

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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Taiwan

Fresh Deciduous Fruit Annual

U.S. Apple Exports Forecast to Increase

Approved By:

Mark Ford

Prepared By:

Cindy Chang

Report Highlights:

In MY2014/15, Taiwan imported a total of 156,007 metric tons (MT) of apples, valued at nearly US\$240 million. Apples are the most popular imported fruit in Taiwan, and the Fuji apple remains the favorite variety accounting for 90% of total retail. In MY2014/15, U.S. apple exports increased nearly 29% from the previous year to 64,264 MT, and Post forecasts the United States will maintain its position as the leading supplier of apples to Taiwan in MY2015/16 due to an anticipated record harvest. Meanwhile, domestic apple production continues to decline and currently meets less than one percent of domestic demand.

Executive Summary:

In MY2014/15, Taiwan imported a record 156,007 MT of apples, which allowed the United States to regain its former position as the leading supplier of apples to Taiwan. U.S. apple exports to Taiwan grew nearly 29% from the previous year to 64,264 MT (US\$79.1 million) in MY2014/15. U.S. apple exports to Taiwan are forecast to recover moderately to 65,000 MT in MY2015/16 due to an expected record harvest in Washington, which typically accounts for 90-95% of total U.S. apple exports to Taiwan. Washington apples are extremely popular among consumers, and Taiwan remains one of the top five export markets for Washington apples. However, with a relative weaker local economy, Taiwan importers estimate total imports in MY2015/16 will only slightly increase to 160,000 MT, but Post does not anticipate this will have an impact on U.S. apple exports.

In MY2014/15, local apple production decreased to 1,506 metric tons (MT), which has slowly been decreasing since 2002, and is no longer profitable due to high labor and transportation costs as well as competition from imports. Local apple production meets less than one percent of domestic demand so Taiwan is reliant on apple imports. Nevertheless, Taiwan has one of the highest per-capita consumption rates in the world, and importers prefer U.S. apples due to its high-quality and consistent supply.

Commodities:

Apples, Fresh

Production:

Even prior to Taiwan's accession to the World Trade Organization (WTO) in 2002, local apple production, from orchards set in Taiwan's temperate central mountain range, was insignificant (less than 9,000 MT/year). Since Taiwan's WTO accession and market liberalization, cropland has steadily been taken out of production. Taiwan's geographical location also leaves producers vulnerable to natural disasters (typhoons and tropical storms) that damage orchards. In order to prevent the further degradation or destruction of national lands, the "Land Restoration Strategic Program and Action Plan" was launched in 2005. In accordance with this policy, Taiwan's Council of Agriculture (COA) has been withdrawing land that is located in mountainous areas higher than 1,500 meters in central Taiwan from production. Unfortunately, several large apple producing areas have been removed from production as a result of this policy. Furthermore, COA further indicated that they do not anticipate any policy change in a near future.

In MY2014/15, the area planted decreased slightly (less than 1%) to 174.8 hectares, but more than 1,500 MT of fresh apples were harvested, reflecting a nearly 16.57% increase from the previous year. This was mainly attributed to less damage caused by fewer tropical storms or super typhoons, which normally brings torrential rainfall and affects several agricultural production areas. In MY2015/16, the planted area is projected to remain at 175 hectares with production estimated at 1,500 MT. Local apple production currently meets less than 1% of domestic demand, making the impact of annual crop yield fluctuations insignificant.

Apple Production in Taiwan

Fresh Apple 080810	Production Value (US\$ million)	Production Volume (MT)	Area Planted (HA)	Area Harvested (HA)
2004	8,442	6,493	627.8	621.2
2005	7,638	5,801	608.2	608.2
2006	7,708	5,929	608.2	608.2
2007	8,036	5,952	568.3	568.2
2008	6,244	4,163	467.6	464.9
2009	5,831	3,644	435.9	435.8
2010	3,906	2,186	230.9	230.9
2011	3,559	1,667	175.6	174.5
2012	3,389	1,518	168.9	168.9
2013	3,093	1,292	175.1	175.0
2014	4,732	1,506	174.8	173.7

Source: Taiwan Council of Agriculture (COA)

Consumption:

The apple is currently the most heavily consumed imported fruit in Taiwan. However, in terms of real growth, the apple is losing ground to a host of other imported fruits, including: cherries, grapes, peaches, and various berries. Due to the variety of imported and domestic fruits now available, apple consumption is not expected to reach the highs from the late 1990's without some change in the competitive picture, such as new positive findings regarding the health benefits of apples or an expansion of fruit consumption in general.

