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Fresh Fruits Report

Report Categories:

Fresh Fruit

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Report Highlights:

TH1151 - Thailand produces a wealth of tropical fruits, however the country has shown a great appetite for imported fruits, especially deciduous fruits. Exports of fresh produce from the world to Thailand have increased significantly in the last five years from US\$102.2 million in 2005 to US\$287.6 million in 2010 or a 181 percent increase in five years. Top U.S. fruit exports to Thailand are apples, grapes, cherries, other stone fruits and berries. Nonetheless, U.S. fresh fruits face increasing challenges as major competitors have more favorable terms of trade due to their trade arrangements with Thailand.

General Information:

Overview:

Thailand produces a wealth of tropical fruits, however the country has shown a great appetite for imported fruits, especially deciduous fruits. This is clearly illustrated as exports of fresh produce from the world to Thailand have increased significantly in the last five years from US\$102.2 million in 2005 to US\$287.6 million in 2010 or a 181 percent increase in five years (Table 2). China and the USA have dominated this trade as they have been the major suppliers of fresh fruits to Thailand. Top U.S. fruit exports to Thailand are apples, grapes, cherries, other stone fruits and berries (Figures 1,2,3,4, and 5).

The main driving force behind an increase in imports was a steady expansion in the consumption of fresh fruits as incomes have risen accordingly from a per capita of \$5,568 to \$8,700 or 56 percent in the same period. [1]

Although imports of fresh fruits from United States have increased by a solid 86 percent during the period 2005-2010, from US\$18.8 million to US\$34.9 million, its market share has dropped from 18 percent to 12 percent while China's has increased from 60 percent to 64 percent, New Zealand's from 2 percent to 8 percent and Australia's has remained at a constant 5 percent. This trend does not come as a surprise as these countries have concluded free trade arrangements with Thailand and as such enjoy much more favorable terms of trade due to detariffication (Table 1). In light of this, it behooves the U.S. fruit industry that cooperators remain actively engaged in the Thai market as the New Zealanders, Australians and market newcomers such as Peru and Chile which are also entering into trade arrangements, are aggressively courting the Thai consumer. The latter is noticeable by the increase in these countries number of supermarket displays and promotions, and their active participation in all types of trade shows in the HRI sector.

^[1] CIA World Factbook 2005 and 2010.

Table 1: Tariff comparison of selected fruits between the US and major competitors under Free Trade Agreement

PRODUCT & HARMONIZED CODE	Actual Tariff (include USA)	AFTA Tariff	ASEAN-CHINA Tariff	Aust FTA Tariff 2005-2020	NZ FTA Tariff 2005-2020	JAPAN FTA Tariff 2011	INDIA FTA Tariff 2011
ORANGE (MANDARIN, TANGERINE, SATSUMA 0805200	40%	0%	0%	0%	0%	6.67%	25%
GRAPEFRUIT, FRESH/DRIED 0805.400.002	40%	0%	0%	0%	0%	6.67%	25%
GRAPES, FRESH 0806.100.002	30%	0%	0%	2011 = 12%	2011 = 12%	5%	0%
APPLE (FRESH) 0808.10.0003	10%	0%	0%	0%	0%	0%	0%
PEARS & QUINCES 0808.20.0005	30%	0%	0%	0%	0%	0%	20%
CHERRIES (FRESH) 0809.20.0000	40%	0%	0%	0%	0%	6.67%	25%
PEACHES, INCL. NECTARINES 0809.300.002	40%	0%	0%	0%	0%	0%	25%
PLUMS AND SLOES 0809.400.004	40%	0%	0%	0%	0%	6.67%	25%
BERRIES 0810	40%	0%	0%	0%	0%	0%	25%

Table 2: Value of fresh fruits imports from selected countries into Thailand

Thailand: Fresh Fruits Import into Thailand								
January - December								
U.S. Dollars								
	Partner	2005	2006	2007	2008	2009	2010	% Change 2005/2010
	World	\$102,159,210	\$135,820,554	\$185,715,683	\$221,620,616	\$259,351,171	\$287,567,185	181.49
1	China	\$62,951,208	\$83,500,482	\$118,023,019	\$140,658,953	\$173,908,971	\$183,914,803	192.15
2	United States	\$18,778,047	\$20,156,412	\$25,836,398	\$28,850,633	\$29,567,708	\$34,916,829	85.94
3	New Zealand	\$1,777,490	\$3,526,401	\$6,721,938	\$12,315,537	\$14,380,023	\$23,734,914	1235.31
4	Australia	\$5,642,238	\$7,156,042	\$8,864,234	\$3,490,344	\$19,599,086	\$15,570,610	175.97
5	Vietnam	\$2,470,975	\$6,540,399	\$7,617,442	\$9,222,462	\$6,132,516	\$6,819,427	175.98
6	Chile	\$482,199	\$1,106,046	\$1,232,349	\$2,610,070	\$2,957,311	\$4,472,763	827.58
7	France	\$1,092,669	\$1,929,449	\$1,944,651	\$3,196,191	\$3,044,669	\$3,851,935	252.53
8	India	\$13,583	\$2,960	\$400,982	\$374,286	\$860,034	\$3,181,692	23324.07
9	Laos	\$245,443	\$965,909	\$841,586	\$3,470,130	\$1,723,241	\$2,417,000	884.75
10	Other	\$8,705,358	\$10,936,454	\$14,233,084	\$17,432,010	\$7,177,612	\$8,687,212	-0.21

