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## Japan

## Strawberries

## Annual

## 2006

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**Report Highlights:**

Japanese strawberry production is declining slowly at an annual rate of about one to two percent due largely to labor shortages. U.S. fresh strawberries continue to dominate Japan's confectionery market in the summer and fall, however Japanese farmers have started producing summer and fall-crop strawberries in northern Japan that compete with U.S. berries. China keeps its position as the leader in Japan's frozen strawberry market, holding approximately 68 percent of the market share.

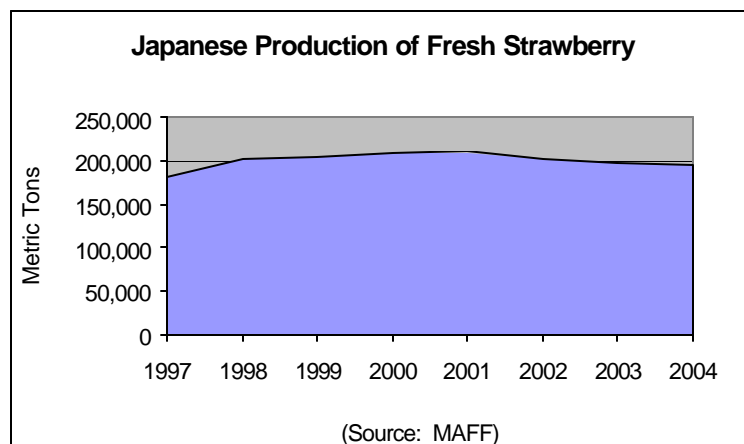
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## Japanese Strawberry Production Declines Slowly



Fresh strawberries are one of the top selling items in Japan's fresh produce market; however, Japanese production has been slowly declining due largely to labor shortages. Strawberry production, especially harvesting and packaging processes, requires intense manual labor. Post does not anticipate an improvement in the labor situation for Japan's strawberry producers and so expects the nation's output will continue to decline at a rate of about 1 to 2 percent annually.

Japan produced 196,200 metric tons of fresh strawberries in the 2004 season (from October 2004 to September 2005), down approximately one percent from the previous season, according to the Ministry of Agriculture, Forestry and Fisheries (MAFF). The area planted to strawberries declined approximately 2 percent to 6,880 hectares in the 2004 season, due largely to a shortage of labor in the major production regions.

Japanese strawberries are largely produced on the Pacific Coast of *Honshu* (Japan's main island) and *Kyushu* (Japan's south most islands) where the weather is relatively mild. A great deal of strawberries are cultivated in green houses in Japan, with harvesting occurring from December through May. The majority of domestic strawberries are consumed fresh with less than one percent destined for processing, according to a MAFF survey. Post estimates that approximately 1,000 metric tons go to the food-processing sector annually, of which roughly 700 metric tons are frozen for further processing.

### Extra Sweet Strawberries Preferred in Japan

Lately, extra sweet type bananas have sold extremely well in Japan; particularly among younger generations. The Japanese strawberry industry learned a lesson from this success and have switched their crops to extra sweet varieties. For example, the *Nyoho* strawberry, which was commonly cultivated in the eastern Japan, has now been succeeded by a more sweet variety called "*Tochiotome*." The *Tochiotome* variety produces large berries (a berry weighs about 15 grams), very little acid, and very sweet flavor. It also has a long shelf life. In the western Japan, *Toyonoka* strawberries have been very successful; however an extra sweet type called "*Amao*" is quickly replacing the *Toyonoka* variety, reflecting consumer preference for even sweeter berries. *Amao* is a large strawberry, which often reaches up to 40 grams per fruit, and is used as a gift item. The Brix level for both *Tochiotome* and *Amao* usually reaches 12 degrees.

