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Report Highlights:

Japan's MY 2020/21 cherry production rebounds, while unfavorable weather conditions reduce peach harvest. U.S. sweet cherry exports to Japan are expected to increase as Japan lowers tariffs under the U.S.-Japan Trade Agreement. COVID-19 travel restrictions diversify stone fruit distribution channels, while demand remains steady.

Cherries:

PS&D

Cherries (Sweet & Sour), Fresh	2018/2019		2019/2020		2020/2021	
Market Year Begins	Apr 2018		Apr 2019		Apr 2020	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	4700	4690	4730	4685	0	4680
Area Harvested (HA)	4350	4350	4340	4320	0	4300
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total Trees (1000 TREES)	0	0	0	0	0	0
Commercial Production (MT)	16200	16200	15200	14400	0	15000
Non-Comm. Production (MT)	1900	1900	1800	1700	0	2000
Production (MT)	18100	18100	17000	16100	0	17000
Imports (MT)	3300	3285	5000	4152	0	4200
Total Supply (MT)	21400	21385	22000	20252	0	21200
Dom. Consumption (MT)	21400	21384	22000	20251	0	21199
Exports (MT)	0	1	0	1	0	1
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	21400	21385	22000	20252	0	21200
(HA) ,(1000 TREES) ,(MT)						

Crop Area

Japan's crop area for cherries continues a steady gradual decline due to aging farmers and a lack of successors. Since reaching its peak area harvested in marketing year (MY) 2008/09, Japan's area harvested for sweet cherries has contracted approximately 0.4 percent a year. Based on this trend, FAS/Tokyo forecasts MY 2020/21 planted area at 4,680 hectares (ha) and MY 2020/21 harvested area at 4,300 ha. Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) reported MY 2018/19 and MY 2019/20 areas harvested for sweet cherries as 4,350 ha and 4,320 ha, respectively. FAS/Tokyo estimated area planted from MAFF's official data on planted area (published every 5 years) and harvested area (updated annually), as well as information from industry sources.

Pursuant to the 1961 "Act on Special Measures concerning Promotion of Fruit- growing Industry" (available only in Japanese), MAFF issues a national basic plan every five years that sets the national target for the fruit tree crop, including sweet cherry, planted area for the next ten years. Based on the national basic plan, each prefecture sets its target for cherry planted area and develops a fruit promotion plan. In the last national basic plan published on April 30, 2020, MAFF lowered the national 2030 target to 4,640 ha or 1.1 percent down from the actual 2018 acreage of 4,690 ha.

Given the recent release of the 2020 national basic plan, the latest available prefectural plans are based on the 2015 national basic plan. The 2017 basic plan of Yamagata prefecture, which produces nearly three-quarters of Japan's sweet cherries, set its 2020 cherry acreage target at 3,100 ha, a 1.3 percent decrease from its 2014 acreage.

The Yamagata prefectural plan also indicates a varietal shift. In 2014, 2,273 ha or 72 percent of Yamagata cherry acreage was dedicated to "*Sato-nishiki*," the most common domestically produced sweet cherry variety. By 2020, Yamagata aimed to reduce the "*Sato-nishiki*" acreage to 2,100 ha or

67.7 percent of the total prefectural cherry acreage. On the other hand, Yamagata set a 500 ha or 16.1 percent 2020 target for "*Benishuho*," a late-maturing variety with larger and hardier fruit. In 2014, "*Benishuho*" acreage in Yamagata represented 14 percent or 427 ha. The varietal shift indicates efforts to extend the season of the domestically produced sweet cherry.

