consumption	29,501	28,951	28,200	26,521		24,400
Exports	0	0	0	0		0
For Processing	1,850	1,800	1,800	1,750		1,700
Withdrawal From Market	0	0	0	0		0
Total Distribution	31,351	30,751	30,000	28,271		26,100
HA, 1000 TREES, MT						

Fresh Peaches & Nectarines Japan	**2011/2012**		**2012/2013**		**2013/2014**	
	Market Year Begin: Jan 2011		**Market Year Begin: Jan 2012**		**Market Year Begin: Jan 2013**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	10,800	10,800	10,700	10,700		10,700
Area Harvested	9,900	9,980	9,950	9,950		9,920
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total Trees	0	0	0	0		0
Commercial Production	128,100	128,100	127,000	123,700		128,000
Non-Comm. Production	11,700	11,700	11,000	11,500		11,000
Production	139,800	139,800	138,000	135,200		139,000
Imports	0	0	0	0		0
Total Supply	139,800	139,800	138,000	135,200		139,000
Fresh Dom. Consumption	121,520	121,520	120,000	117,060		120,500
Exports	280	280	300	440		500
For Processing	18,000	18,000	17,700	17,700		18,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	139,800	139,800	138,000	135,200		139,000
HA, 1000 TREES, MT						