### Hokkaido Farmer Developed Summer-Pick Strawberry

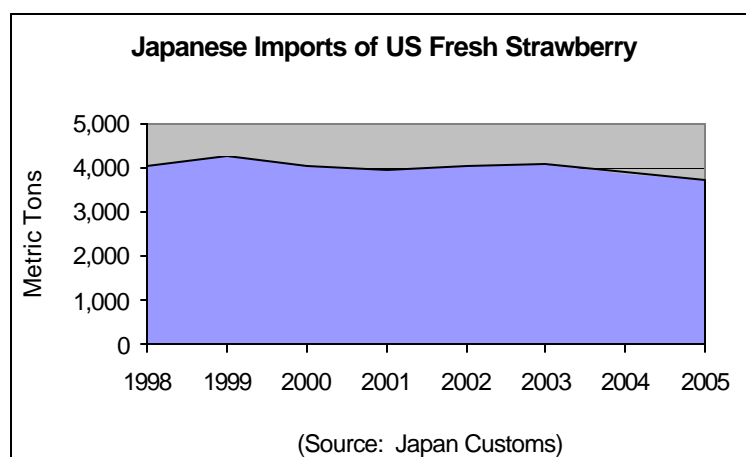
Domestically grown strawberries are available in the Japanese market primarily in winter and spring. According to a Japanese press report, a *Hokkaido* farmer developed a new variety called "*Pechica*" that can be harvested in the summer and fall, when domestic production is scarce. *Pechica* strawberry, which has less sweetness and a higher acidity, was developed

particularly for the confectionary industry. In 2005, *Pechica* strawberries were cultivated by about 310 contracted farms in *Hokkaido* and the *Tohoku* region, with an output of approximately 400 metric tons, which accounts for approximately 60 percent of the nation's summer strawberry crop.

*Pechica* strawberries are now supplied to about 370 companies, up sharply from about 80 three years ago. *Pechica* is now used nationwide for summer confectionary use and is widely receiving a reputation for good appearance and taste. Tokyo-based supermarket chain started selling *Pechica* in June and July at some outlets about four years ago. One retailer expects to double sales this summer. The next goal will be to expand sales channels in order to boost household consumption, said traders.

The current production of summer-pick strawberries is somewhat limited but Japanese consumer preference for domestically grown products may increase their demand for domestically grown summer-pick strawberries in the near future.

### U.S. Fresh Strawberries Sell Well During Domestic Off-Seasons



U.S. fresh strawberries continue to sell well in the summer and fall when domestic berries are scarce. New crop U.S. fresh strawberries arrive in April when the domestic strawberry season is ending, and then California strawberry sales become active towards the summer. Sales peak during September and October. U.S. sales continue until the new Japanese crop sales start in December. According to Japanese traders, approximately 80 to 90 percent of U.S. berries are used in

Japan's confectioneries as cake decorations and the rest are sold for table consumption. Jobbers at the wholesale markets distribute the majority of U.S. fresh strawberries to the same Japanese confectionaries that they sell the domestic winter strawberries to. U.S. strawberries were trading at approximately \$54.60 (6,500 yen) for a 5-kilogram carton at Tokyo's wholesale market in early October 2006. Fresh berries are normally packaged in a 250-gram clamshell type plastic container. Tokyo retailers sell them for approximately \$4.20 (500 yen) per 250-gram package.

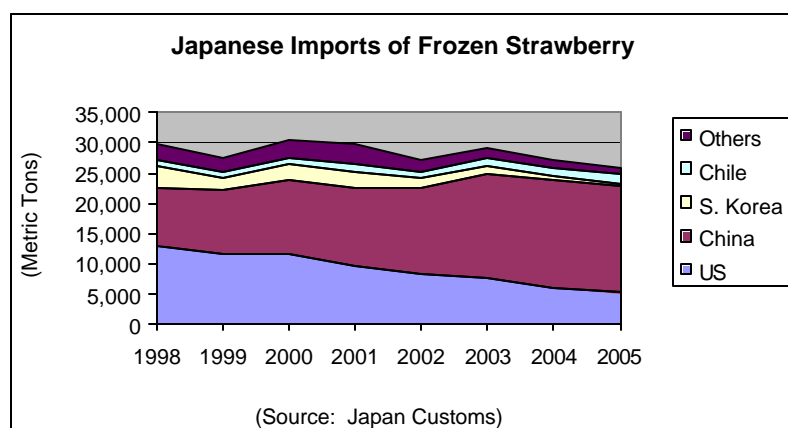
Japan imported approximately 3,700 metric tons of fresh strawberries from the United States in the 2005 season (from October 2005 to September 2006) valued at approximately \$30 million (CIF). This accounted for approximately 96 percent of Japan's total fresh strawberry imports. South Korea supplied approximately 163 metric tons in the same period, valued at approximately \$2.26 million (CIF).