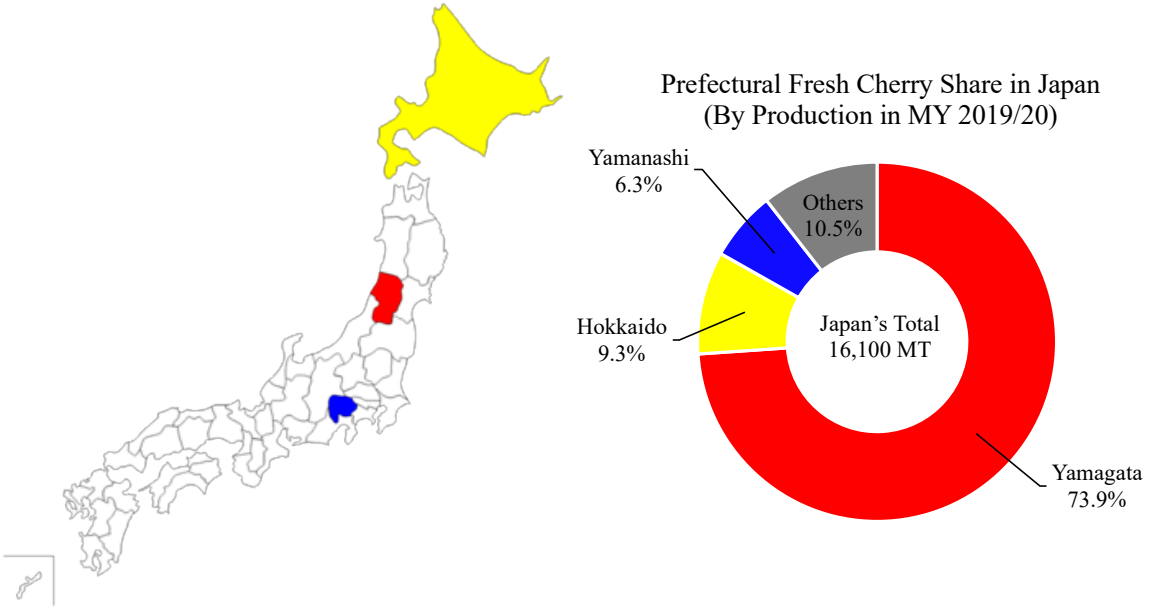
Production

Nearly 90 percent of Japan's sweet cherries are grown in three prefectures: Yamagata, Hokkaido and Yamanashi (Figure 1). Following a warm winter and increased cherry flowering across the three key prefectures, FAS/Tokyo forecasts MY 2020/21 production to reach 17,000 MT, a 5.6 percent increase over MY 2019/20. Nevertheless, due to acreage declines and higher than pollinator-optimal temperatures during the flowering phase, FAS/Tokyo estimates MY 2020/21 production 9 percent below the recent MY 2009/10 – MY 2018/19 average of 18,670 MT.

Japan's MY 2019/20 total production fell 11 percent to 16,100 MT from 18,100 MT in MY 2018/19 due to reduced pollinator activity in Yamagata, following high precipitation and low average temperatures during the flowering season (late April-early May). Furthermore, high precipitation during the harvest season in early to mid-June caused fruit to crack.

MAFF reports total and commercial production levels of sweet cherries. FAS/Tokyo calculated non-commercial production as the difference between these official numbers.

Figure 1. Japan's Major Cherry Crowing Areas by Prefecture in MY 2019/20



Source: Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF)

Fresh cherry production is highly labor-intensive as it is done by hand. Given the relatively short harvest season, over 80 percent of cherry pickers come from neighboring prefectures. Despite initial concerns about the impact of COVID-19 related travel restrictions on MY 2020/21 sweet cherry harvesting, the impact was limited. Japan lifted the State of Emergency, which restricted people's movement across prefectural lines, on May 25, 2020, a month prior to the peak cherry harvest season. Moreover, to assist cherry farmers, Japan Agricultural Cooperatives (JA) organized harvesting missions by students from agricultural colleges and hospitality industries affected by COVID-19.

According to the 2020 national basic plan, despite projected cherry acreage reduction, Japan's 2030 target for fresh cherry production is 20,000 MT.

Japan's sour cherry production is negligible.

