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Taiwan

Stone Fruit

Annual Report

2005

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Report Highlights:

Poor crops in both key northern and southern hemisphere markets saw imports of cherries fall off significantly during 2004. Peaches continue to enjoy rising popularity with the successful promotion of special varieties. Taiwan's WTO entry has diluted the overall US share of the stone fruit market, while availability of new types and varieties of summer fruit in Taiwan's markets are hampering stone fruit's ability to keep pace with overall fruit consumption growth. Exporters and industry associations are encouraged in their market promotions to target key consumer priorities to help maximize consumer interest and support stone fruit's still privileged position in the Taiwan market.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Taipei [TW1]
[TW]

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Executive Summary

Stone fruit has held a privileged position in Taiwan's fruit universe for at least the past decade. The favored position of the peach in Chinese history and the strong promotion effort given sweet cherries have won for stone fruit the position of third most popular fruit category (by volume, after citrus and deciduous fruit). While Taiwan produces significant quantities of tart Japanese apricots and oriental plums, they are largely channeled into processed food applications. Taiwan-grown peaches are consumed fresh and sold mostly on the domestic market. An estimated three-fifths of total fresh stone fruit consumption is supplied by imports.

Taiwan's entry into the WTO opened Taiwan's market to new suppliers of both stone fruit and a wide array of other fruits. While rival suppliers in other countries have certainly challenged US dominance of the stone fruit market, an even more important challenge has come from the diversion of consumer attention toward other fruit categories during the critical summer months for stone fruit. New fruit varieties and even new fruits allowed into Taiwan under WTO rules have created a summertime fruit market on the island that is much more diverse than was so only several years ago.

Weather related problems resulting in poor crops in many producer countries during 2003 and 2004 led to a temporary setback in overall market sales – hitting the United States as well as other suppliers, such as Australia and New Zealand. Taiwan consumption of stone fruit is expected to return to near-2002 levels in 2005.

To ensure a healthy market for US stone fruit in Taiwan, exporters and industry associations are encouraged to provide additional attention to importer and consumer needs and to consider supporting marketing programs that help draw consumer attention back to stone fruit.

Production

Taiwan produces roughly 2/3 of its total, and roughly 2/5 of its fresh, consumption of stone fruit (apricots, plums, peaches, nectarines and cherries). Of the total 119,900 mt harvested in 2004, Japanese apricots (*mei*; *Prunus mume*) accounted for about 45% (53,000mt), oriental plums (*li*; *Prunus salicina*) for 30% (34,900mt), and peaches for 25% (32,000mt). Taiwan does not produce cherries. Production is expected to remain relatively consistent through the coming several year period.

Stone fruit varieties cultivated in Taiwan to date are largely "local" or "Asian" in origin and, as such, differ (with the significant exception of peaches) significantly from imported varieties in terms of appearance, taste and application. An estimated 80% of the annual harvest of oriental plums and Japanese apricots (some 65~75k mt) is channeled into the manufacture of value-added fruit products, including candied, preserved, dried fruit as well as fruit wine.

