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Taiwan

Stone Fruit

Annual

2007

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Report Highlights:
High export prices for stone fruit during the 2006 season cut into what promised to be another positive year for U.S. suppliers to Taiwan. While volume dropped 11 percent overall, enough consumers remained willing to pay higher prices (15~25 pct. higher than 2005 prices at retail outlets), to sustain a 7% rise in sales by value in 2006 over last year. Given improved pricing, stone fruit demand is expected to grow moderately over the next three years in value and volume. Exporters and industry associations are encouraged to target key consumer priorities in market promotions. This will help maximize market interest and support stone fruit's still privileged position in Taiwan's fruit market.

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

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 stone fruit the position of third most popular fruit category (by volume, after citrus and deciduous fruit). While Taiwan produces significant quantities of Japanese apricots, plums and peaches, they are, with the exception of the latter, channeled primarily into processed food applications. Therefore, an estimated one half of total fresh stone fruit consumption is supplied by imports.

Tight supply and robust domestic U.S. demand combined to force prices for stone fruit significantly higher during 2006, reducing imports in what could have turned into another record sales year for US peaches and cherries in Taiwan. As it was, Taiwan consumers shied away from premium-priced fruit sending overall stone fruit export volumes to Taiwan down 11 percent. Higher per-unit prices, however, increased the dollar value of sales positive by 7 percent over 2005 levels. Even given a return to more attractive pricing levels, any reduction in economic growth can be expected to impact stone fruit consumption.

The United States, with an 80 percent share of Taiwan's stone fruit imports and one quarter 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, the US share of total imports in the category should over the coming half-decade settle in at around 70 percent of an expanded "pie".

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 1/2 of its fresh, consumption of stone fruits (Japanese apricots, plums, peaches, nectarines, jujubes (Chinese dates) and cherries). Of the total 151,800 mt harvested in 2006, Japanese apricots accounted for about 36% (54,000 mt), plums for 21% (31,700 mt), jujubes for 22% (33,600 mt) and peaches and nectarines for almost 21% (32,500 mt). 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 exception of peaches) significantly from imported varieties in terms of appearance, taste and application. An estimated 80% of the annual harvest of 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 and distilled spirits.

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 Japanese 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 Japanese apricots for use in processing these snacks has helped stone fruit orchards resist, and slightly reverse, the overall 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 Japanese 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 Japanese apricots is slightly later, from March through late June.

Consumption

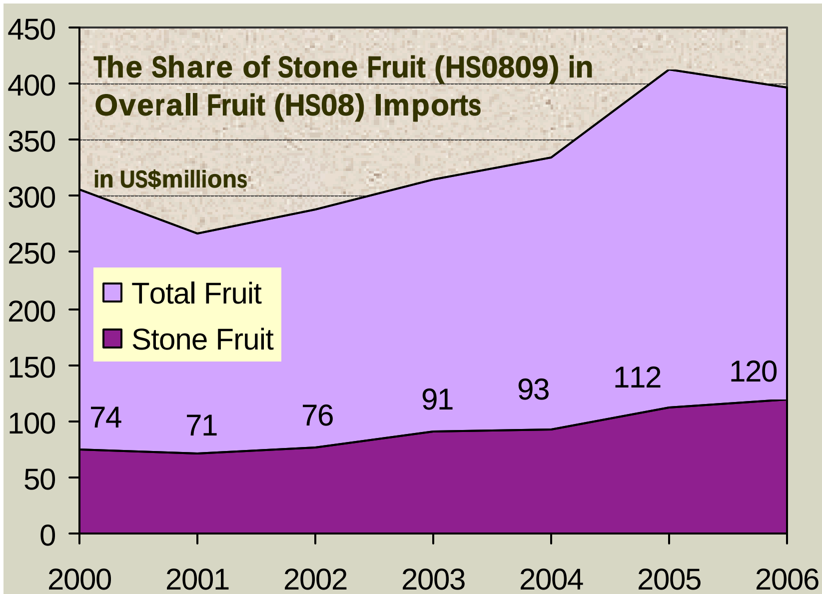
Market demand for stone fruit is well established in Taiwan, with the core market dealing in commodity varieties and a healthy periphery handling specialty stone fruit varieties (donut peaches, pluots, and super-sized Japanese gift peaches) that attract market curiosity and command premiums. In terms 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 213,577 mt of stone fruit consumed in Taiwan during 2006 represents a slight (3%) drop from 2005 levels. In terms of consumption, Taiwan should remain on a moderate upward track in stone fruit consumption averaging 3~5 percent per year over the next several years.

