

Required Report: Required - Public Distribution

Date: November 19,2019

Report Number: TW2019-0028

Report Name: Fresh Deciduous Fruit Annual

Country: Taiwan

Post: Taipei

Report Category: Fresh Deciduous Fruit

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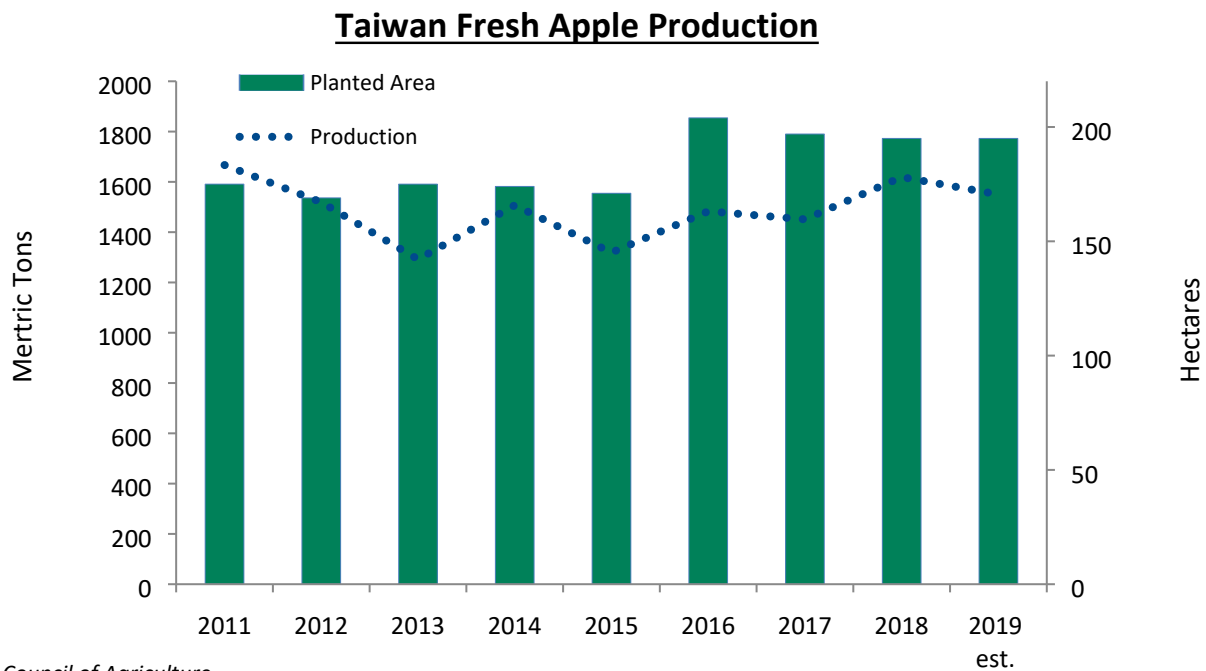
Report Highlights:

Taiwan's total apple imports are forecast to increase to 145,000 metric tons (MT) in marketing year (MY) 2019/20, as imports return to normal levels following the substitution effect in MY 2018/19 due to large domestic fruit production. U.S. apple imports are forecasted to end MY 2019/20 higher at 47,000 MT on increased production and availability in Washington State, which is the origin of over 95 percent of Taiwan's U.S. apple imports. In MY 2018/19, U.S. exports slipped 14 percent to 42,303 MT and this allowed Chile to maintain its position as the leading supplier for a second straight year. Japan surpassed New Zealand as the third largest exporter at 21,396 MT in MY 2018/19 due to its expanding dominance in the premium variety segment.

Commodity: Apples

Production:

Taiwan's total apple consumption relies heavily on imports given small domestic production. Taiwan's main growing areas are in its mountainous central region around Taichung City and Nantou County. Taichung City accounts for almost 75 percent of all domestic production. The main domestic varieties include Fuji, Five Paw, Gold Crown, and Honey. Honey is the most famous local apple varietal but is only grown on farms near Fushou and Li mountains in Taichung at elevations above 1,000 meters. Honey apples get their name from the practice of allowing them to freeze on the tree prior to harvest, creating an apple that is high in sugars, low in acid and tastes like honey. Taiwan's apple harvest season runs from September to December. Farmers have begun to hold promotional activities during the harvest season, including pick-your-own harvests open to the general public and e-commerce giftbox promotions.