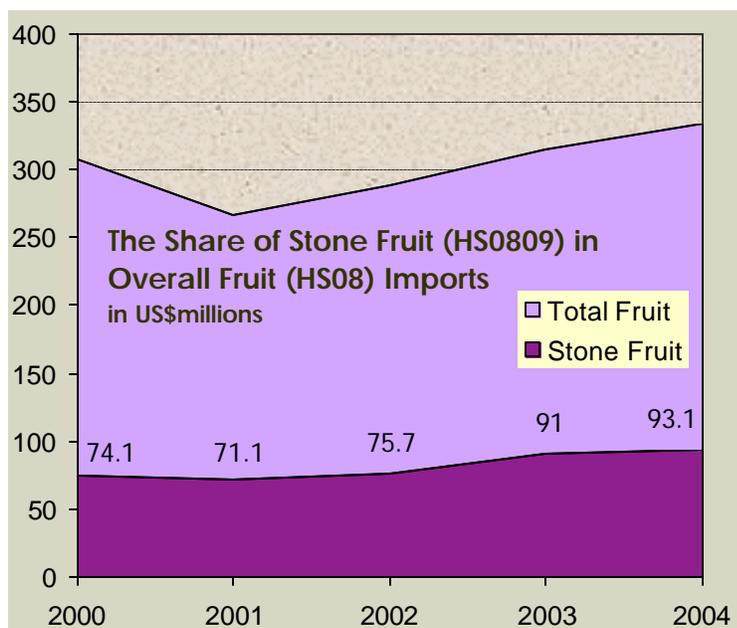
Taiwan's large middle class and consumption-oriented propensities have joined in recent years with renewed market interest in / nostalgia for distinctively Taiwanese foods. Preserved and otherwise processed plums and apricots, as a widely accepted mainstay of the Taiwanese snack lineup, have enjoyed a resurgent popularity that promises to hold through the coming years. Consequent demand for local varieties of fresh plums and apricots for use in processing these snacks has helped stone fruit orchards resist, and slightly reverse, the pressures felt in the overall domestic fruit sector to reduce crop acreage and shift resources away from fruit production. While, for example, the area in which apples are harvested has fallen by some 10% since 2002, the area under stone fruit cultivation has held roughly the same over the last 5 years and may indeed increase slightly given steady or increasing demand.

Taiwan grown peaches are sold and consumed fresh and, unlike plums and apricots, compete in the same market as imports.

Taiwan peaches are available in the marketplace between late February and early June. The season for plums and apricots is slightly later, from March through late June.

Consumption

Market demand for stone fruit is well established in Taiwan, with the core market dealing in commodity varieties and a healthy periphery handling specialty stone fruit varieties (donut and white flesh peaches, pluots, and super-sized Japanese gift peaches) that attract market curiosity and command premiums. In terms of fresh (non-processed) stone fruit, high quality fruit imported from the United States and other countries has been a staple of grocery stores and fruit markets for more than a decade.



The 184,400 metric tons of stone fruit consumed in Taiwan during 2004 represents a slight (4%) increase over the 177,500 mt consumed during the previous year. Increases (and decreases) in fresh consumption are derived almost exclusively from imports and, as has been very apparent during the 2003/2004 year with numerous poor cherry crops around the world, growth (or decline) in local market consumption during any given year is influenced greatly by the availability of stone fruit crops of reasonable (in historical terms) price and quality from foreign suppliers.

As shown in the table above, imported stone fruit accounts for approximately 28% of Taiwan's

total demand for imported fresh fruit (most tree fruit, with the exception of citrus, is primarily imported). This ratio is expected to remain relatively stable through the coming several years.

Taiwanese rank among the highest consumers per capita of fruit in the world. Fruit is regularly eaten as a snack and as dessert and is the most popular "visiting gift" to share with friends and relatives. Supporting this highly fruit-oriented diet is a wide selection of locally grown fruit (from tropical fruits like bananas, mangoes, and custard apples to temperate fruits such as apples, jujubes and peaches) and an active and sophisticated trade in imported fruit.

Enjoying such a diverse and competitive fresh fruit market, Taiwanese are both knowledgeable and careful in their purchases. The core commodity markets for fruit, including stone fruit, demand good quality at competitive prices. There is virtually no market in Taiwan for second-quality – with even slightly bruised or otherwise imperfect fruit sold at a sacrifice or simply dumped. Consumers examine fruit purchased carefully for appearance and quality. The broad diversity of fresh fruits available during most of the year also means that switching among "similar" fruit categories is common when consumers cannot purchase a particular fruit item at an acceptable price point or quality level.