Increases / decreases in fresh consumption remain derived almost exclusively from imports. Such was very apparent during the 2003/2004 year with numerous poor cherry crops and the 2004/2005 year with generally poor plum 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 below, imported stone fruit accounts for 30% 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.

With the position of most stone fruit at or near the "pinnacle" of the premium fruit pyramid, it is important to keep in mind that fruit in this category is more vulnerable to variances in the general state of the economy than are staple and commodity fruits. Although not playing a perceptible factor in the current dip in consumption (largely attributed by industry to high supplier prices and sourcing issues), growing uncertainties regarding economic growth prospects, tighter government and private sector budgets for social activities / gift giving, and a general tightening of fiscal belts cannot but negatively affect growth prospects over the next three years. Negative or mixed economic performance can be expected to cancel or reverse growth for the affected year or years. Conversely, positive economic growth and political / economic stability can be expected to reflect in particularly strong demand growth for stone fruit.



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.

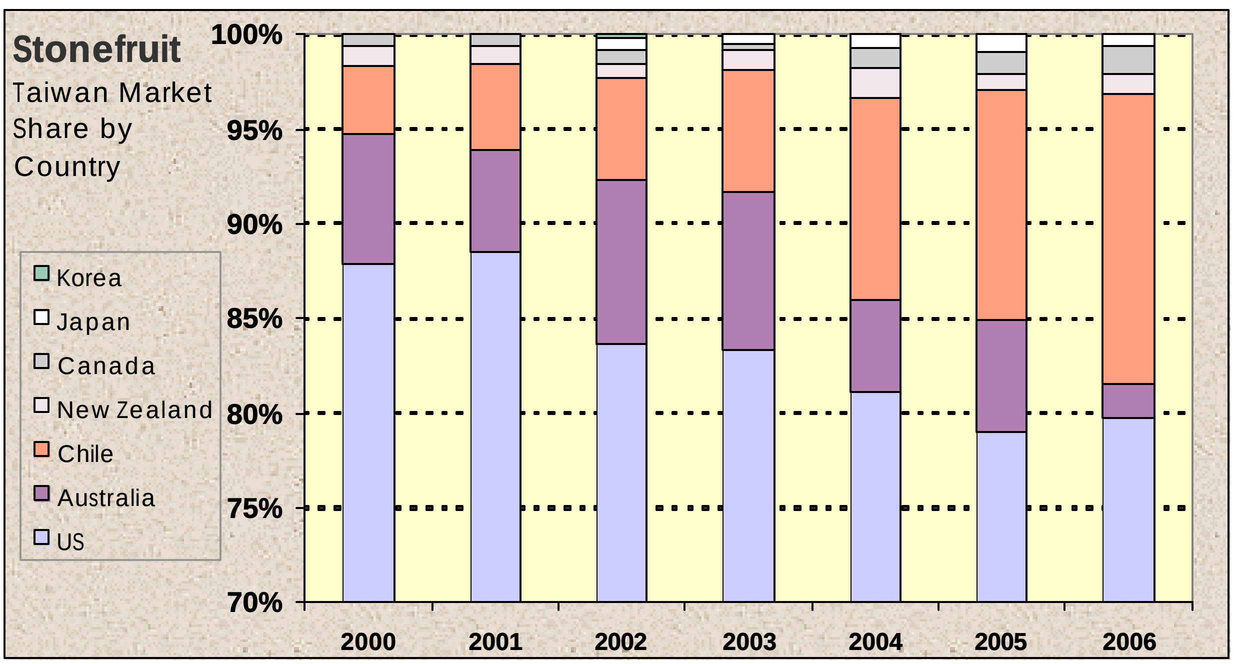
Good "Face Value"

