



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

Date: 2008/4/22

GAIN Report Number: TW8022

Taiwan

Stone Fruit

Annual

2008

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Report Highlights:

While Taiwan produces significant quantities of "Asian" apricots, plums and peaches, they are, with the exception of peaches, channeled primarily into processed food applications. Therefore, an estimated one half of total fresh stone fruit consumption in Taiwan is supplied by imports. In terms of import volume, nectarines represent the largest segment (44%), followed by peaches (22%), plums (16%), and cherries (18%) in 2007.

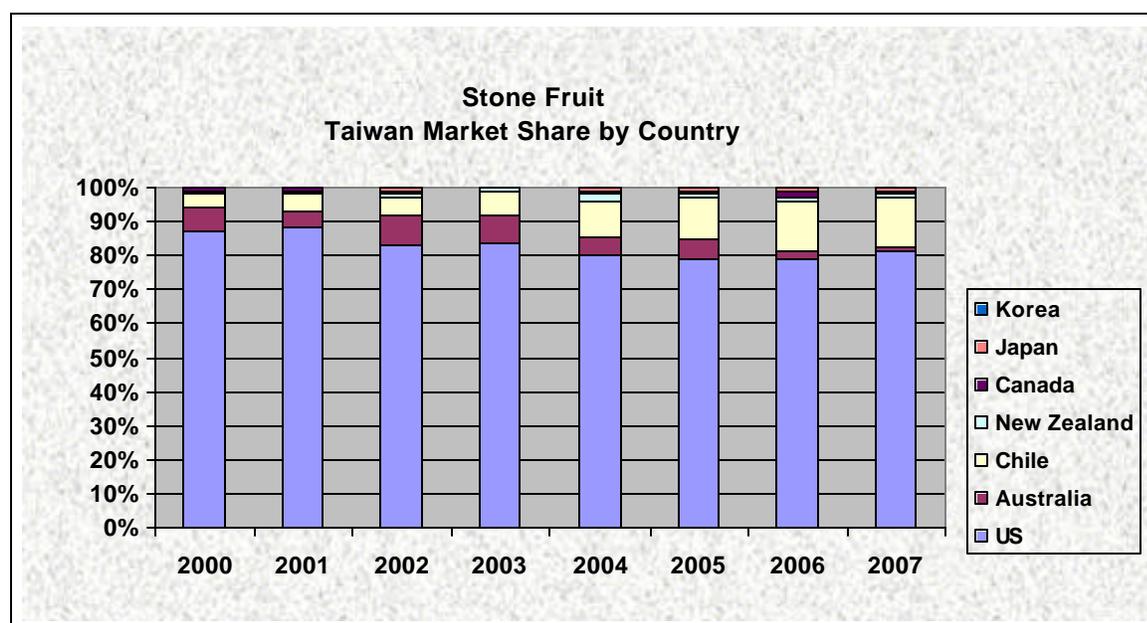
Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Taipei ATO [TW2]
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Executive Summary

U.S. stone fruit 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 often quite profitable.

While Taiwan produces significant quantities of Japanese-style apricots, plums and peaches, they are, with the exception of peaches, channeled primarily into processed food applications. Therefore, an estimated one half of total fresh stone fruit consumption in Taiwan is supplied by imports. Stone fruit varieties cultivated in Taiwan to date are largely "local" or "Asian" in origin and, as such, differ (with the exception of peaches) significantly from imported varieties in terms of appearance, taste and application. Local production is expected to remain relatively consistent through the coming several year period.

In terms of import volume, nectarines represent the largest segment (44%), followed by peaches (22%), plums (16%), and cherries (18%) in 2007. 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 thus fallen off pre-WTO highs.



Due to Taiwan's year-long 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. This reflects the broad-based use of fruit as an expression of social courtesy and thoughtfulness as gifts to close friends and relatives. Unless bought solely for personal consumption, the color, size, and general appearance of fruit is typically quite important to the retail customers. The "best-looking" fruit, often specially presented on store shelves or sold in gift packaging, fetches the highest prices.