The vast majority of people in Taiwan view fruit as an important part of their daily diet. Fruit is frequently consumed as a snack or as a dessert and is the most common food served to visitors at home or in the office. Unless bought solely for personal consumption, the color, size, and general appearance of fruit are typically the buying decision factors to traders and customers in Taiwan. The "best-looking" fruit, typically sold in gift packaging, fetches the highest prices. The apple symbolizes happiness, health and fortune to Taiwan consumers and should remain the most important fruit in gift baskets. The most expensive apple on the market, the Japanese-grown Fuji, sells well at premiums of more than 130% because of its size and quality perceptions.

Fuji, with its sweet taste and firm texture, remains the overwhelmingly favorite variety, accounting for 90% of total retail apple sales. The remainder 10% of the market is comprised of Red & Golden Delicious, Granny Smith, Gala, Pink Lady, Ambrosia and Aurora. The United States, Chile and New Zealand continue to focus on supplying the Taiwan market with traditional varieties. On the other hand, Japan is having great success in introducing less common varieties into the market in order to maintain the "premium" image and justify higher prices. It is not uncommon to find Japanese fruits in the market priced at 10-20% higher than other competitors.

While eaten year round, Taiwan consumers generally purchase significantly more apples during the autumn and winter months; the prime production months for northern hemisphere growers. Reasons for this include the general perception of the apple as a "cool weather" fruit and the incorporation of apples into several festivals held throughout this period. Local, tropical fruit such as mangos, papaya, and lychees dominate during the summer months. Taiwan people 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). Fuji apples replaced Red Delicious many years ago as one of the most popular gift items during the lunar New Year holiday in Taiwan.

In order to maintain a dominant position, particularly against "new" competitors (Japan, New Zealand, and Korea), U.S. suppliers should continue to work closely with Taiwan importers, distributors, and retailers and reinforce the strong positive image of U.S. apples.

Trade:

Taiwan is a relatively mature market for fresh apples. In MY2013/14, Taiwan imported a record high 160,756 MT of apples (valued at nearly US\$240 million). However, in MY2014/15, Taiwan's total imports of apples decreased to 156,007 MT, valued at nearly US\$240 million. The total import market represents a decrease of 3% by volume and 0.5% by value from the previous marketing year due in part to a weaker economy.

In MY2014/15, the United States (mainly from Washington) remained the leading supplier of apples to Taiwan with a market share of 41.2% (64,264MT) followed by Chile's 29.8% (46,522 MT), Japan's 14.9% (23,260 MT) and New Zealand's 10.7% (16,673 MT). Despite Japan being ranked third in terms of import volume, when comparing import value, Japan's share increased to 28.4%. Their export value to Taiwan reached US\$2,910 per MT, which is 137% higher than the United States' \$1,230 per MT. This higher margin clearly indicates that Japanese apples continue to dominate the high value gift-giving market in Taiwan due to their premium quality and excellent reputation in the perceptions of both traders and consumers.

Taiwan's Total Apple Imports			
Apple, Fresh	MY2012/2013	MY2013/2014	MY2014/2015
	Market Year Begins: July 2012	Market Year Begins: July 2013	Market Year Begins: July 2014
Total imports quantity (MT)	135,667	160,756	156,007
Total imports value (US\$ million)	186.2	239.6	238.8
US Share of total import market by volume	42%	31%	41%

Source: Taiwan Council of Agriculture; Global Trade Atlas

The import volume of other major suppliers (Chile and New Zealand), except the United States (+28.9%) and Japan (+40.8%), experienced a significant decrease of 22-25% during MY2014/15.

Taiwan's Apple Imports Major Supplying Countries			
Northern Hemisphere			
Apple, Fresh	MY2012/2013	MY2013/2014	MY2014/2015
	Market Year Begins: July 2012	Market Year Begins: July 2013	Market Year Begins: July 2014
USA	56,964 MT	50,132 MT (-12%)	64,264MT (28.9%)
	US\$84.8 Million	US\$65.7 Million	US\$79.1 Million
Chile	41,602 MT	62,342 MT (50%)	46,522 MT (-25.4%)
	US\$45.4 Million	US\$72.3 Million	US\$58.3 Million
Japan	13,226 MT	16,513 MT (24.85)	23,260 MT (40.8%)
	US\$38.4 Million	US\$48.8 Million	US\$67.7 Million
New Zealand	7,798 MT	21,616 MT (177.2%)	16,673 MT (-22.8%)
	US\$10.6 Million	US\$40 Million	US\$27.2 Million

Source: Taiwan Council of Agriculture; Global Trade Atlas

Unlike the previous season, the import volume of apples from Chile and New Zealand declined approximately 25% during the MY2014/15. Experts believe the negative growth was caused by an increase in the Washington apple inventory in the early part of the Southern Hemisphere growing

season. Plus, the coloring and sweetness of the 2015 Southern Hemisphere apples were not satisfactory to retail consumers. Post anticipates that U.S. apple exports from New Zealand to Taiwan will not be affected since the apple season is almost perfectly counter-seasonal.