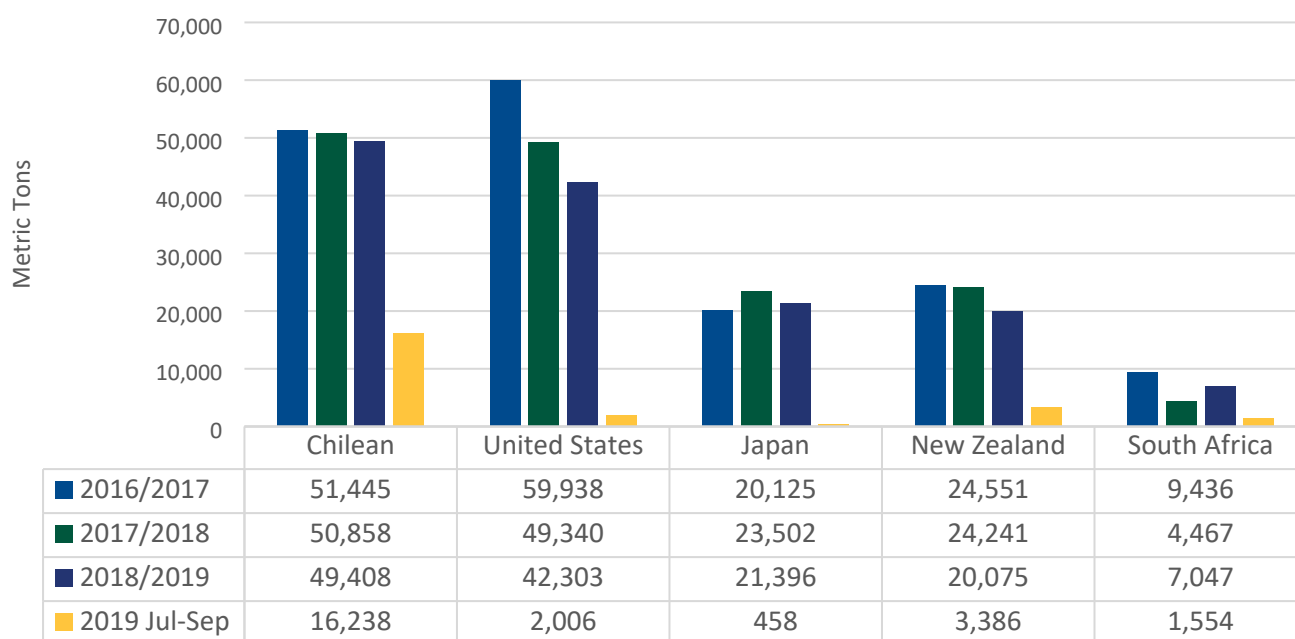
Source: Council of Agriculture

Production of apples in MY 2019/20 is forecasted slightly lower at 1,550 MT due to minor weather anomalies that also affected peach production. Local producers report a crop that is roughly the same size in quantity but had issues in setting and finishing. Total planted area in MY 2018/19 is at 195 hectares and ending production has been revised higher to 1,619 MT due to no major typhoon damage and recovering 2018 production. Domestic apple production supplies less than one percent of total consumption.

Trade & Consumption:

In MY 2018/19, Taiwan's total apple imports fell by 8 percent to 142,356 MT. Chilean apple imports fell three percent but remained the largest origin at 49,408 MT in MY 2018/19. The United States dropped 14 percent to 42,303 MT due to low production. Japan's exports fell nine percent to 21,396 MT in MY 2018/19 but surpassed New Zealand as the third largest origin due to its expanding dominance of premium varieties.