\* The exchange rate of 119.04 yen per dollar is used, based on the Nikkei News on October 16, 2006.

## Higher Freight Costs Raised the Price of Strawberries from the United States

The CIF price for new crop U.S. strawberries increased approximately 5.5 percent from the previous season, due largely to the increase in airfreight costs caused by higher gasoline prices. The airfreight affects costs of U.S. strawberry prices significantly, since the majority of U.S. fresh strawberries are transported to Japan by air and the cost of airfreight accounts for approximately 40 percent of the CIF price. The average CIF price for U.S. strawberries was \$8.15 per kilogram for the period of April – August 2006, while the price was \$7.72 for the same period in 2005. The high cost of imports somewhat discouraged Japanese traders from purchasing U.S. berries. The Japanese import volume declined approximately 5.1 percent this season.

## Japan's Frozen Strawberry Imports Declined in 2005



Japan imported approximately 25,900 metric tons of frozen strawberries in the 2005 marketing year (from October 2005 to September 2006) down approximately 4.5 percent from the previous year. China is the largest supplier of frozen strawberries to Japan, supplying approximately 17,600 metric tons this marketing year and accounting for approximately 68 percent of total Japanese frozen

strawberry imports, valued at approximately \$19.0 million on a CIF basis. The United States is also a very important player in Japan's frozen strawberry market, supplying approximately 5,100 metric tons in 2005, valued at approximately \$10.8 million (CIF). The U.S. holds approximately 20 percent of the market share in terms of volume.

The majority of imported frozen strawberries are used as an ingredient for making jams and yogurt and price is an important factor for manufacturers in order to stay competitive in the market. Chinese product has a great advantage over U.S. product in terms of price. The 2005 average CIF price of frozen strawberries was \$1.07 per kilogram for Chinese product and \$2.12 for U.S. product.

Japanese traders blame the recent declining imports of frozen strawberries on increasing imports of ready-made jam products from China. This has caused a decreased demand for frozen strawberry imports, since Japan imports frozen berries mainly for making jam products. The higher priced frozen berries such as those coming from the United States are directly impacted by the increased imports of ready-made jam products from China. For example, Japan imported 5,671 metric tons of non-citrus jam products (2007.99 in the HS) from China in the 2005-marketing season. This shows a dramatic increase of 47 percent from the previous season. Imports of non-sugar jam products in particular (2007.99-121 in the HS) from China made a significant increase in the 2005 season to 1,094 metric tons from a mere 154 metric tons a year ago.

### High Import Duties Are Applied to Fresh and Frozen Strawberries

These duties are not subject to further reductions outside of the next round of WTO negotiations. The applicable import duties are as follows:

| TARIFF CODE (HS) | DESCRIPTION                         | DUTY RATE |
|------------------|-------------------------------------|-----------|
| 0810.10-000      | Fresh Strawberry                    | 6.0 %     |
| 0811.10-100      | Frozen Strawberry<br>Added Sugar    | 9.6 %     |
| 0811.10-200      | Frozen Strawberry<br>No Added Sugar | 12.0 %    |

All duties are charged on a CIF basis.

### The Positive List System Became Effective on May 29, 2006

On May 29, 2006 Japan implemented new regulations on maximum residue limits (MRLs) for agricultural chemicals. The MRLs of agricultural chemicals applied to strawberry products may be found in the following web site:

<http://www.m5.ws001.squarestart.ne.jp/foundation/search.html> (English)

Related information on the positive list system may be found in GAIN Reports JA6011, JA6025 and JA6027.