Good "Face Value"

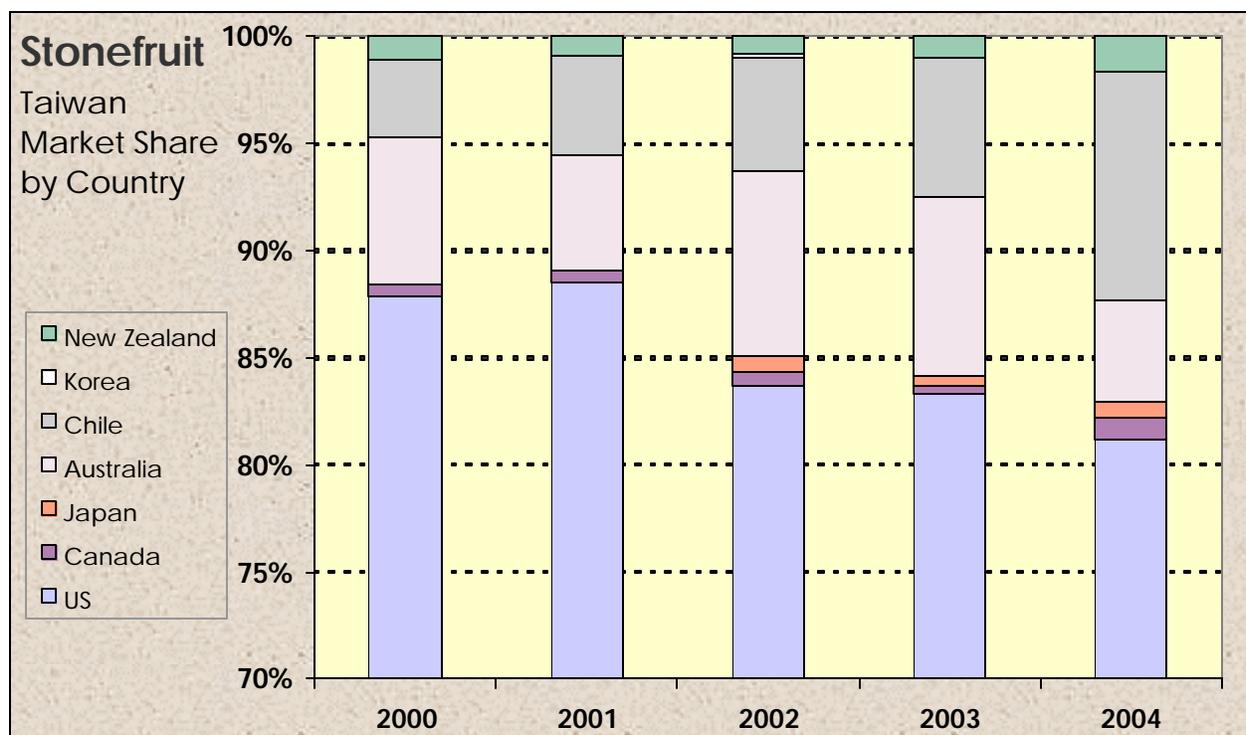
As with deciduous fruit (apples, Asian pears), attractive appearance (size, color, shape) and quality image are given significant weight by the Taiwan consumer. This reflects the broad-based use of fruit as an expression of social courtesy and thoughtfulness. Unless bought solely for personal consumption (rarely), the color, size, and general appearance of fruit is typically quite important to the retail customer. Serving good-looking fruit to family, friends, or clients intimates good manners, generosity, and warmth. The "best-looking" fruit, often specially presented on store shelves or sold in gift packaging, fetches the highest prices. Fruit categories (such as sweet cherries) and varieties (such as white flesh peaches) that are perceived / successfully marketed as premium items enjoy strong demand and earn for importers the highest profit margins.