Consumption and Marketing

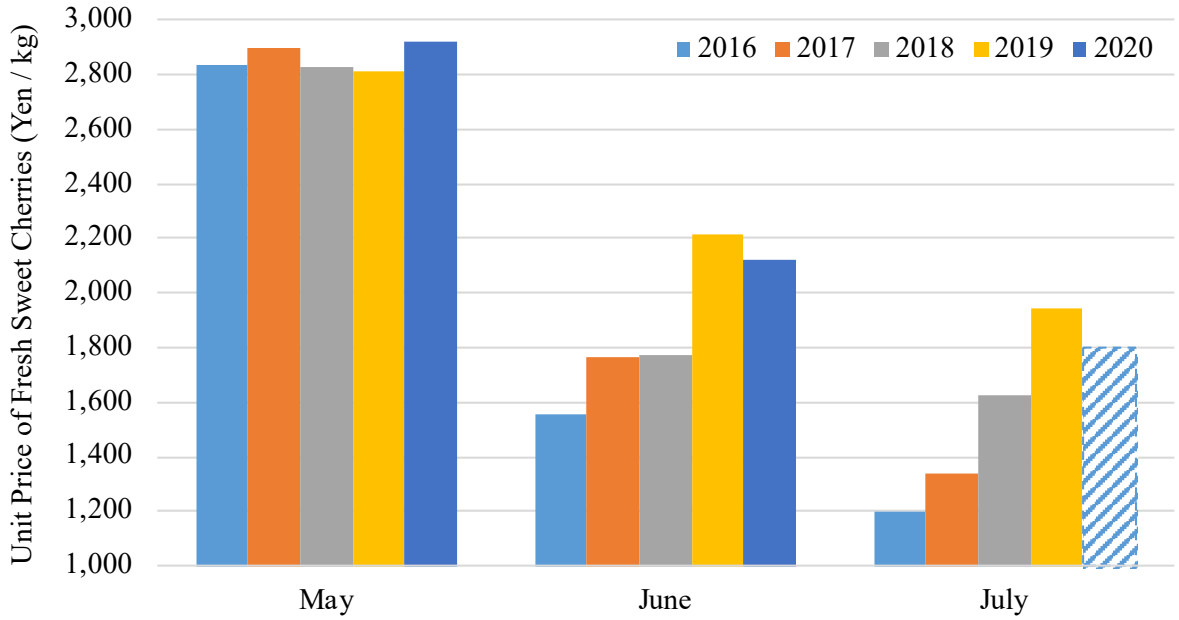
Japan consumes over 90 percent of its sweet cherry supply fresh. Only five to ten percent goes toward processing (e.g., canning, jams). Reflecting a lower domestic supply in MY 2019/20, Japan's cherry consumption fell to 20,251 MT, 5.3 percent below MY 2018/19 consumption of 21,384 MT. Despite COVID-19-related shifts in distribution channels and marketing, FAS/Tokyo forecasts Japan's sweet cherry consumption will increase to 21,199 MT or by 4.7 percent in MY 2020/21, due to increased domestic production, relative to MY 2019/20.

Fresh sweet cherries are available to consumers in the following ways: (i) retail through wholesale (30-50 percent[1]), (ii) fruit-picking directly by consumers (30-50 percent), (iii) e-commerce (5-15 percent), and (iv) gifts of premium cherries (5-15 percent). In light of COVID-19-related travel restrictions during the harvest season (mid-June through early July), fruit-picking directly by consumers in MY 2020/21 decreased and more cherries were distributed through retail and e-commerce. As a result, cherry market price decreased, though less than in MY 2019/20, characterized by relatively poor production (Figure 2). Despite a higher market price and restriction on in-store promotions in MY 2020/21, household consumption of fresh cherries increased as restaurants closed in response to measures to contain the pandemic. Industry sources shared that overall fresh cherry sales increased by 10-15 percent, compared to a recent five-year average (2015-2019). This uptick in retail sales offset the reduction in consumption in the fruit-picking channel.

E-commerce is growing in popularity for cherry distribution. Although upfront marketing costs are greater for producers, direct sales may lead to greater profits and stable repeat customers. Since Japan's initial announcement of the State of Emergency due to the COVID-19 pandemic on April 7, producers began to actively invest in distribution via e-commerce. Consumers, in turn, value a more immediate connection with producers and lower costs, resulting from fewer middlemen.

[1] No official data on the proportion of cherries distributed through each channel is available. FAS/Tokyo's estimates are based on information shared by local growers, producers, distributors, as well as growers' associations and wholesalers.

Figure 2. Comparing Unit Price of Fresh Sweet Cherries at Tokyo Wholesale Market



Note: Striped bar represents FAS/Tokyo's estimate.
Source: Tokyo Wholesale Market

Premium fresh cherries are typically set aside for gifts. Japan has two gifting seasons a year: mid-June to late July and end of the year. As few domestically produced fruits are harvested in mid-June to mid-July, premium cherries are a symbolic summer gift in Japan. Typically, gift cherries are sold through advanced sales at high-end department stores between May and early June. Due to the closure of these outlets during the MY 2020/21 State of Emergency, gift sales of premium cherries struggled. Rather than release premium cherries into retail channels, cherry-producing prefectures promoted the *Furusato Nouzei,* hometown tax, system initially introduced in 2007. Under this system, taxpayers can make donations to local municipalities, in return for income tax and residence tax credits. Local municipalities also send local produce as "appreciation gifts" to donors. Cherry-producing prefectures, including Yamagata, invite donations by advertising premium fresh cherries as their appreciation gift.