Chile posted a 25.4% decrease in volume, with shipments dropping from 62,342 MT in MY2013/14 to 46,522 MT in MY2014/15. According to import and wholesale traders, Chilean apples lacked “redness” and showed signs of extreme decay. In terms of import value, Taiwan imported US\$58.3 million of apples in MY2014/15, posting a 19.4% decrease from the previous year. Due to their overall smaller apple size, Chilean suppliers, therefore, demanded lower prices. However, importers indicated that Taiwan is still the most important destination for Chilean Fuji apples with more than 50% of Chilean apples being exported to Taiwan.

Meanwhile, New Zealand apple exports to Taiwan decreased from 21,616 MT in MY2013/14 to 16,673 MT in MY2014/15 despite Taiwan’s bilateral Free Trade Agreement (FTA) with New Zealand. The large import volume of New Zealand apples in MY2013/14 was an exception due to a short supply of Washington apples during that same period. Plus, the color and taste of the Southern Hemisphere’s apples (2015 season) were not satisfactory to retail consumers.

Japanese apples, accounting for approximately 15% of the total apple import market in Taiwan, grew 40% in MY2014/15 to 23,260 MT. The growth is attributed to the aggressive depreciation of the Japanese yen as well as Taiwan consumers’ decreased concern about potential radiation leaks from nuclear power plants in food products from Japan. Japanese apples are also the most popular gift item during the lunar New Year holiday season (usually in February) due to its colorful appearance and relatively larger size.

The United States has regained its former position as the leading supplier of apples to Taiwan in MY2014/15. U.S. apple exports to Taiwan grew 28.9% from the previous year to 64,264 MT (US\$79.1 million) in MY2014/15. Taiwan importers favor U.S. apples due to its high-quality and consistent supply. U.S. apple exports to Taiwan are forecast to recover moderately to 65,000 MT in MY2015/16 due to an expected record harvest in Washington, which typically accounts for 90-95% of total U.S. apple exports to Taiwan. Washington apples are extremely popular among consumers, and Taiwan remains one of the top five export markets for Washington apples.

Unfortunately, the U.S. share of the Taiwan import market for apples began a long-term downward trend in 2000. Taiwan's 2002 WTO accession accelerated this trend by eliminating quota restrictions on imports from Argentina, Australia, Chile, the European Union, Japan, New Zealand, and South Africa. The accession also removed a previous ban on apple imports from South Korea. China remains prohibited from exporting fresh apples to Taiwan due to phytosanitary concerns. However, despite this decline, the United States is expected to remain the dominant supplier of apples to Taiwan over the next several years.

Importers in Taiwan have a broad choice of suppliers from which to choose (with the important exception of China due to phytosanitary concerns) so changes in market share will continue to shift year-to-year based on supplier prices, product quality, and availability. In general, while Taiwan buyers do express a continued preference for U.S. Fuji apples, Taiwan importers are more than willing to shift purchase orders to other competing suppliers when cost factors run against U.S. exporters. A recent

significant change in thinking among Taiwan importers is that they do not want to risk placing a large volume of forward orders for apples from one single supplier or country, especially when exports could be suspended due to the detection of Codling Moth/Peach Moth or violations of Taiwan's maximum residue limits (MRLs) for agrochemicals. Taiwan importers prefer the flexibility to switch their orders to other countries if the primary supplying country is suddenly suspended. However, Chile and the United States should remain the top two largest exporters of apples to Taiwan.

**Policy:
Tariffs**

Taiwan currently applies a 20% tariff on all apple imports. Taiwan Customs assesses tariffs based on a region-specific reference price rather than the actual invoiced value. Import duties on New Zealand apples were eliminated on December 1, 2013, when the FTA between Taiwan and New Zealand took effect.

General Phytosanitary Requirements

A phytosanitary certificate of origin issued by the Plant Protection & Quarantine (PPQ), Animal & Plant Health Inspection Service (APHIS) of the U.S. Department of Agriculture, stating that the fruit has been thoroughly inspected and found free from relevant pests, is required for all apple exports to Taiwan. Export of US apples to Taiwan must comply with the “Quarantine Requirements for the Importation of Fresh Apples from the United States”.

