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Taiwan

Stone Fruit Annual

Peaches/Nectarines, Cherries

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Report Highlights:

Taiwan continued to be an important market for U.S. stone fruit, the number two export market for U.S. peaches/nectarines, and the number three export market for U.S. cherries in 2009. Stone fruit (cherries, peaches/nectarines, plums/prunes, and apricots) 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 profitable.

Executive Summary:

Peaches/Nectarines: The United States continued to dominate the Taiwan peach/nectarine import market accounting for 81 percent of Taiwan's total fresh peach/nectarine imports (24,312 metric tons (mt) or nearly US\$43 million) in 2009. The U.S. peach/nectarine exports to Taiwan decreased 35% in volume while world exports to Taiwan decreased 28% during the 2009 season. Currently, the United States supplies nearly 37% of Taiwan's consumption. The direct competitors in the market were mainly local peaches/nectarines with 28,838 metric tons harvested in 2009.

Cherries: Taiwan does not produce cherries. Thus 100% of this variety is imported. U.S. cherry exports to Taiwan increased 46% in volume while world exports to Taiwan (12,229 mt) increased 21% during the 2009 season. Currently, the United States continued to dominate the Taiwan cherry import market accounting for 64% of Taiwan's total cherry imports. The entry of major Southern Hemisphere suppliers, i.e. Chile, Australia, and New Zealand has shifted some market share away from U.S. suppliers in recent years.

Peaches/Nectarines and Cherries: The United States, with an 81% share of Taiwan's peaches/nectarine imports and 64% of cherry imports, will remain the largest supplier of these stone fruit varieties to the Taiwan market into the foreseeable future. Currently, China is excluded from the market for peaches/nectarines and cherries due to lack of market access and/or phytosanitary protocols.



Taiwan's supermarket sells California stone fruits

Due to Taiwan's year-long and 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. The people of Taiwan 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). Imported peaches and cherries are one of the most popular gift items included in these packages.

In Taiwan, it is estimated that 20-25% of fresh fruit is purchased in modern retail outlets, with hypermarkets being the most popular store format. These retail chains regularly conduct U.S. fruit promotions, with even lower prices than wet market retailers, to draw consumers into their stores. Traditional wet markets account for 50%-60% of total fresh fruit sales while fruit specialty stores have around 20% retail market share. Recently, non-store retailing has been driven by home shopping and TV/internet shopping channels, accounting for approx. 5% of total fruit retail sales and is expected to continue to grow over the next few years.

Commodities:

Fresh Peaches & Nectarines

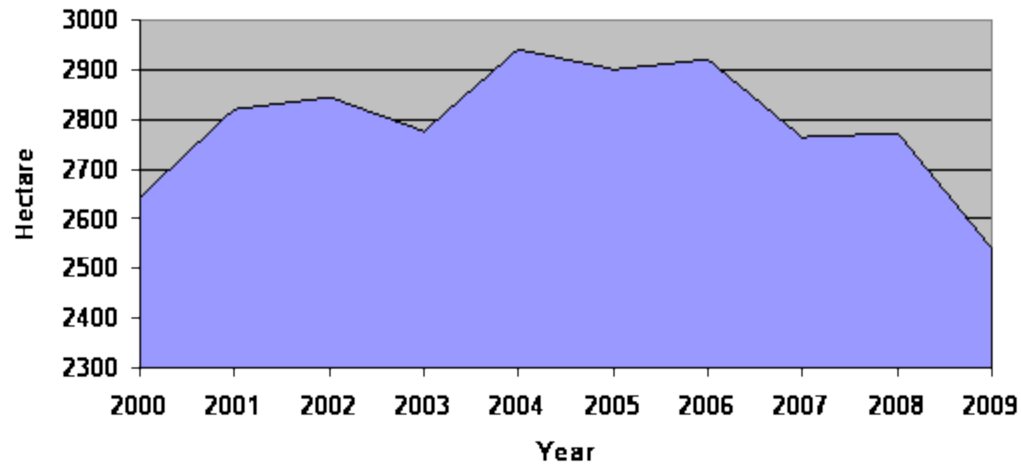
Production:

In 2009, Taiwan peach & nectarine production totaled 28,838 metric tons, a nearly two percent decrease from the previous year. In August 2009, Taiwan was hit by tropical storm Morakot, which brought historic severe floodwaters and mudslides to Southern Taiwan. Agricultural losses reportedly reached over US\$400 million. Seasonal fruits like bananas, papayas, guavas, longan, and litchi suffered severe damage. However, since the majority of peaches/nectarines are grown in the Northern and central part of Taiwan, the impact of Typhoon Morakot on peach/nectarine production was limited for 2009.