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

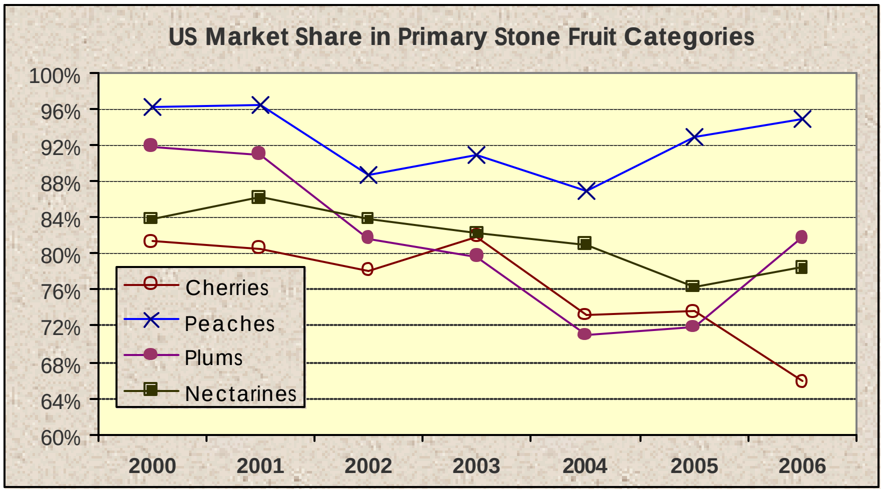
Roughly 1/3 of Taiwan's total stone fruit demand and 1/2 of total fresh stone fruit consumption, respectively, are imported. In terms of volume, nectarines represent the largest segment (38%), followed by plums (24%), cherries (20%), and peaches (18%). Taiwan imports a negligible volume of fresh apricots. Lackluster trade performance in 2006, particularly in comparison of the strong gains made in 2005, is in significant part attributable to higher world prices. White flesh peach price quotes in 2006 were 15~35% higher than 2005. Sweet cherry quotes also went as high as 20% above 2005 levels.

Northern hemisphere suppliers, with the highest initial volumes and highest prices, lost the most ground. US peach sales fell 12%, while Japan's small but premium export sales was sliced nearly in half (45%). Cherries were the one bright spot, benefiting from regular local promotion and flexible packaging on retail shelves, were the single category to maintain positive growth this year. Northern hemisphere suppliers (the United States and Canada) grew their collective imports by just under 2 percent.



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) and make significant inroads in cherries – effectively doubling its sales volume to 2,612 mt.

Over the coming three years, the United States is almost assured to remain the dominant supplier of stone fruit to the Taiwan market. 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.



Sales success by southern hemisphere suppliers, particularly Chile, is helping grow year-round demand for stone fruit while not cutting into northern hemisphere supplier markets. 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.