Trade

Due to Japanese consumers' strong preference for domestic produce, a reduction in domestic cherry production does not generally stimulate a stronger demand for imported cherries. Industry sources indicate that imported sweet cherries are in particular demand between late March and mid-May, when they compete with imported fruits, such as bananas and kiwis, available year-round.

In MY 2019/20, Japan imported 4,152 MT of fresh cherries, valued at $40 million. The United States supplied 95.3 percent of Japan's cherry imports. FAS/Tokyo forecasts Japan's imports of sweet cherries

to increase to 4,200 MT or 1 percent relative to MY 2019/20 imports due to steady consumption and a recently reduced tariff for sweet cherries (described in the Policy section below).

Japan does not import sour cherries, and Japan's cherry exports are negligible (approximately 1 MT).

Policy

The U.S.-Japan Trade Agreement (USJTA) came into force on January 1, 2020, and established a staged tariff reduction for U.S. sweet cherry exports to Japan (JA2020-0017). Between January and April 2020, Japan's tariff on sweet cherries went from 8.5 percent to 2.5 percent. Japan's tariff on sweet cherries will be altogether eliminated on April 1, 2023.

Japan granted market access to U.S. cherries on the condition of annual on-site audits in the United States. In light of COVID-19-related travel restrictions, MAFF officials were not able to conduct on-site audits in 2020. As a temporary measure until on-site inspections can resume, MAFF increased on-arrival phytosanitary inspections of fresh cherries by 50 percent (JA2020-0133).

Peaches and Nectarines:

PS&D

Peaches & Nectarines, Fresh	2018/2019		2019/2020		2020/2021	
Market Year Begins	Jan 2018		Jan 2019		Jan 2020	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	10400	10400	10300	10350	0	10250
Area Harvested (HA)	9680	9680	9650	9540	0	9300
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total Trees (1000 TREES)	0	0	0	0	0	0
Commercial Production (MT)	104400	104400	94500	99500	0	88700
Non-Comm. Production (MT)	8800	8800	7000	8400	0	9000
Production (MT)	113200	113200	101500	107900	0	97700
Imports (MT)	300	282	300	186	0	160
Total Supply (MT)	113500	113482	101800	108086	0	97860
Dom. Consumption (MT)	111800	111756	100300	106306	0	96360
Exports (MT)	1700	1726	1500	1780	0	1500
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	113500	113482	101800	108086	0	97860
(HA) ,(1000 TREES) ,(MT)						

Crop Area

Every year, Japan loses approximately 50 ha of peach acreage due to aging farmers and labor shortages. Despite the national basic plan's 2030 target of 10,400 ha for peach acreage (equivalent to MY 2018/19 area planted), FAS/Tokyo forecasts MY 2020/21 area planted to fall to 10,250 ha due to demographic trends. Moreover, MY 2020/21 area harvested is estimated at 9,300 ha due to recent weather events damaging peach trees.

In July 2018, heavy rainfall and flooding damaged Japan's western peach-producing region, especially Okayama and Wakayama prefectures, and many of the affected trees did not produce commercial-quality peaches in MY 2019/20. Consequently, Japan's MY 2019/20 peach planted area shrunk by 50 ha to 10,350 ha, while area harvested fell by 160 ha to 9,540 ha.