The United States, with an 82% share of Taiwan's stone fruit imports and more than 40% of total domestic fresh stone fruit consumption, will remain the largest supplier of stone fruit to the Taiwan market into the foreseeable future. As China remains excluded from the market for plums, peaches and nectarines due to lack of phytosanitary protocols, the US will continue to account for most (better than 95%) of northern hemisphere supply. With supplies increasing most significantly from the southern hemisphere during winter months, the US share of total imports in the category should over the coming half-decade settle in at around 70% of an expanded "pie".

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.

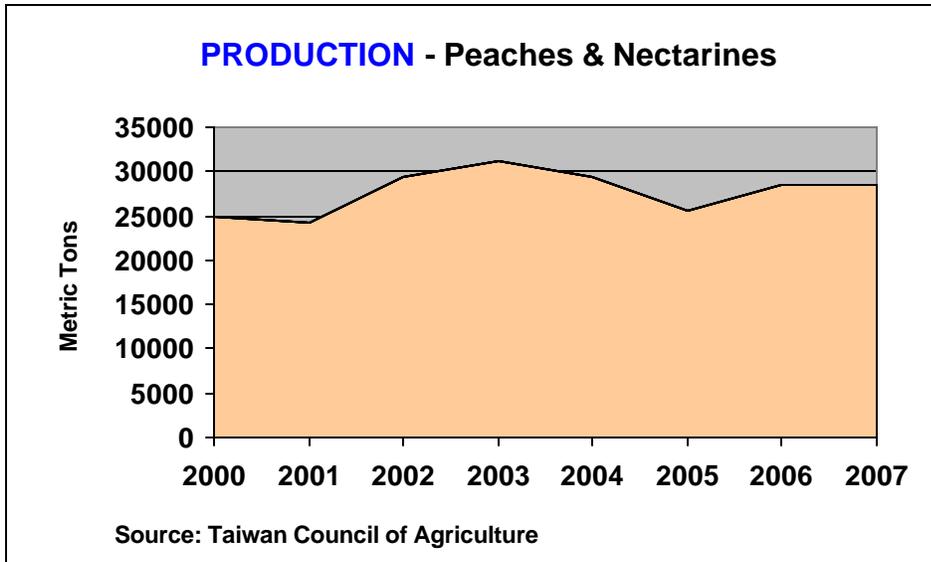
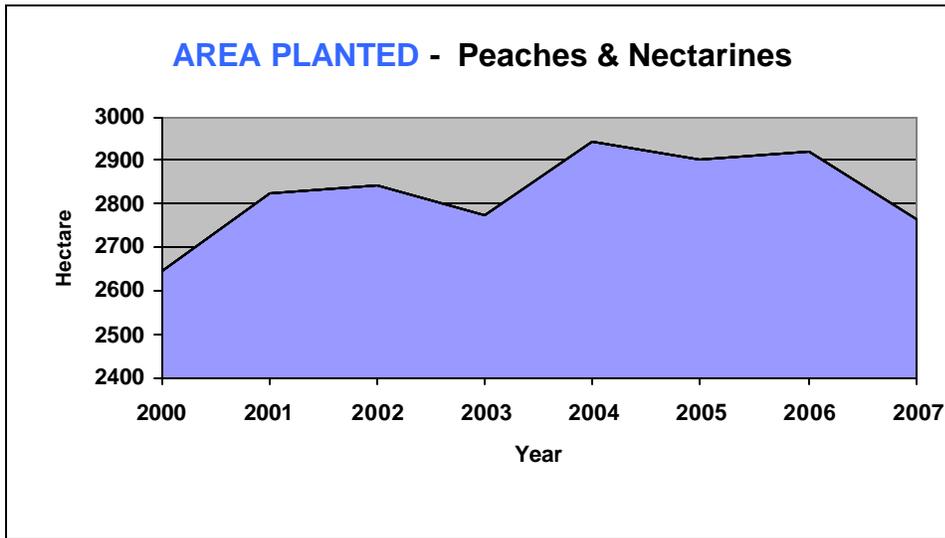
As the market continues to grow, the U.S. can be expected to own a gradually smaller share of a "bigger pie". Trade analysts anticipate that, over the longer term (five years or more), the U.S. can expect to account for a minimum of around 70 percent of total imports by volume. However, should Taiwan permit phytosanitary access to Mainland Chinese stone fruit – peaches in particular – U.S. exporters can expect to face significant challenges to hold onto their overall dominance.