## PS&amp;D Tables and Trade Matrices

## Fresh Strawberry PS&amp;D Tables

| PSD TABLE              |                     |               |                   |               |               |                   |               |               |                   |
|------------------------|---------------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|
| Country                | Japan               |               |                   |               |               |                   |               |               |                   |
| Commodity              | Strawberries, Fresh |               |                   |               |               |                   | (HA)(MT)      |               |                   |
|                        | 2004                | Revised       |                   | 2005          | Estimate      |                   | 2006          | Forecast      |                   |
|                        | USDA Official       | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New |
| Market Year Begin      |                     | 10/2004       | 10/2004           |               | 10/2005       | 10/2005           |               | 10/2006       | 10/2006           |
| Area Planted           | 6900                | 6900          | 6880              | 6800          | 6800          | 6800              | 0             | 0             | 6700              |
| Area Harvested         | 6900                | 6900          | 6880              | 6800          | 6800          | 6800              | 0             | 0             | 6700              |
| Production             | 193000              | 193000        | 196200            | 188000        | 188000        | 193000            | 0             | 0             | 188000            |
| Imports                | 4152                | 4152          | 4057              | 4200          | 4200          | 3860              | 0             | 0             | 3850              |
| Total Supply           | 197152              | 197152        | 200257            | 192200        | 192200        | 196860            | 0             | 0             | 191850            |
| Exports, Fresh         | 30                  | 30            | 30                | 30            | 30            | 64                | 0             | 0             | 80                |
| Fresh Dom. Consumption | 196122              | 196122        | 199227            | 191170        | 191170        | 195796            | 0             | 0             | 190770            |
| For Processing         | 1000                | 1000          | 1000              | 1000          | 1000          | 1000              | 0             | 0             | 1000              |
| Total Distribution     | 197152              | 197152        | 200257            | 192200        | 192200        | 196860            | 0             | 0             | 191850            |

## Frozen Strawberry PS&amp;D Table

| PSD TABLE            |                           |         |                   |               |               |                   |               |               |                   |
|----------------------|---------------------------|---------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|
| Country              | Japan                     |         |                   |               |               |                   |               |               |                   |
| Commodity            | Strawberries, Frozen (MT) |         |                   |               |               |                   |               |               |                   |
|                      | 2004                      | Revised |                   | 2005          | Estimate      |                   | 2006          | Forecast      |                   |
|                      | USDA Official             |         | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New |
| Market Year Begin    |                           | 10/2004 | 10/2004           |               | 10/2005       | 10/2005           |               | 10/2006       | 10/2006           |
| Deliv. To Processors | 750                       | 750     | 750               | 750           | 750           | 700               | 0             | 0             | 650               |
| Beginning Stocks     | 0                         | 0       | 0                 | 0             | 0             | 0                 | 0             | 0             | 0                 |
| Production           | 700                       | 700     | 700               | 700           | 700           | 700               | 0             | 0             | 650               |
| Imports              | 27460                     | 27460   | 27099             | 28000         | 28000         | 25900             | 0             | 0             | 25000             |
| Total Supply         | 28160                     | 28160   | 27799             | 28700         | 28700         | 26600             | 0             | 0             | 25650             |
| Exports              | 0                         | 0       | 0                 | 0             | 0             | 0                 | 0             | 0             | 0                 |
| Domestic Consumption | 28160                     | 28160   | 27799             | 28700         | 28700         | 26600             | 0             | 0             | 25650             |
| Ending Stocks        | 0                         | 0       | 0                 | 0             | 0             | 0                 | 0             | 0             | 0                 |
| Total Distribution   | 28160                     | 28160   | 27799             | 28700         | 28700         | 26600             | 0             | 0             | 25650             |