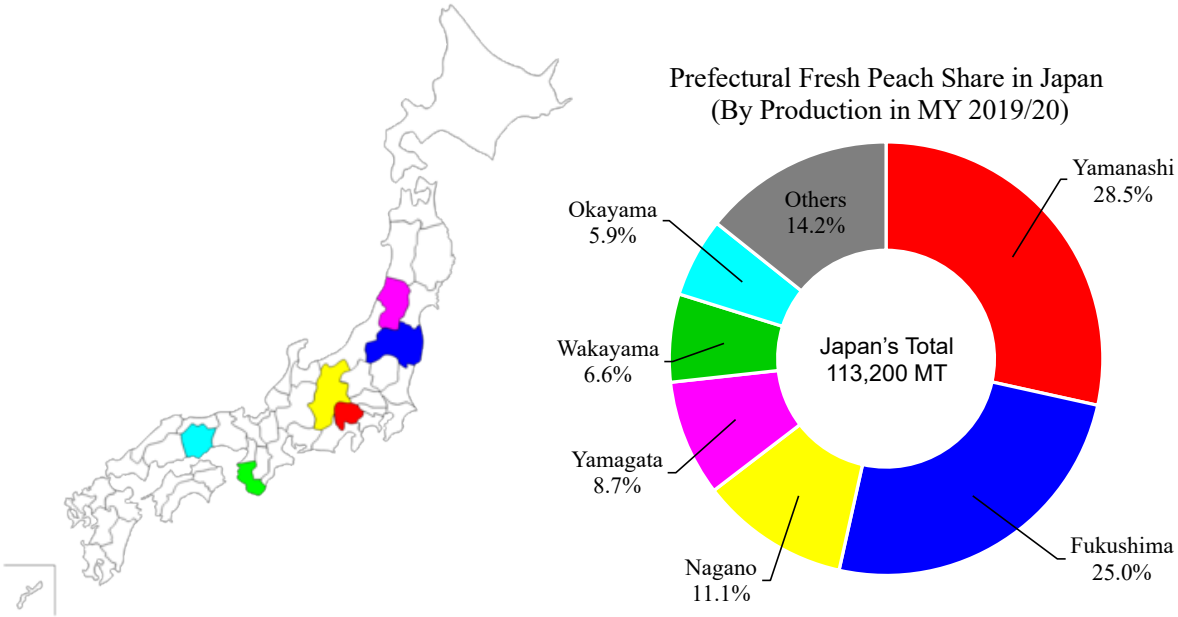
In October 2019, typhoon Hagibis hit eastern Japan, including peach-producing Fukushima prefecture (2019 GAIN report titled "Effects of Typhoon Hagibis on Agricultural Production in Japan"). Although the typhoon occurred after harvest, many damaged peach trees had to be replanted or need a few years to recover commercial-level production. Therefore, FAS/Tokyo forecasts MY 2020/21 peach planted and harvested areas at 10,250 ha and 9,300 ha, down 100 ha and 240 ha, respectively.

Production

Japan's major peach production areas are sub-divided into eastern, central, and western regions (Figure 3). The central region, represented by Yamanashi and Nagano prefectures, has the largest acreage, followed by the eastern region, represented by Fukushima and Yamagata prefectures. Although the western region, represented by Wakayama and Okayama prefectures, accounts for only 14 percent of the

total MY 2019/20 planted area, western peaches have brand recognition because Japanese consumers value first fruits of the season/year and peach harvest typically begins from the west.

Figure 3. Japan's Major Peach Growing Areas by Prefecture in MY 2019/20



Source: Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF)

In MY 2019/20, Japan's total production of peaches and nectarines fell to 107,900 MT, 4.7 percent below MY 2018/19. The MY 2019/20 total includes 106,400 MT of peaches and 1,500 MT of nectarines. Unfavorable weather conditions precipitated a reduction in MY 2019/20 production: flooding affected the western region while the ripening season in the central region suffered from temperatures and sunlight levels well below historical averages[2] for July. As a result, many peaches did not meet prefectural standards for commercial distribution due to reduced size and sweetness. In fact, the largest peach-producing prefecture, Yamanashi, produced 22 percent less in MY 2019/20 than in MY 2018/19. On the other hand, improved weather conditions in late July/early August boosted production in the eastern region, where harvest season occurs last. Fukushima, the second largest peach-producing prefecture, increased its MY 2019/20 production by 11 percent compared to MY 2018/19. Still, higher production in the east, did not fully offset dismal production in western and central regions.

In MY 2020/21, Japan again experienced unfavorable weather conditions for peach and nectarine production. Typically, peach-producing regions experience about 40 days of rainy season, beginning around June 10. However, MY 2020/21 rainy season lasted an additional 10 days through the end of July. Furthermore, during the rainy season, direct sunlight hours[3] were reduced to 40 percent of the historical average for the same time period. Although the weather recovered in August, peach orchards

[2] Every 10 years, Japan Meteorological Agency releases 30-year average values for environmental factors. The latest available 30-year averages are based on 1981-2020.
[3] Defined as hours of direct solar radiation of 0.12kW/m2 or more of the ground.

in the east experienced widespread contamination with bacterial shot hole disease that thrived in trees damaged by typhoon Hagibis. As warm winter and long rainy season facilitated survival and spread of the pest, FAS/Tokyo estimates that the eastern region lost about 30 percent of its peach/nectarine production. Although the west is expected to recover from 2018 floods, FAS/Japan forecasts Japan's total peach production to fall by 10 percent in MY 2020/21 to 96,300 MT.