PEACHES & NECTARINES

Production

In 2007, peach & nectarine production totaled 28,435 metric tons, a less than one percent drop from the previous year, due to unexpected weather change and flood damage. The Taiwan Council of Agriculture forecasted a production of 30,373 mt for 2008, a 7 percent rise from 2007. Taiwan grown peaches are sold and consumed fresh and, unlike plums and Japanese apricots, compete in the same market as imports.

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



Trade

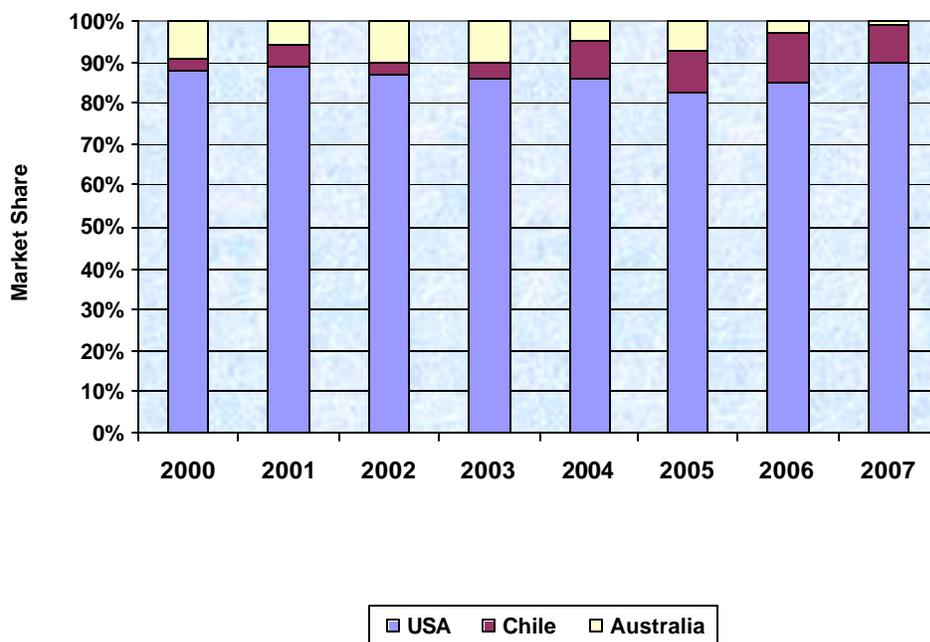
In 2007, Taiwan imported a total of 37,731 metric tons or nearly US\$48 million worth of peaches and nectarines, a 13% increase in terms of volume and a 5% increase in terms of value from the previous year.

2007 Taiwan Peach & Nectarine Imports

| | Volume (metric tons) | Value (US\$1,000) |
|------------|----------------------|-------------------|
| Peaches | 12,449 | 22,283 |
| Nectarines | 25,282 | 25,600 |
| TOTAL | 37,731 | 47,883 |

The United States had the largest market share (88%), followed by Chile (9%), Australia (1%), and Japan (1%). U.S. peach imports grew 19%, while Japan’s small but premium export sales were up 7%, compared to 2006. Japan peaches with 300-500 metric tons per season entering into Taiwan have not created threat to U.S. peaches. Other suppliers posted a negative growth in this category in 2007. The direct competitors were mainly local peaches with 28,418 metric tons have been harvested in 2007. 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 US).