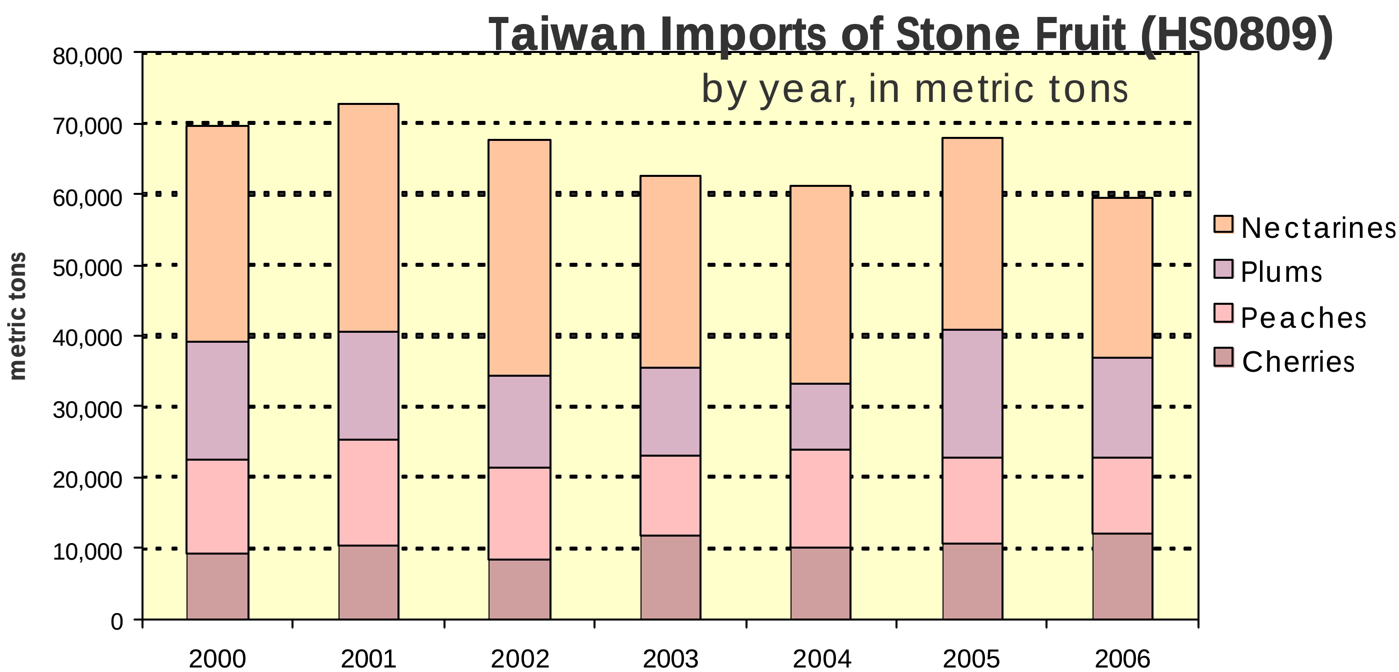
Trade and the WTO: Taiwan's entry into the WTO in 2002 (January) opened the island's stone fruit market to countries previously banned (Korea and Japan) or restricted. As shown in the table below, US market share in all categories has fallen off pre-WTO highs. While US market share has been "watered 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.

General 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 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 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

The China Factor in Competition in the Taiwan Stone Fruit Market

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.

Statistics

PSD Table

Country Taiwan

Commodity Fresh Peaches & Nectarines (HA)(1000 TREES)(MT)

	2005 Revised			2006 Estimate			2007 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		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Area Planted	0	0	2899	0	0	2942	0	0	2900	(HA)
Area Harvested	0	0	2702	0	0	2800	0	0	2800	(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)
Commercial Production	28900	30043	25,468	29000	28900	32540	0	0	30000	(MT)
Non-Comm. Production	0	0	0	0	0	0	0	0	0	(MT)
Production	28900	30043	25468	29000	28900	32540	0	0	30000	(MT)
Imports	41000	39177	39177	41000	41000	33344	0	0	35000	(MT)
Total Supply	69900	69220	64645	70000	69900	65884	0	0	65000	(MT)
Fresh Dom. Consumption	69860	69220	64645	69960	69860	65884	0	0	65000	(MT)
Exports, Fresh	40	0	0	40	40	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	69900	69220	64645	70000	69900	65884	0	0	65000	(MT)