Taiwan Council of Agriculture (COA) predicted that the production of peaches/nectarines was expected to reach 31,643 metric tons (2,438 hectares) for 2010, a ten percent rise from 2009. This is mainly attributed to a reported increase in peach/nectarine harvest in Central Taiwan, the largest growing area that accounts for nearly 55% of harvest area in Taiwan. The Northern part of Taiwan, however, was expected to reduce production in 2010, due to the abolishment of some farm lands and aging of peach/nectarine trees in the area.

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

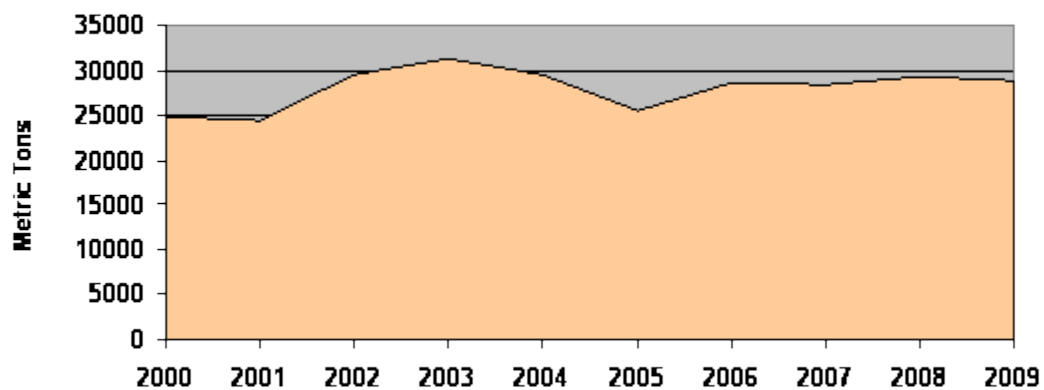
AREA PLANTED - Peaches & Nectarines



Area Planted – Peaches & Nectarines

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Hectare	2,643	2,821	2,845	2,776	2,942	2,899	2,919	2,765	2,772	2,542

PRODUCTION - Peaches & Nectarines



Source: Taiwan Council of Agriculture

Production - Peaches & Nectarines

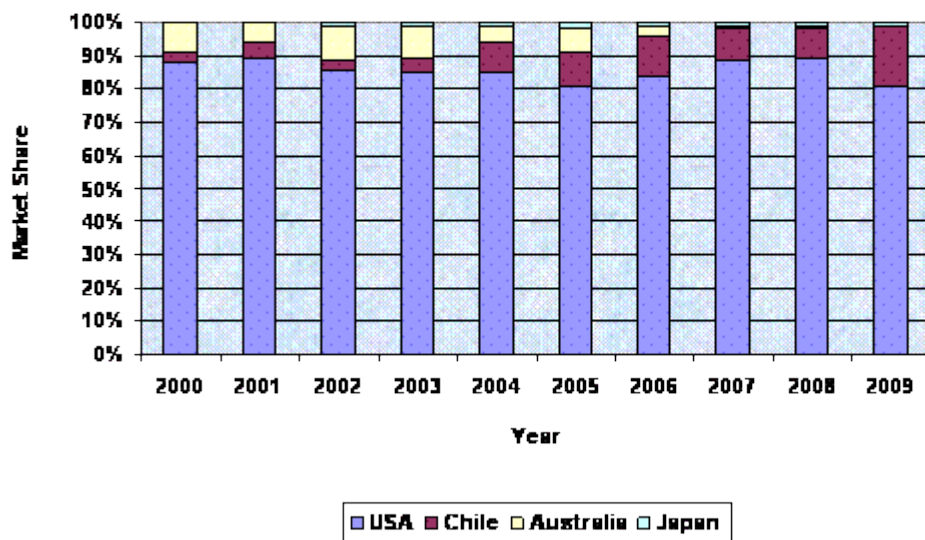
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Tons	24,919	24,267	29,366	31,265	29,482	25,468	28,508	28,435	29,329	28,838

Trade:

In 2009, Taiwan imported a total of 24,312 metric tons or nearly US\$43 million worth of peaches and nectarines, a 28% decrease in terms of volume and a nearly 14% decrease in terms of value from the previous year. The United States had the largest market share (81%), followed by Chile (18%), Japan (1%), and Australia (0.2%). U.S. peach & nectarine imports dropped 35% in 2009. All other major suppliers also posted a negative growth in this category except Chile that posted a 44% increase in import sales in 2009. Japan peaches, with 300-500 metric tons per season entering into Taiwan, have not created a threat to U.S. peaches. In 2009, the U.S. direct competitors in the market were mainly local peaches. During that time Taiwan harvested 28,838 metric tons. 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 U.S.).