Trade

As noted above, roughly 1/3 of Taiwan's total stone fruit demand and 3/5 of its total fresh stone fruit consumption, respectively, are imported. In terms of volume, peaches and nectarines represent the largest segment (60~70%), followed by, plums (20%) and cherries (about 20%). According to (2004) Taiwan Customs data, cherries account for roughly half of the total value of stone fruit imports (US\$44 million or 47%), with peaches a close second (US\$42 million or 45%). Plums accounted for slightly over 8% of the value of total stone fruit imports in 2004. Currently Taiwan does not import significant quantities of US apricots (*prunus armeniaca*). Trade in 2005 is expected to recover from the dips in import volume (due to high exporter prices, short harvests, and weather related quality issues) experienced during 2003 and 2004. Total imports in 2005 are forecast to rise by 12% over 2004 levels, with the most significant growth in cherries (34%) and plums (18%). Apricots imports are expected to grow significantly, but from a small base over the coming several years. It is important to note, however, that the expected growth in 2005 is contingent on supply related factors and presumes a crop volume and level of quality in line with the historical average. Strong growth during 2005 will reflect primarily a "catching up" with extant demand in 2004 that went unmet due to higher retail prices.

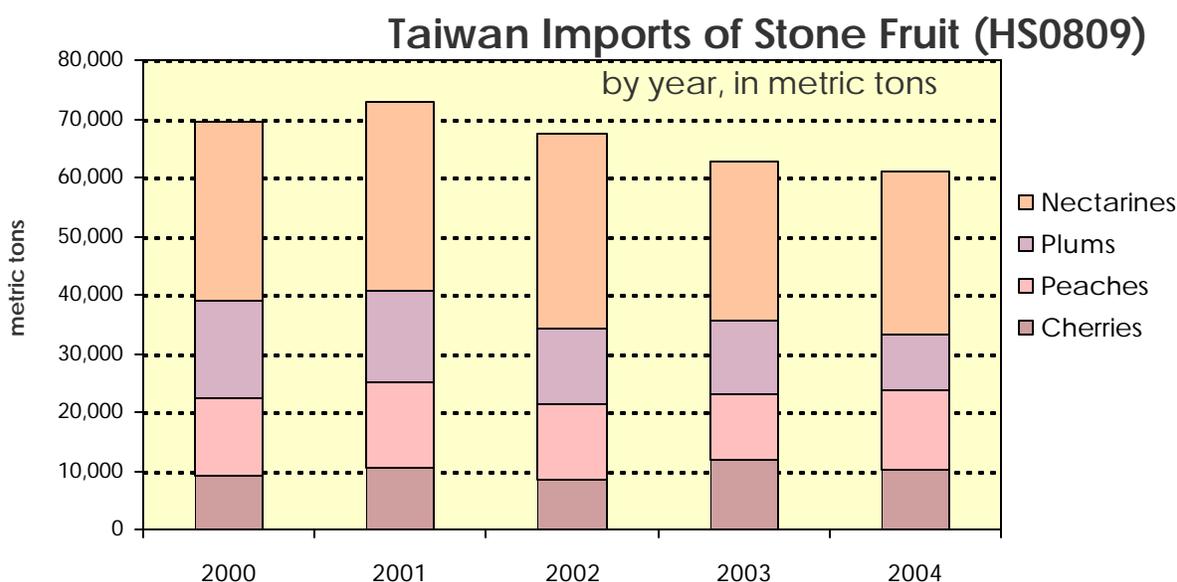
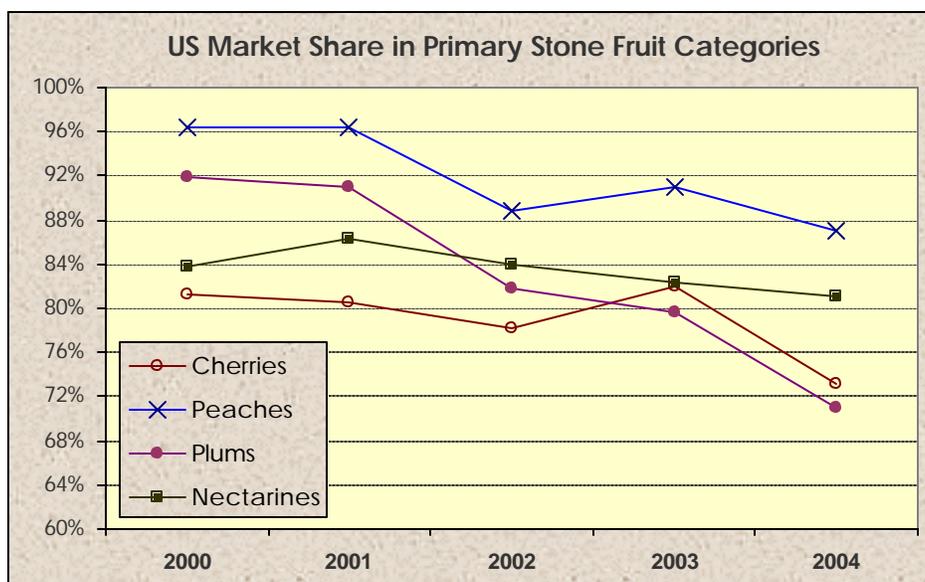
Factoring out variability in crop conditions, the Taiwan market is on a track of moderate upward growth (4~6% per annum over the next three year period) in terms of its import and consumption of stone fruit.