Import Trade Matrix

Country Taiwan

Commodity Fresh Peaches & Nectarines

Time Period	2005-2006	Units:	mt
Imports for:	2005		**2006**
U.S.	31917	U.S.	27934
Others		Others	
Chile	3935	Chile	3943
Australia	2604	Australia	1022
Japan	654	Japan	360
New Zealand	54	New Zealand	81
Korea	4	Korea	4
Total for Others	7251		5410
Others not Listed	10		0
Grand Total	39178		33344

Export Trade Matrix

Country Taiwan

Commodity Fresh Peaches & Nectarines

Time Period	2005-2006	Units:	mt
Exports for:	2005		**2006**
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0

PSD Table

Country **Taiwan**

Commodity **Fresh Cherries,(Sweet&Sour)** (HA)(1000 TREES)(MT)

	2005	Revised		2006	Estimate		2007	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		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
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)
Commercial 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	12000	10588	10588	13000	12000	11974	0	0	12000	(MT)
Total Supply	12000	10588	10588	13000	12000	11974	0	0	12000	(MT)
Fresh Dom. Consumptior	12000	10588	10588	13000	12000	11974	0	0	12000	(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	12000	10588	10588	13000	12000	11974	0	0	12000	(MT)

Import Trade Matrix

Country Taiwan

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

Time Period	2005-2006	Units:	mt
Imports for:	2005		**2006**
U.S.	7788	U.S.	7887
Others		Others	
Chile	1255	Chile	2612
Canada	766	Canada	918
New Zealand	501	New Zealand	509
Australia	276	Australia	48
Total for Others	2798		4087
Others not Listed	2		0
Grand Total	10588		11974

Export Trade Matrix

Country Taiwan

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

Time Period	2005-2006	Units:	mt
Exports for:	2005		**2006**
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0

PSD Table

Country Taiwan

Commodity Fresh Plums & Prunes

(HA)(1000 TREES)(MT)

	2005 USDA Official	2005 Revised Post Estimate	2005 Post Estimate New	2006 USDA Official	2006 Estimate Post Estimate	2006 Post Estimate New	2007 USDA Official	2007 Forecast Post Estimate	2007 Post Estimate New	UOM
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Area Planted	5900	5840	5900	5900	5900	6140	0	0	6200	(HA)
Area Harvested	5890	5830	5620	5890	5890	6000	0	0	6100	(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)
Commercial Production	64000	65000	62000	64000	64000	64000	0	0	64000	(MT)
Non-Comm. Production	250	250	250	250	250	250	0	0	250	(MT)
Production	64250	65250	62250	64250	64250	64250	0	0	64250	(MT)
Imports	17500	18086	18085	17500	17500	14210	0	0	14000	(MT)
Total Supply	81750	83336	80335	81750	81750	78460	0	0	78250	(MT)
Fresh Dom. Consumptior	51250	53336	51617	51250	51250	47443	0	0	45235	(MT)
Exports, Fresh	0	0	18	0	0	17	0	0	15	(MT)
For Processing	30500	30000	28700	30500	30500	31000	0	0	33000	(MT)
Withdrawal From Market	0	0	0	0	0	0	0	0	0	(MT)
Total Distribution	81750	83336	80335	81750	81750	78460	0	0	78250	(MT)

Import Trade Matrix

Country Taiwan

Commodity Fresh Plums & Prunes

Time Period	2005-2006	Units:	mt
Imports for:	2005		**2006**
U.S.	14181	U.S.	11616
Others		Others	
Chile	2873	Chile	2561
Australia	1031	Australia	33
Total for Others	3904		2594
Others not Listed	0		0
Grand Total	18085		14210

Export Trade Matrix

Country Taiwan

Commodity Fresh Plums & Prunes

Time Period	2005-2006	Units:	mt
Exports for:	2005		**2006**
U.S.	0	U.S.	17
Others		Others	
Hong Kong	18	Hong Kong	0
Total for Others	18		0
Others not Listed	0		0
Grand Total	18		17