Nagano, the largest nectarine-producing prefecture accounting for over 80 percent of total production, also suffered from unfavorable weather in MY 2019/20. The total MY 2019/20 nectarine production was reduced to 1,500 MT in MY 2019/20. Due to the typhoon Hagibis damages, FAS/Tokyo forecasts total nectarine production to fall by 100 MT to 1,400 MT in MY 2020/21.

FAS/Tokyo forecasts Japan's total MY 2020/21 production of peaches and nectarines to reach 97,700 MT, down 9.5 percent compared to MY 2019/20.

COVID-19 pandemic had a minimal impact on the peach industry as Japan's State of Emergency ended well before the harvest window for fresh peaches and nectarines.

Consumption and Marketing

Domestically produced peaches and nectarines are primarily consumed fresh and only ten to twelve percent of products goes to processing (e.g., juice). Due to a substantial price markdown for fruits for processing, there is a limited number of growers specializing in peach/nectarine production for processing. According to several industry contacts, the price for peaches for processing is about 5 yen ($0.05) per kilogram (kg), whereas table peaches are valued at about 300-400 yen ($2.81-$3.74) per kg. In MY 2019/20, Japan's domestic consumption of peaches and nectarines decreased by 4.9 percent to 106,306 MT due to lower production. As fruits are generally considered non-essential and alternative fruits, such as watermelons, cantaloupes and grapes, are abundant during the peach/nectarine season, lower domestic production does not usually lead to increased stone fruit imports.

In MY 2020/21, based on poor domestic production, FAS/Japan forecasts Japan's consumption of fresh peaches and nectarines to fall by 9.4 percent to 96,360 MT. As peaches and nectarines are primarily consumed at home, COVID-19 impacts on distribution were limited. Lower production levels reduced labor demand during harvest. Increased retail sales helped to consume some excess peaches created by hotel and restaurant closures. However, industry sources shared that peach sales are struggling due to a lack of in-store promotions during the pandemic. Higher market price due to low production has also complicated sales.

Fruit-picking and gifting distribution channels have struggled in the COVID-19 environment. Although the *Furusato Nouzei* system is also popular for peaches, e-commerce is the leading alternative for peaches normally destined for gifting or fruit-picking. In addition to direct marketing done by growers, local governments have supported sales of local products through e-commerce channels. For example, Fukushima prefecture began a promotional campaign titled "Fukushima Pride" in cooperation with Japan's three leading online stores: Amazon, Rakuten market and Yahoo shopping. The overall sales, including fresh peaches, through this promotion increased more than 20 percent compared to the same time in MY 2019/20.

Trade

There are no peach imports to Japan, and the United States does not have market access to Japan for peaches. The United States, the sole exporter of fresh nectarines to Japan, has market access for selected nectarine varieties with fumigation treatment. In MY 2019/20, Japan imported 186 MT of U.S. nectarines. In light of small shipping volumes and higher freight charges due to COVID-19-related flight reductions, FAS/Tokyo forecasts Japan's MY 2020/21 imports to decrease by 14 percent to 160 MT from 186 MT in MY 2019/20.

In line with Japan's 2014 national policy, Japan Revitalization Strategy, to increase agricultural exports to 1 trillion yen (approximately $10 billion) by 2020, Japan has been gradually and continuously increasing fresh peach exports. Due to a higher unit price for Japanese peaches in foreign markets compared to Japan, Japan's peach exports continued to increase even when peach production took a downturn in MY 2019/20. In MY 2019/20, Japan exported 1,780 MT of peaches, valued approximately $17 million, of which 72.2 percent went to Hong Kong and 20.4 percent to Taiwan. FAS/Tokyo forecasts export volume to decrease by 15.7 percent to 1,500 MT in MY 2020/21 due to political instability in Hong Kong and high air freight charges due to COVID-19.

Japan's nectarine export volume is negligible.

Policy

The USJTA eliminated tariff on U.S. nectarines on January 1, 2020 (JA2020-0017).

Due to COVID-19-related travel restrictions, MAFF could not carry out its annual on-site audit of U.S. nectarine orchards. Until MAFF is able to resume inspections in the United States, MAFF doubled phytosanitary inspections upon arrival of fresh nectarines (JA2020-0133).

Attachments:

No Attachments