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Fresh Deciduous Fruit

Japanese Traders Expect to Take Cautious Approach on New U.S. Apple Varieties

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Report Highlights:

The Ministry of Agriculture recently announced it will lift its ban on five varieties of U.S. apples (Braeburn, Fuji, Gala, Granny Smith, Jonagold) beginning with the fall, 1999 crop. Given the size of Japan's apple market (wholesale sales exceeded $1.5 billion in 1997), and competitiveness of U.S. industry, long-term sales potential for the new varieties is considered significant. However, a major challenge for U.S. apple marketers will be to provide products that meet consumer's high quality expectations at a competitive price. Japanese traders are expected to proceed cautiously, with initial imports forecast much lower than sales experienced after the liberalization of U.S. Red and Golden Delicious in January, 1995.

Includes PSD changes: No
Includes Trade Matrix: No
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Japanese Traders Expect to Take Cautious Approach on New U.S. Apple Varieties

Prospects for the resumption of U.S. apple exports to Japan received a strong boost recently when the Ministry of Agriculture announced it will lift its ban on five U.S. varieties (Braeburn, Fuji, Gala, Granny Smith, and Jonagold), beginning with the fall, 1999 crop. Imports of U.S. apples ceased after the 1996-97 marketing season, due to poor consumer acceptance of the two varieties approved to-date (Red and Golden Delicious). Traders say the recently approved varieties stand a better chance of achieving consumer acceptance than Red Delicious, which is considered an outdated variety, with local production down more than 90 percent since peak production in the mid-1970s.

However, while long-term sales opportunities for the new varieties could be significant, traders expect initial demand will be much lower than sales experienced with the market opening of U.S. apples in January, 1995 (sales of Red Delicious in the first month reached 400,000 cartons, but dropped sharply shortly after due to poor consumer demand). Given the poor sales history of imported apples to-date, and the tenuous financial position of many traders due to the weakened economy (making them unwilling and/or unable to risk losses from unsold fruit), many buyers expect to take a “wait and see” approach, or purchase limited volumes to test marketability prior to committing to a major buy.

Buyers to Look Closely at U.S. Fujis

Due to broad consumer acceptance of Fuji in Japan (Fujis account for over half of total apple sales), trader interest among the five liberalized varieties is highest for Fuji. As consumer demand for value in Japan has grown due to the weakened economy, market potential for a low-cost, high-quality Fuji apple is enormous.

However, retailers caution that Japanese consumer’s high quality expectations and strong preference for local products combine to create an extremely difficult environment for foreign apples marketed in direct competition with local product. In fact, many retailers maintain that even assuming equivalent quality (in terms of “freshness” and taste), potential marketability of U.S. apples dims significantly if the retail price differential relative to the lowest priced local competitor is less than 30-40 percent. The cheapest local apple in Japanese supermarkets this year is a cosmetically imperfect but good-tasting Fuji, retailing from between 80-100 yen/piece (size M)

New Varieties Not Grown in Japan May Offer the Most Potential Long-term

Given the difficulty in competing head-to-head with local apples, some traders suggest the greatest competitive advantage of the U.S. apple industry may be its ability to ship numerous apple varieties not grown in Japan. While consumer acceptance of varieties such as Granny Smith, Braeburn, and Gala is unknown, willingness to try new fruit varieties is very high in Japan. In fact, many produce merchandisers are working to expand the number of items and varieties available in order to attract consumers. As a result, the number of new produce items in Japan expands every year despite declining fresh produce consumption overall.

To clearly distinguish U.S. apples as a separate product from local competitors, one major apple distributor

recommends marketing limited volumes of all new varieties in the first year, along with promotions highlighting the “American Way” of eating apples (i.e. as a snack without peeling).
Domestic Production Down Slightly in 1998-99, Prices Higher

Domestic apple production has remained mostly steady through the 1990s at just under 1,000,000 tons. In 1998-99, total shipments are forecast to decline 3 percent to under 900,000 tons. The following are forecast shipments by variety, and average monthly retail prices for Fuji, through January, 1999:

Japanese Fresh Apple Shipments
(Metric Tons)

VARIETY	1997-98	1998-99*	%change
Fuji	467,422	453,400	-3
Tsugaru	124,329	120,600	-3
Jonagold	71,600	78,000	+9
Ohrin	79,485	77,100	-3
Mutsu	25,410	24,900	-2
Hokuto	20,210	21,500	+6
Senshu	19,381	18,800	-3
Red Delicious	13,331	12,000	-10
TOTAL	892,886	866,100	-3

*forecast
Source: Ministry of Agriculture, Forestry and Fisheries (MAFF)

Japanese Average Monthly Fresh Apple Prices (Fuji)
Retail (yen/kg)
1996-1999

	1996	1997	1998	**1999**
Jan	433	487	447	509
Feb	443	500	436	
Mar	464	521	431	
Apr	510	527	428	
May	543	529	454	
Jun	553	542	494	
Jul	.....	.....	.....	
Aug	.....	.....	.....	
Sep	.....	.....	.....	
Oct	.....	.....	.....	
Nov	480	470	583	
Dec	462	401	506	

Source: Management and Coordination Agency, GOJ