Trends in Market Share by Country
Fresh Peaches & Nectarines



Consumption

Currently, the U.S. retains a dominant 88% market share in peach & nectarine imports. Taiwanese consumers and traders have strong preference for U. S.

peaches & nectarines. Taiwan's food retail sector is mature, led by Carrefour, RT Mart/Auchan, Costco, and Wellcome that provides freshness, convenience, and competitively prices. Industry sources estimated that 50%-60% of imported fruits are currently sold in the traditional wet markets. Peach & nectarine sales, however, are mainly concentrated in these hypermarkets and supermarkets, as they provide much better handling techniques that are important for perishable fruits, peaches & nectarines in particular. Imported peaches & nectarines have been a popular item for gift-giving in Taiwan. Taiwanese people 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). The peach & nectarine gift pack is one of the most popular gift pack items in summer especially for the dragon boat festival and graduation season.

PLUMS and PRUNES

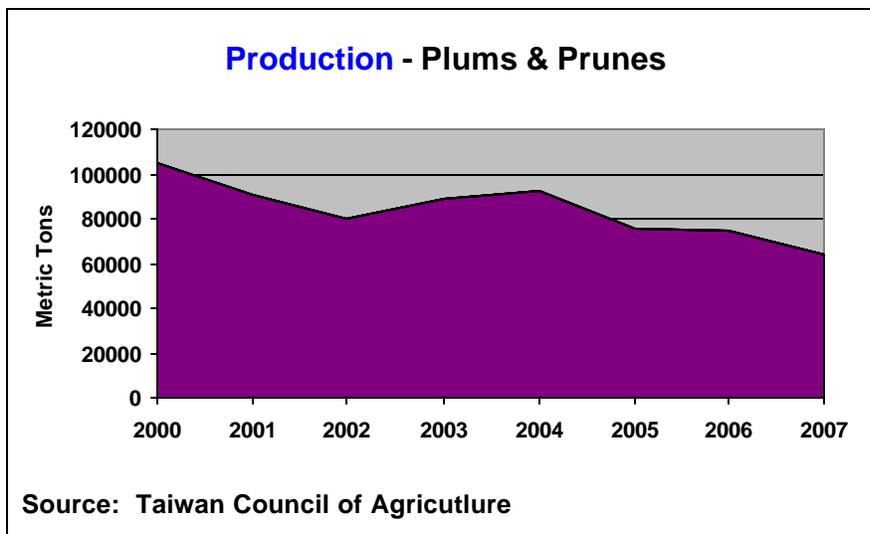
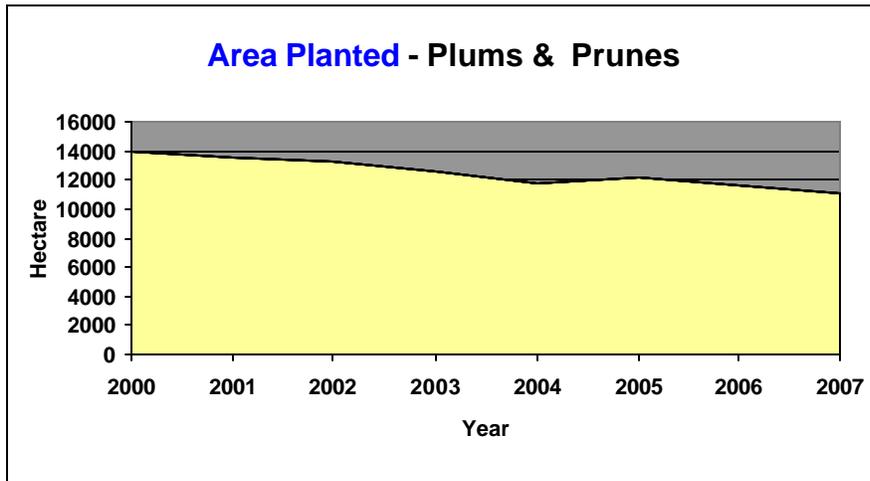
Production

Taiwan plum and prune (Japanese apricots) production for CY 2007 was estimated at 63,664 metric tons, a 14 percent drop from the previous year. The table below shows a downward trend in both area planted and production beginning in 2000.