The Codling Moth is found in apples from the United States, and a pest of quarantine concern to Taiwan, where it is not known to exist. Following the Codling Moth detection in Taiwan in November 2002, Taiwan suspended the importation of all U.S. apples. In June 2003, the United States and Taiwan signed a protocol with a penalty structure that allowed Taiwan to suspend imports of U.S. apples if three Codling Moth detections occurred in a single shipping season (often referred to as “three strikes”). While this penalty structure has facilitated continued trade, there is the possibility of another market closure if there are “three strikes” in a single shipping season. U.S. regulatory authorities have provided Taiwan with U.S. research demonstrating that the risk associated with Codling Moth transmission and establishment in Taiwan via U.S. apples is extremely low. Taiwan authorities continue to review this research, but have not yet met with U.S. officials to discuss the U.S. findings in detail. Negotiations and revisions to the “Systems approach work plan for the exportation of apples from the United States into Taiwan” continue in the interim.

Maximum Residue Limit (MRL)

Imports of fresh fruit and vegetables, including apples, are subject to random inspection for chemical residues at the port of entry by Taiwan’s Food and Drug Administration (TFDA)/Ministry of Health and Welfare. A Taiwan importer of highly perishable produce, like apples, may submit an affidavit to the TFDA to move the consignment to its own warehouse before the testing is complete. However, the shipment cannot be released into commercial channels until/unless the test results are negative.

Shipments are tested at the normal sampling rate of 2-5 percent. If the sample tests positive for any prohibited chemical or at a level that exceeds Taiwan's established maximum residue level (MRL) for approved chemicals, the shipment will be rejected and future shipments will also be subject to sanctions

in the form of enhanced inspection. If there is an initial noncompliance finding on record, future shipments of the same product, e.g. apples, imported by the same Taiwan importer from the same origin, e.g. the United States, the random inspection rate will increase to 20 percent. A second non-compliance finding for the same combination of Taiwan importer, product and origin will result in batch-by-batch inspection for all future shipments under that same three-way combination.

In an effort to more accurately identify the source of a violation and to target more carefully any subsequent sanctions, TFDA is now encouraging Taiwan importers of fresh produce to identify the source state. This practice is consistent with TFDA's stated goal of managing MRL risk at the source, but it also benefits U.S. exporters by helping to narrow the scope of the sanctions. As an example, growers/exporters of apples from Washington would not be penalized on the basis of MRL violations on apples shipped from other states. Therefore, exporters of U.S. apples should advise their Taiwan buyers to identify the source state (e.g. California or Washington) when filling in the application form for import inspection.

**Marketing:
Distribution Channel**

Nearly all fresh fruit imports, including apples, are consumed as fresh produce. The Taiwan consumer's emphasis on both convenience and freshness is the key to shopping preferences. In Taiwan, apples are sold through importers to wholesalers/traders and then to the general consumers. As to the market share in each retail channel, roughly 44% is in the wet market, 27% through hypermarket/supermarket chains, 19% in fruit stores, 4% by street vendors while the rest (6%) is distributed by the food and beverage sector, including school lunch suppliers, food fast food chains, and convenient stores. Due to the current slowdown in the local economy and ongoing acquisition/mergers within the supermarket/hypermarket sector, further expansion of such modern retail outlets is expected to decrease. As a result, no significant change in the distribution channel structure is expected in the near future.

Taiwan – Apple Distribution Network	
Traditional/neighborhood wet markets	44%
Supermarkets/hypermarkets	27%
Fruit shops	19%
Street Vendors	4%
Foodservices/TV Shopping/on-line shopping	6%

Production, Supply and Demand Data Statistics:

Apple, Fresh Taiwan	MY2013/2014		MY2014/2015		MY2015/2016	
	Market Year Begins: July 2013		Market Year Begins: July 2014		Market Year Begins: July 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	160	175		175		175
Area Harvested	160	175		174		175

Bearing Trees	60	63		63		63
Non-Bearing Trees	0	0		0		0
Total Trees	60	63		63		63
Commercial Production	1,500	1,292		1,560		1,300
Non-Commercial Production	0	0		0		0
Production	1,500	1,292		1,560		1,300
Imports	160,000	160,756		156,000		160,000
Total Supply	161,500	162,048		157,506		161,300
Fresh Domestic Consumption	161,500	162,048		157,506		161,300
Exports	0	0		0		
Exports For Processing	0	0		0		
Withdrawal From Market	0	0		0		
Total Distribution	161,500	162,048		157,506		161,300
HA, 1000 Trees, MT						

Source: Taiwan Council of Agriculture; Global Trade Atlas

Contact Information of USDA's Foreign Agricultural Service Office in Taiwan

- For Trade Policy/Market Access and General Agricultural Issues, please contact the Agricultural Affairs section via email at: agtaipei@fas.usda.gov.
- For Market Development Assistance, please contact the Agricultural Trade Office via email at: atotaipei@fas.usda.gov.