Taiwan Apple Imports By Origin



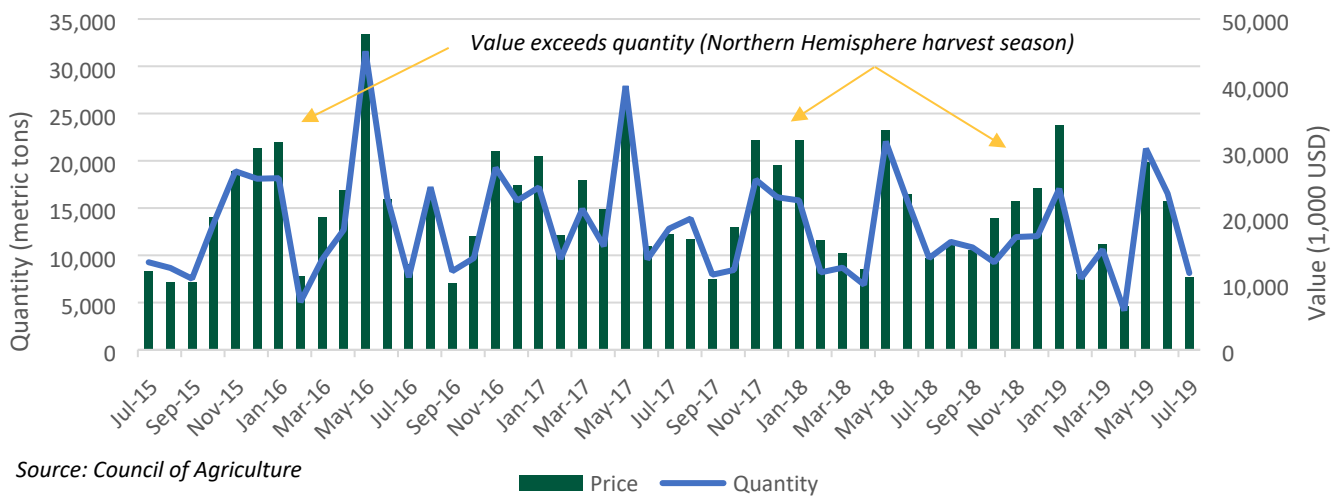
MY	Total Imports		Imports from United States		U.S. Market Share (by value) Percentage
	MT	USD (millions)	MT	USD (millions)	
2016/2017	168,109	265	59,939	85	32
2017/2018	154,625	255	49,340	66	26
2018/2019	142,356	230	42,303	59	26

Source: Taiwan Ministry of Finance

Fuji and Gala are still the most common varieties based on total apple imports but both price and varieties drive purchasing decisions. Marketing is a key feature in the consumer apple market. For

example, Washington apples are marketed as crunchy and juicy, with organic niche apples identified as having an enhanced flavor. Japanese apples target the premium market and often come in decorated gift boxes. Chilean apples are the outlier and compete primarily on price. This is observable in the seasonality of Taiwan apples imports, with Chilean harvest pressure in May driving up the quantity of imported apples at the same time as comparative import value falls. The opposite seasonal effect is viewable in the Northern Hemisphere’s harvest period, when average price rises steeply and apples are marketed as gifts around major Taiwan holidays.

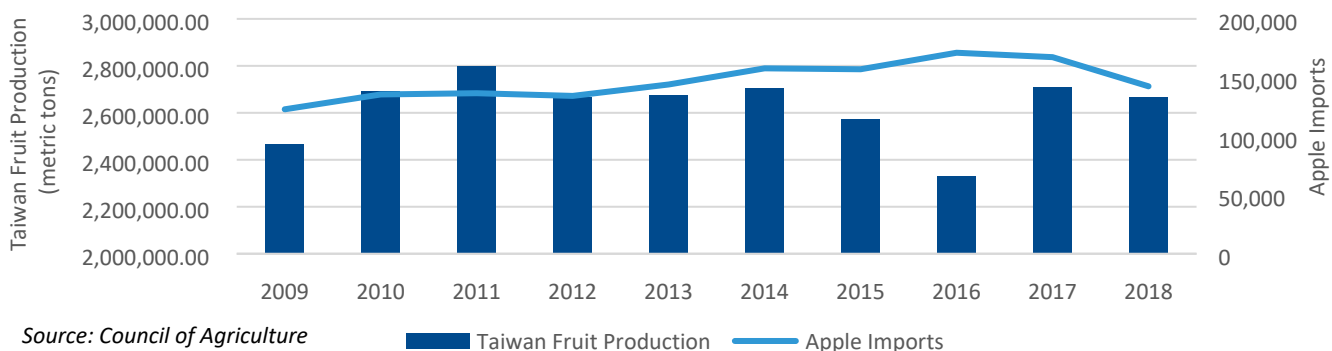
Seasonality of Taiwan Apple Imports (2015-2019)



Source: Council of Agriculture

In 2016, due to the adverse weather anomalies, Taiwan’s total fruit production fell ten percent to 2.3 million MT (MMT). In subsequent years Taiwan’s total fruit production has recovered, ending 2018 at 2.7 MMT. According to Council of Agriculture (COA) statistics, while domestic fruit production expanded, total consumption of apples fell eight percent to 143,975 MT in MY 2018/19. U.S. apples imports have become a victim of the substitution effect as recovering domestic production depresses demand for all imported fruit. As the market finds a new equilibrium, U.S. apple exports to Taiwan are forecast to increase to 47,000 MT in MY 2019/20 as the market responds to four percent growth in Washington State production. Washington State apples account for over 95 percent of U.S. apple exports to Taiwan and nearly five percent of Washington State apples go the organic market. Total apple imports in 2019/20 are forecast at 145,000 MT.