Plums - The area planted for plums has been declining in recent years due to unsatisfactory selling prices at farm level. It has thus resulted in many farmers switching to more profitable fruits. Taiwan Council of Agriculture predicted a 2 percent decrease in area harvested and a 10% decrease in production (23,344 mt) for 2008, due to typhoon damage in summer/fall 2007 and most recently cold damage in February 2008 that will affect the fruit production for this season.

Prunes (Japanese apricots) – Taiwan Japanese apricot production for CY 2008 is projected at 32,089 metric tons, a 15% drop from the previous year. The typhoon damage in 2007 and recent cold damage in early 2008 will lead to a decrease in production in 2008. The area planted for Japanese apricots has been declining since 1996. Almost 100% of Taiwan's Japanese apricot production is used in food processing for the domestic market and export markets. However, Taiwan's prune processing industry has been shrinking since 1996 due to continuously strong competition from China in the overseas markets. Also, the entry of Chinese processed prune products through third regions into Taiwan, as well as relatively low local production prices at the point of harvest area have fueled the shrinkage of this industry in Taiwan. To meet this industry trend, the Council of Agriculture has been encouraging farmers to reduce area planted/harvested for prune (Japanese apricot) production in Taiwan since 2004.

An estimated 10%-20% of the annual harvest of plums and 100% of Japanese apricots are channeled into the manufacture of value-added fruit products, including candies, preserved/dried fruit as well as fruit wine and distilled spirits.



Trade

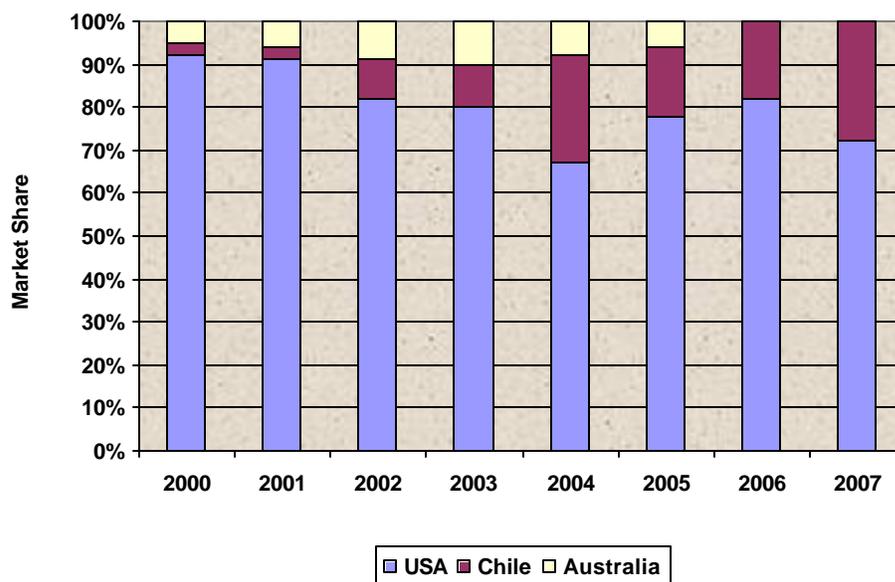
Taiwan’s total fresh plum imports by volume in 2007 were 8,976 mt, a 37% decrease from the previous year. The U.S. continued to be the largest supplier with 72% market share, followed by Chile (28%). The main reason of this significant drop of plum imports was an over supply and relatively high prices of U.S. plum imports (11,616 mt in total) in 2006. Affected by this “lesson,” the Taiwan importers tended to be more conservative in importing in 2007 resulting in a decrease in total plum imports in 2007. It is anticipated that imports will remain flat with a slight growth of around 10 percent in 2008.