Difficult growing seasons in most stone fruit production areas around the world during 2004 weighed heavily on market consumption during that year. Imports of plums and cherries fell by 27% and 16%, respectively. Peaches benefited from a good new world crop. Importers noted, particularly with plums and cherries, increased spoilage, softer skin, and lower sweetness levels that (coupled with generally higher prices) translated into increased handling risk and lower profitability across the board.



Trade and the WTO

Taiwan's entry into the WTO in 2002 (January) opened the island's stone fruit market to countries previously banned (Korea and Japan) or restricted. As shown in the table below, US market share in all categories has fallen off pre-WTO highs. While US market share has been "watered down" somewhat by rising import volumes from competitors, US stone fruit is facing a truly new competitive landscape in Taiwan's post-WTO market. Taiwan's summertime fruit markets today display a much broader array of fresh fruit choices both from abroad (Japan, Korea, SE Asia) and from domestic producers (improved varieties of mangoes, citrus, berries, etc.). *Product substitution* has proven to date to be a significantly larger threat to stone fruit's former dominance of summertime store shelves than by stone fruit from competing northern hemisphere suppliers. In order to retain and improve the market for US stone fruit, 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.



Policy

Phytosanitary Requirements

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

Taiwan currently bans or subjects to pest-free certification requirements imports of apples 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 60 chemicals. Shipments are checked on a random basis. Taiwan's Department of Health (DOH) is currently reviewing current permitted chemicals and MRLs for each. The Agricultural Affairs Section at the American Institute in Taiwan and U.S. industry 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.

A list of MRLs in English is available on the Department of Health's website at URL: <http://www.doh.gov.tw/english/food/1.5.htm>

Cross-Straits Trade

Taiwan has opened the two stone fruit categories of apricots and cherries to import from China. To date, Taiwan has recorded no imports of either.

While importers have indicated certain interest in assessing China suppliers' capabilities in supplying 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.

PSD and Trade Data

Fresh Plums and Prunes

Commodity	Fresh Plums & Prunes				(HA)(1000 TREES)(MT)		UOM
	2004	Revised	2005	Estimate	2006	Forecast	
	<small>USDA Official [Old]</small>	<small>Post Estimate [New]</small>	<small>USDA Official [Old]</small>	<small>Post Estimate [New]</small>	<small>USDA Official [Old]</small>	<small>Post Estimate [New]</small>	
Market Year Begin	01/2004		01/2005		01/2006		MM/YYYY
Area Planted	0	na	0	na	0	na	(HA)
Area Harvested	0	na	0	na	0	na	(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	35300	0	35500	0	35600	(MT)
Non-Comm. Production	0	500	0	500	0	500	(MT)
TOTAL Production	0	35800	0	36000	0	36100	(MT)
TOTAL Imports	0	9300	0	11000	0	12000	(MT)
TOTAL SUPPLY	0	45100	0	47000	0	48100	(MT)
Domestic Fresh Consump	0	15100	0	17000	0	17600	(MT)
Exports, Fresh Only	0	0	0	0	0	0	(MT)
For Processing	0	30000	0	30,000	0	30500	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	0	45100	0	47000	0	48100	(MT)