Substitution Effect on Apple Imports



Source: Council of Agriculture

Marketing:

Hypermarkets and supermarkets represent nearly 70 percent of all apple retail sales and are expected to rise due to increasing customer preference for convenience. These major channels supply Gala, Fuji, and premium Japanese varieties, such as Toki. Instead of distributing to wholesale chains, importers recently began to market through major online shopping channels, which are promoted through social media. Domestic apple distributors have also adopted social media to promote products and gift boxes during harvest season.

Policy:

Import Tariffs

Fresh apples (Harmonized code 080810) from Panama, New Zealand, and Singapore are duty-free according to trade agreements with Taiwan, effective in 2004, 2013, and 2014 respectively. Import tariff on apples from Guatemala are at 2.6 percent; Nicaragua, El Salvador, and Honduras face a 5.3 percent tariff based on previous negotiations with Taiwan authorities. All other countries face a 20 percent tariff on apple imports, including the United States. New Zealand, faced with zero tariffs, is well positioned to maintain its market share in the coming years.

General Phytosanitary Requirements

Food and fresh produce imports are regulated by the Taiwan Food and Drug Administration (TFDA) under the Ministry of Health and Welfare (MOHW) and the Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ), collectively under COA. TFDA is responsible for food safety and BAPHIQ oversees animal and plant health quarantine.

Fresh apples from the United States are subjected to BAPHIQ's Quarantine Requirements for the Importation of Fresh Apples from The United States. This rule prescribes relevant requirements for export, including the requirement that U.S. apple exports be accompanied by an Animal and Plant Health Inspection Service (APHIS) issued phytosanitary certificate (PPQ Form 577). A phytosanitary certificate can be issued by designated APHIS personnel or APHIS-authorized State and County authorities. Other phytosanitary certificates for shipments of U.S.-origin fresh fruit are no longer accepted by Taiwan plant health regulatory authorities.

On October 29, 2019, BAPHIQ formally amended Taiwan's "Quarantine Requirements for the Importation of Fresh Apples from the United States", which was previously notified to the WTO as TPKM/SPS/475, and extended the timeframe for apple shipments to depart U.S. ports from 14 days to 30 days after phytosanitary inspection. This amendment provides U.S. exporters with more flexibility in finalizing logistics and scheduling shipments in increasingly busy port environments on the U.S. West Coast.

Food Safety regulation

TFDA is the competent authority responsible for border and food safety inspection. TFDA regularly inspects shipments at the port and closely monitors food products for pesticide and heavy metal residues. Taiwan maximum residue limits (MRLs) sometimes differ from those established in the United States or by international standard-setting bodies. For pesticide/crop combinations where Taiwan has not yet set a standard, the default standard is 0.01 parts per million. TFDA's regulation "Pesticide Residue Limits in Food" lists allowable residue tolerances in fruit and vegetables. Standards for heavy metals are listed in TFDA's Standard for the Tolerance of Heavy Metals in Plant Origin.

If fresh produce is selected for testing, the importer can apply for a special dispensation with TFDA to have the products temporarily released to the importer's warehouse. The cargo cannot enter commerce until it passes all required testing. Noncompliance with Taiwan standards will result in the product being refused entry or ordered destroyed.

Attachments:

No Attachments

Production, Supply and Demand Data:

Apples, Fresh	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul-17		Jul-18		Jul-19	
Taiwan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	200	197	200	195		195
Area Harvested	200	196	200	194		195
Bearing Trees	63	70	70	70		70
Non-Bearing Trees	0	0	0	0		0
Total Trees	63	70	70	70		70
Commercial Production	1,500	1,451	1,500	1,619		1,550
Non-Comm. Production	0	0	0	0		0
Production	1,500	1,451	1,500	1,619		1,550
Imports	165,000	154,625	160,000	142,356		145,000
Total Supply	166,500	156,076	161,500	143,975		146,550
Fresh Dom. Consumption	166,500	156,076	161,500	143,975		146,550
Exports	0	0	0	0		0
For Processing	0	0	0	0		0
Withdrawal from Market	0	0	0	0		0
Total Distribution	166,500	156,076	161,500	143,975		146,550
(HA), (1000 TREES), (MT)						

Source: Taiwan Council of Agriculture; Taiwan Ministry of Finance