Tropical fruit 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. Also, the growth of peach & nectarine (white flesh) imports that replace plum consumption in Taiwan has also caused a continuous drop in plum imports in recent years. The U.S. plum market share began a downtown trend in 2001. The entry of Southern Hemisphere plum suppliers, Chile and Australia, has shifted some market share away from U.S. suppliers in recent years. As local plum varieties differ largely from imported varieties, local competition is negligible.

Trends in Market Share by Country

Plums



CHERRIS

Production

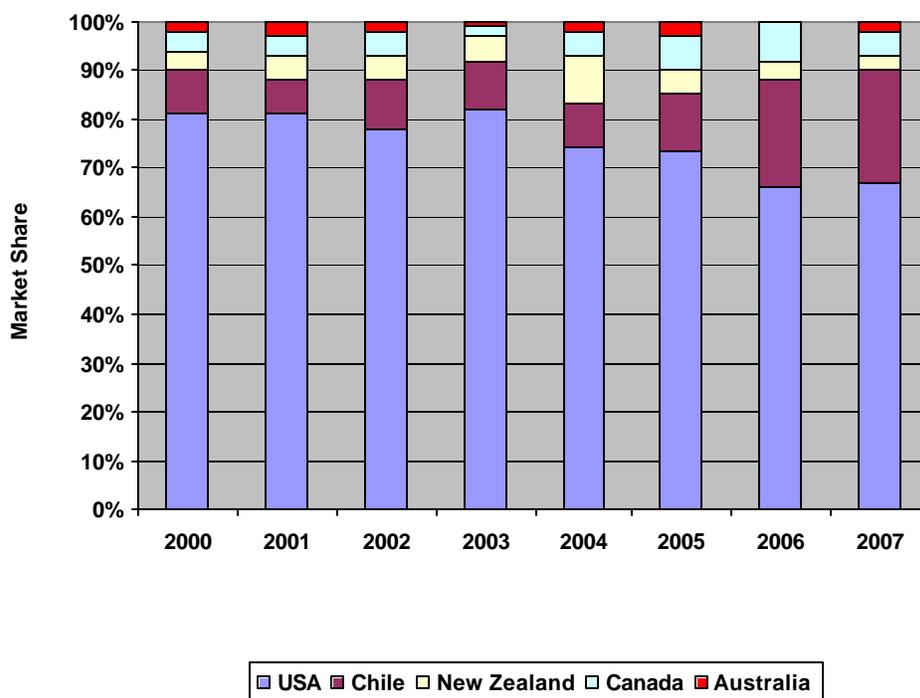
Taiwan does not produce cherries. Thus 100% of this variety is imported.

Trade

Fresh cherry imports into Taiwan dropped 13% in volume and 22% in value during the 2007 season to reach 10,483 mt equivalents worth US\$62 million. The United States continued to be the leading supplier with 67% of the market, followed by Chile (23%), Canada (5%), New Zealand (3%), and Australia (2%). 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 and Australia, has shifted some market share away from U.S. suppliers. Chile is making significant inroads in cherries – reaching 2,422 mt in sales volume, a 23% market share, and ranking second largest supplier in 2007.

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



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 also one of the most popular gifts in Taiwan.

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.