Fresh Strawberry Export Trade Matrix

| EXPORT TRADE MATRIX |                     |           |             |
|---------------------|---------------------|-----------|-------------|
| Country             | Japan               |           |             |
| Commodity           | Strawberries, Fresh |           |             |
| Time Period         | Oct.-Sept.          | Units:    | Metric Tons |
| Exports for:        | 2004                |           | 2005        |
| U.S.                | 0                   | U.S.      | 0           |
| Others              |                     | Others    |             |
| Hong Kong           | 19                  | Hong Kong | 39          |
| Taiwan              | 10                  | Taiwan    | 25          |
|                     |                     |           |             |
|                     |                     |           |             |
|                     |                     |           |             |
|                     |                     |           |             |
|                     |                     |           |             |
|                     |                     |           |             |
|                     |                     |           |             |
|                     |                     |           |             |
|                     |                     |           |             |
| Total for Others    | 29                  |           | 64          |
| Others not Listed   | 1                   |           | 0           |
| Grand Total         | 30                  |           | 64          |

Fresh Strawberry Import Trade Matrix

|                                    |                     |             |             |
|------------------------------------|---------------------|-------------|-------------|
| <b>IMPORT<br/>TRADE<br/>MATRIX</b> |                     |             |             |
| Country                            | Japan               |             |             |
| Commodity                          | Strawberries, Fresh |             |             |
| Time Period                        | Oct.-Sept.          | Units:      | Metric Tons |
| Imports for:                       | 2004                |             | 2005        |
| U.S.                               | 3875                | U.S.        | 3767        |
| Others                             |                     | Others      |             |
| South Korea                        | 177                 | South Korea | 173         |
| Australia                          | 2                   |             |             |
| New Zealand                        | 2                   |             |             |
|                                    |                     |             |             |
|                                    |                     |             |             |
|                                    |                     |             |             |
|                                    |                     |             |             |
|                                    |                     |             |             |
|                                    |                     |             |             |
| Total for Others                   | 181                 |             | 173         |
| Others not Listed                  | 1                   |             | 0           |
| Grand Total                        | 4057                |             | 3940        |

## Frozen Strawberry Import Trade Matrix

| IMPORT<br>TRADE<br>MATRIX |                      |             |             |
|---------------------------|----------------------|-------------|-------------|
| Country                   | Japan                |             |             |
| Commodity                 | Strawberries, Frozen |             |             |
| Time Period               | Oct.-Sept.           | Units:      | Metric Tons |
| Imports for:              | 2004                 |             | 2005        |
| U.S.                      | 6110                 | U.S.        | 5169        |
| Others                    |                      | Others      |             |
| China                     | 17594                | China       | 17447       |
| Chile                     | 1310                 | Chile       | 1424        |
| South Korea               | 721                  | South Korea | 450         |
| Thailand                  | 388                  | Poland      | 326         |
| Poland                    | 306                  | Egypt       | 274         |
| Mexico                    | 229                  | Thailand    | 257         |
| Egypt                     | 201                  | Mexico      | 184         |
| Turkey                    | 80                   | Canada      | 47          |
| Belgium                   | 43                   | Turkey      | 47          |
| Morocco                   | 34                   | Morocco     | 23          |
| Total for Others          | 20906                |             | 20479       |
| Others not Listed         | 83                   |             | 43          |
| Grand Total               | 27099                |             | 25691       |

## Fresh Strawberry Wholesale Price Table

| PRICES TABLE  |                     |                     |          |
|---------------|---------------------|---------------------|----------|
| Country       | Japan               |                     |          |
| Commodity     | Strawberries, Fresh |                     |          |
| Prices in     | Yen                 | per uom             | KG       |
| Year          | 2005                | 2006                | % Change |
| Jan           | 1184                | 1247                | 5%       |
| Feb           | 1176                | 1230                | 5%       |
| Mar           | 1140                | 930                 | -18%     |
| Apr           | 767                 | 758                 | -1%      |
| May           | 698                 | 737                 | 6%       |
| Jun           | 837                 | 843                 | 1%       |
| Jul           | 1147                | 1284                | 12%      |
| Aug           | 1781                | 1646                | -8%      |
| Sep           | 2289                |                     | -100%    |
| Oct           | 2219                |                     | -100%    |
| Nov           | 1421                |                     | -100%    |
| Dec           | 1797                |                     | -100%    |
| Exchange Rate | 117.08              | Local Currency/US\$ |          |
| Date of Quote | 09/27/2006          | MM/DD/YYYY          |          |