Imports

Country	Taiwan	
Commodity	Fresh Plums & Prunes	
Time Period	2003-2004	Units: mt
Imports for:	2003	2004
U.S.	9833	6081
Others	Others	
Chile	1224	2224
Australia	1275	705
Total for Others	2499	2929
Others not Listed	0	0
Grand Total	12332	9010

Exports

Country	Taiwan	
Commodity	Fresh Plums & Prunes	
Time Period	2003-2004	Units: mt
Exports for:	2003	2004
U.S.	0	0
Others	Others	
	0	0
	0	0
Total for Others	0	0
Others not Listed	0	0
Grand Total	0	0

Fresh Peaches and Nectarines

Commodity	Fresh Peaches & Nectarines (HA)(1000 TREES)(MT)						UOM
	2004	Revised	2005	Estimate	2006	Forecast	
	<small>USDA Official [Old]</small>	<small>Post Estimate [New]</small>	<small>USDA Official [Old]</small>	<small>Post Estimate [New]</small>	<small>USDA Official [Old]</small>	<small>Post Estimate [New]</small>	
Market Year Begin	01/2004		01/2005		01/2006		MM/YYYY
Area Planted	0	na	0	na	0	na	(HA)
Area Harvested	0	na	0	na	0	na	(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	31265	0	32000	0	32000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	0	31265	0	32000	0	32000	(MT)
TOTAL Imports	0	40263	0	41500	0	43000	(MT)
TOTAL SUPPLY	0	71528	0	73500	0	75000	(MT)
Domestic Fresh Consump	0	71483	0	73460	0	74960	(MT)
Exports, Fresh Only	0	45	0	40	0	40	(MT)
For Processing	0	0	0	0	0	0	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	0	71528	0	73500	0	75000	(MT)

Imports

Country	Taiwan	
Commodity	Peaches & Nectarines	
Time Period	2003-2004	Units: mt
Imports for:	2003	2004
U.S.	32731	U.S. 34311
Others	Others	
Chile	1688	3501
Australia	3803	1993
Japan	306	362
New Zealand	9	79
Korea	3	16
Total for Others	5809	5951
Others not Listed	19	0
Grand Total	38559	40262

Exports

Country	Taiwan	
Commodity	Peaches & Nectarines	
Time Period	2003-2004	Units: mt
Exports for:	2003	2004
U.S.	0	U.S. 0
Others	Others	
Canada	45	40
Total for Others	45	0
Others not Listed	0	40
Grand Total	45	40

Fresh Cherries (Sweet and Sour)

Commodity	Fresh Cherries				(HA)(1000 TREES)(MT)		UOM
	2004	Revised	2005	Estimate	2006	Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin	01/2004		01/2005		01/2006		MM/YYYY
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)
TOTAL Production	0	0	0	0	0	0	(MT)
TOTAL Imports	0	9881	0	13200	0	14000	(MT)
TOTAL SUPPLY	0	9881	0	13200	0	14000	(MT)
Domestic Fresh Consump	0	9881	0	13200	0	14000	(MT)
Exports, Fresh Only	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 UTILIZATION	0	9881	0	13200	0	14000	(MT)

Imports

Country	Taiwan	
Commodity	Fresh Cherries	
Time Period	2003-2004	Units: mt
Imports for:	2003	2004
U.S.	9672	7325
Others	Others	
New Zealand	603	883
Chile	1170	871
Canada	222	644
Australia	140	157
Total for Others	2135	2555
Others not Listed	0	0
Grand Total	11807	9880

Exports

Country	Taiwan	
Commodity	Fresh Cherries	
Time Period	2003-2004	Units: mt
Exports for:	2003	2004
U.S.	0	0
Others	Others	
Total for Others	0	0
Others not Listed	0	0
Grand Total	0	0