Statistics

PSD Table

| Country | Taiwan | | | | | | | | | |
|------------------------|----------------------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|--------------|
| Commodity | Fresh Peaches & Nectarines | | | | | | | | | |
| | 2006 Revised | | | 2007 Estimate | | | 2008 Forecast | | | UOM |
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | | 01/2006 | 01/2006 | | 01/2007 | 01/2007 | | 01/2008 | 01/2008 | MM/YYYY |
| Area Planted | 0 | 2942 | 2919 | 0 | 2900 | 2765 | 0 | 0 | 2765 | (HA) |
| Area Harvested | 0 | 2800 | 2695 | 0 | 2800 | 2630 | 0 | 0 | 2693 | (HA) |
| Bearing Trees | 0 | 0 | 984 | 0 | 0 | 935 | 0 | 0 | 930 | (1000 TREES) |
| Non-Bearing Trees | 0 | 0 | 76 | 0 | 0 | 43 | 0 | 0 | 50 | (1000 TREES) |
| Total Trees | 0 | 0 | 1060 | 0 | 0 | 978 | 0 | 0 | 980 | (1000 TREES) |
| Comm. Production | 29000 | 32540 | 28508 | 0 | 30000 | 28418 | 0 | 0 | 30373 | (MT) |
| Non-Comm Production | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Production | 29000 | 32540 | 28508 | 0 | 30000 | 28418 | 0 | 0 | 30373 | (MT) |
| Imports | 41000 | 33344 | 33344 | 0 | 35000 | 37731 | 0 | 0 | 40000 | (MT) |
| Total Supply | 70000 | 65884 | 61852 | 0 | 65000 | 66149 | 0 | 0 | 70373 | (MT) |
| Fresh Dom. Consumption | 69960 | 65884 | 61852 | 0 | 65000 | 66145 | 0 | 0 | 70373 | (MT) |
| Exports, Fresh | 40 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 0 | (MT) |
| For Processing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Withdrawal From Market | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Total Distribution | 70000 | 65884 | 61852 | 0 | 65000 | 66149 | 0 | 0 | 70373 | (MT) |

Import Trade Matrix

Country Taiwan
Commodity Fresh Peaches & Nectarines

Time Period 2006-2007 Units: mt
Imports for: 2006 2007
U.S. 27934 U.S. 33342

| Others | Others |
|----------------|---------------|
| Chile 3943 | Chile 3523 |
| Australia 1022 | Australia 476 |
| Japan 360 | Japan 387 |
| New Zealand 81 | New Zealand 3 |
| Korea 4 | |

Total for Others 5410 4389
Others not Listed 0 0
Grand Total 33344 37731

| Export Trade Matrix | | | |
|----------------------------|----------------------------|------------------|-------------|
| Country | Taiwan | | |
| Commodity | Fresh Peaches & Nectarines | | |
| Time Period | 2006-2007 | Units: | MT |
| Exports for: | 2006 | | 2007 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| | | Singapore | 4 |
| | | | |
| | | | |
| | | | |
| Total for Others | 0 | | 4 |
| Others not Listed | 0 | | 0 |
| Grand Total | 0 | | 4 |

PSD Table

| Country | Taiwan | | | | | | | | | UOM |
|---------------------------|--------------------------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|--------------|
| | Commodity Fresh Plums & Prunes | | | | | | | | | |
| Commodity | 2006 Revised | | | 2007 Estimate | | | 2008 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 | 01/2006 | | 01/2006 | 01/2007 | | 01/2007 | 01/2008 | | 01/2008 | MM/YYYY |
| Area Planted | 5900 | 6140 | 11612 | 0 | 6200 | 11087 | 0 | 0 | 11087 | (HA) |
| Area Harvested | 5890 | 6000 | 10411 | 0 | 6100 | 9822 | 0 | 0 | 9645 | (HA) |
| Bearing Trees | 0 | 0 | 3370 | 0 | 0 | 3179 | 0 | 0 | 3130 | (1000 TREES) |
| Non-Bearing Trees | 0 | 0 | 353 | 0 | 0 | 382 | 0 | 0 | 420 | (1000 TREES) |
| Total Trees | 0 | 0 | 3723 | 0 | 0 | 3561 | 0 | 0 | 3550 | (1000 TREES) |
| Commercial Production | 64000 | 64000 | 74298 | 0 | 64000 | 63664 | 0 | 0 | 59281 | (MT) |
| Non-Comm. Production | 250 | 250 | 0 | 0 | 250 | 0 | 0 | 0 | 0 | (MT) |
| Production | 64250 | 64250 | 74298 | 0 | 64250 | 63664 | 0 | 0 | 59281 | (MT) |
| Imports | 17500 | 14210 | 14210 | 0 | 14000 | 8976 | 0 | 0 | 10000 | (MT) |
| Total Supply | 81750 | 78460 | 88508 | 0 | 78250 | 72640 | 0 | 0 | 69281 | (MT) |
| Fresh Dom. Consumption | 51250 | 47443 | 37877 | 0 | 45235 | 32223 | 0 | 0 | 31010 | (MT) |
| Exports, Fresh | 0 | 17 | 0 | 0 | 15 | 0 | 0 | 0 | 0 | (MT) |
| For Processing Withdrawal | 30500 | 31000 | 50631 | 0 | 33000 | 40417 | 0 | 0 | 38271 | (MT) |
| From Market | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |

Total Distribution 81750 78460 88508 0 78250 72640 0 0 69281 (MT)

Import Trade Matrix

Country Taiwan

Commodity Fresh Plums & Prunes

Time Period 2006-2007 Units: MT

Imports for: 2006 2007

U.S. 11616 U.S. 6442

| Others | | Others | |
|-----------|------|-----------|------|
| Chile | 2561 | Chile | 2525 |
| Australia | 33 | Australia | 9 |
| | | | |
| | | | |
| | | | |

Total for Others 2594 2534

Others not Listed 0 0

Grand Total 14210 8976

Export Trade Matrix

Country Taiwan

Commodity Fresh Plums & Prunes

Time Period 2006-2007 Units: MT

Exports for: 2006 2007

U.S. 0 U.S. 0

| Others | | Others | |
|--------------|------|--------|--|
| Singapore | 0.17 | | |
| South Africa | 0.06 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Total for Others 0.23 0

Others not Listed 0 0

Grand Total 0.23 0

PSD Table

Country **Taiwan**

Commodity **Fresh Cherries, (Sweet&Sour)**

(HA)(1000 TREES)(MT)

| Market Year Begin | 2006 Revised | | | 2007 Estimate | | | 2008 Forecast | | | UOM |
|------------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|--------------|
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| | 01/2006 | 01/2006 | 01/2006 | 01/2007 | 01/2007 | 01/2007 | 01/2008 | 01/2008 | 01/2008 | |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (HA) |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (HA) |
| Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 TREES) |
| Non-Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 TREES) |
| Total Trees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 TREES) |
| Comm Production | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Non-Comm. Production | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Production | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Imports | 13000 | 11974 | 11974 | 0 | 12000 | 10437 | 0 | 0 | 11500 | (MT) |
| Total Supply | 13000 | 11974 | 11974 | 0 | 12000 | 10437 | 0 | 0 | 11500 | (MT) |
| Fresh Dom. Consumption | 13000 | 11974 | 11974 | 0 | 12000 | 10437 | 0 | 0 | 11500 | (MT) |
| Exports, Fresh | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| For Processing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Withdrawal From Market | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Total Distribution | 13000 | 11974 | 11974 | 0 | 12000 | 10437 | 0 | 0 | 11500 | (MT) |

Import Trade Matrix

Country **Taiwan**

Commodity **Fresh Cherries,(Sweet&Sour)**

Time Period **2006-2007** Units: **MT**

Imports for: **2006** **2007**

U.S. **7887** U.S. **6974**

Others Others

| | | | |
|--------------------|-------------|--------------------|-------------|
| Chile | 2612 | Chile | 2422 |
| Canada | 918 | Canada | 479 |
| New Zealand | 509 | New Zealand | 338 |
| Australia | 48 | Australia | 224 |
| | | | |
| | | | |
| | | | |

Total for Others **4087** **3463**

| | | |
|-------------------|-------|-------|
| Others not Listed | 0 | 0 |
| Grand Total | 11974 | 10437 |

Export Trade Matrix

| | | | |
|-------------------|-----------------------------|-----------|------|
| Country | Taiwan | | |
| Commodity | Fresh Cherries,(Sweet&Sour) | | |
| Time Period | 2006-2007 | Units: | MT |
| Exports for: | 2006 | | 2007 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| | | Australia | 0.04 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 0 | | 0.04 |
| Others not Listed | 0 | | |
| Grand Total | 0 | | 0.04 |