Trade analysts predicted that peach/nectarine imports will further decline by 10% reaching 2,200 mt min 2010. The reduction in import sales is in part a result of an abundant harvest of local summer fruits (mangoes, litchis, pineapples, papayas, and peaches) in 2010. Industry sources indicated that the higher fumigation rate for early (May-June 2010) air-freighted peach imports and the unsatisfactory peach shipments imported into Taiwan in July have made many leading importers more conservative when placing orders.

Trends in Market Share by Country Fresh Peaches & Nectarines



Taiwan Fresh Peach/Nectarine Imports (Metric Tons)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Imports	43,738	46,971	45,928	38,559	40,263	39,178	33,344	37,730	33,875	24,312
US Imports	38,327	42,013	39,147	32,731	34,311	31,917	27,934	33,342	30,252	19,571
US Mkt Share	88%	89%	85%	85%	85%	81%	84%	88%	89%	81%

Production, Supply and Demand Data Statistics:

Fresh Peaches & Nectarines Taiwan	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	2,772	2,765	0	2,600		2,542			2,500
Area Harvested	2,686	2,693	0	2,533		2,483			2,438
Bearing Trees	943	930	0	870		887			893
Non-Bearing Trees	33	50	0	40		21			22
Total Trees	976	980	0	910		908			915
Commercial Production	29,329	30,373	0	30,373		28,838			31,643
Non-Comm. Production	0	0	0	0		0			0
Production	29,329	30,373	0	30,373		28,838			31,643
Imports	33,876	40,000	0	34,000		24,312			22,000
Total Supply	63,205	70,373	0	64,373		53,150			53,643
Fresh Dom. Consumption	63,205	70,373	0	64,373		53,150			53,643
Exports	0	0	0	0		0			0
For Processing	0	0	0	0		0			0
Withdrawal From Market	0	0	0	0		0			0
Total Distribution	63,205	70,373	0	64,373		53,150			53,643
TS=TD			0			0			0

Import Trade Matrix			
Country	Taiwan		
Commodity	Fresh Peaches & Nectarines		
Time Period	2008-2009	Units:	MT
Import for:	2008		2009
U.S.	30,252	U.S.	19,571

Others		Others	
Chile	3,044	Chile	4,380
Japan	406	Japan	304
Australia	173	Australia	56
Canada	1	Canada	0
Total for Others	3,624		4,740
Others not Listed	0		0
Grand Total	33,876		24,312

Export Trade Matrix			
Country		Taiwan	
Commodity		Fresh Peaches & Nectarines	
Time Period	2008-2009	Units:	MT
Exports for:	2008		2009
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0

Commodities:

Fresh Cherries,(Sweet&Sour)

Production:

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

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 people of Taiwan will pay a premium

price for the largest cherries. Although the majority (50%-60%) of fresh fruits 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 one of the most popular gift pack items in Taiwan. Cherries with 9.5-10 rows are preferred by Taiwanese consumers.



More cherries are now sold in supermarkets



Majority of fresh fruits are sold in traditional markets

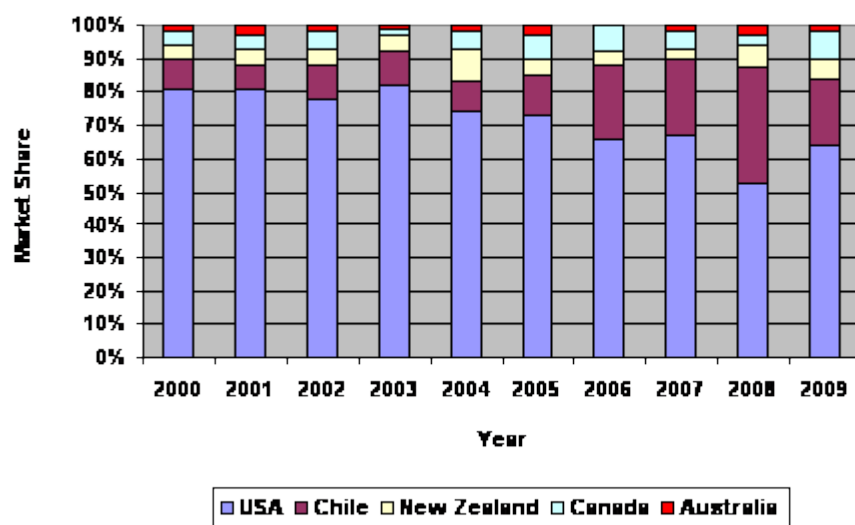
Trade:

Fresh cherry imports into Taiwan increased 21% in volume and increased approximately 3% in value during the 2009 season to reach 1,229 mt worth US\$63.50 million. The United States continued to be the leading supplier with 64% of the market, followed by Chile (20%), Canada (8%), New Zealand (6%), and Australia (2%). As shown in the table below, the U.S. market share began a downward trend in 2002 when Taiwan joined the WTO. The entry of Southern Hemisphere suppliers, e.g. Chile, New Zealand, and Australia, has shifted some market share away from U.S. suppliers. Chile continued to be the second largest supplier in 2009 although trade data showed a significant 32% drop in volume in 2009. Taiwan has permitted the imports of fresh cherries from China since 2002. These imports have not yet made an impact on the market due to quality issues, and importer concerns regarding consumer acceptance of Chinese cherries.

Industry sources indicated that Taiwan cherry imports are expected to decrease by an estimated 30% for 2010. The reduction in imports is in part the higher costs resulting from the decrease in harvest in the United States, the largest supplier of the Taiwan market. Other factors that impacted the imports included Taiwan's strict MRL (maximum residue levels) standards that have lowered consumer's confidence in the imported fruits, the slow economy, and an abundant harvest of local summer fruits. The trend is that many Taiwan fruit importers are paying more attention on the China market. These Taiwan importers now import fruits not only for Taiwan but also for the China market. Many of them have set up branch offices in China to handle shipments entering the market through their headquarter offices in Taiwan. In 2010, more cherry shipments have been shipped into China from the U.S. through these Taiwan importers.

Trends in Market Share by Country

Cherries



Taiwan Fresh Cherry Imports (Metric Tons)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Imports	9,105	10,421	8,486	11,806	9,881	10,588	11,974	10,438	10,127	12,229
US Imports	7,405	8,397	6,631	9,672	7,325	7,788	7,887	6,974	5,339	7,817
US Mkt Share	81%	81%	78%	82%	74%	74%	66%	67%	53%	64%

Policy:

General Phytosanitary Requirements

Taiwan subjects stone fruit imports to an inspection based on three basic laws: the Food Safety Management Act, Food Safety Management Regulations, and Maximum Residue Level Standards.

Taiwan currently bans imports of stone fruit from some countries with various pests. Imports of stone fruits from the United States require a phytosanitary certificate of origin issued by Plant Protection & Quarantine Program (PPQ) of the Animal & Plant Health Inspection Service, USDA stating that the fruit has been inspected and found free from relevant pests, depending on fruit variety.

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 a 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 announcements 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-term threat to US market share, is not considered a factor in current market competition.

Production, Supply and Demand Data Statistics:

Fresh Cherries,(Sweet&Sour) Taiwan	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	0			0		0			0
Area Harvested	0			0		0			0
Bearing Trees	0			0		0			0
Non-Bearing Trees	0			0		0			0
Total Trees	0		0	0		0			0
Commercial Production	0			0		0			0
Non-Comm. Production	0			0		0			0
Production	0		0	0		0			0
Imports	10,127			11,000		12,229			8,600
Total Supply	10,127		0	11,000		12,229			8,600
Fresh Dom. Consumption	10,127			11,000		12,229			8,600
Exports	0			0		0			0
For Processing	0			0		0			0
Withdrawal From Market	0			0		0			0
Total Distribution	10,127		0	11,000		12,229			8,600
TS=TD			0			0			0

Import Trade Matrix			
Country		Taiwan	
Commodity		Fresh Cherries (Sweet & Sour) Nectarines	
Time Period	2008-2009	Units:	MT
Import for:	2008		2009
U.S.	5,339	U.S.	7,817
Others		Others	
Chile	3,533	Chile	2,415
Canada	281	Canada	975
New Zealand	668	New Zealand	730
Australia	305	Australia	291

Japan	0	Japan	1
Total for Others	4,787		4,412
Others not Listed	0		0
Grand Total	10,127		12,229