Figure 1: Imports and market share of fresh fruits into Thailand from major destinations



Apple Overview:

Currently, two trade promotional group representing U.S. fresh fruits are based in Thailand: 1) PT&Tatch for Northwest Cherries Growers and 2) AT Success Marketing for the Washington State Apple Commission and the California Table Grapes Commission.

AT Success Marketing promotes Washington Apple and California Grapes, Washington State apples recorded the highest volume and value of the total imported apples to Thailand in the last year, despite the fact that U.S. apples market share has dropped due to uncompetitive prices compared to Chinese and New Zealand apples, which enter tariff free compared to U.S. apples tariff rate of 10 percent. In the period of 2005-2010, overall market share for U.S. apples has decreased from 18 percent to 13 percent, although sales increased from \$9,304,540 to \$16,386,947 (Figure 1).

The most popular apple varieties in Thailand are Red Delicious which account for 62 percent of variety share, followed by Gala with 21 percent and Granny Smith 8 percent.

Figure 2: Imports and market share of apples into Thailand from major destinations

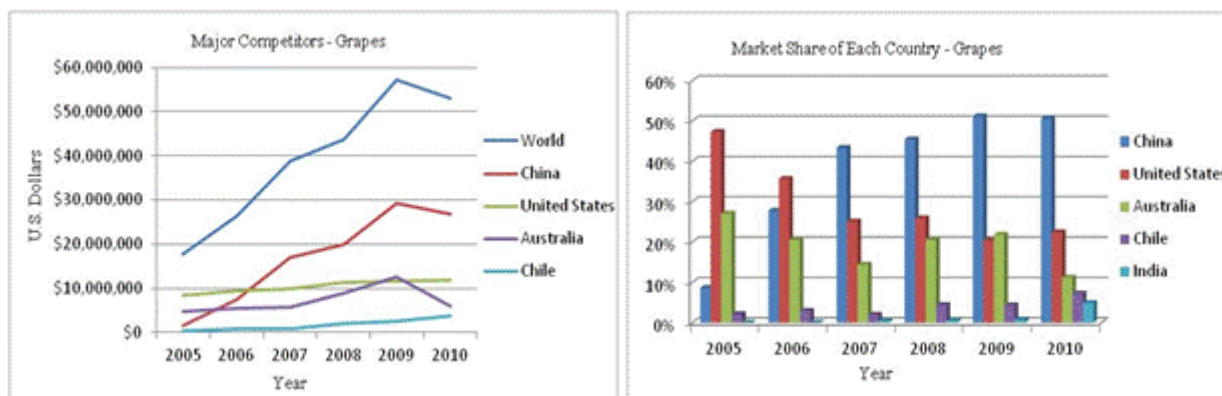


Grape Overview:

From 2005-2010, California grapes export value has increased every year, driven by strong consumer demand especially toward seedless varieties. Same as apples, California grapes recorded the highest volume and value of the total imported grapes to Thailand in the last year, despite the fact that recently the U.S. market share for grapes has dropped due to uncompetitive price compared to Chinese, Australia, Chilean and Indian grapes, which enjoy much lower tariff rates than the U.S. In this period overall market share for Chinese grapes have increased from 8 percent to 50 percent, Chile and India have seen increases of 5 percent but California's decreased from 47 percent to 22 percent, although sales increased from \$8,357,758 to \$11,925,312 (Figure 2).

Popular California grapes varieties in Thailand are Crimson Seedless, Autumn King, Flame Seedless, Scarlet Royal, Ruby Seedless, Sugarnineteen, Thompson Seedless, Princess and the seeded variety Red Globe. Thai consumers shifted their top preference from the seeded variety Red Globe to seedless varieties such as Crimson Seedless and Flame Seedless due to the seedless quality but also due to taste, price, and longer shelf-life.

Figure 3: Imports and market share of grapes into Thailand from major destinations

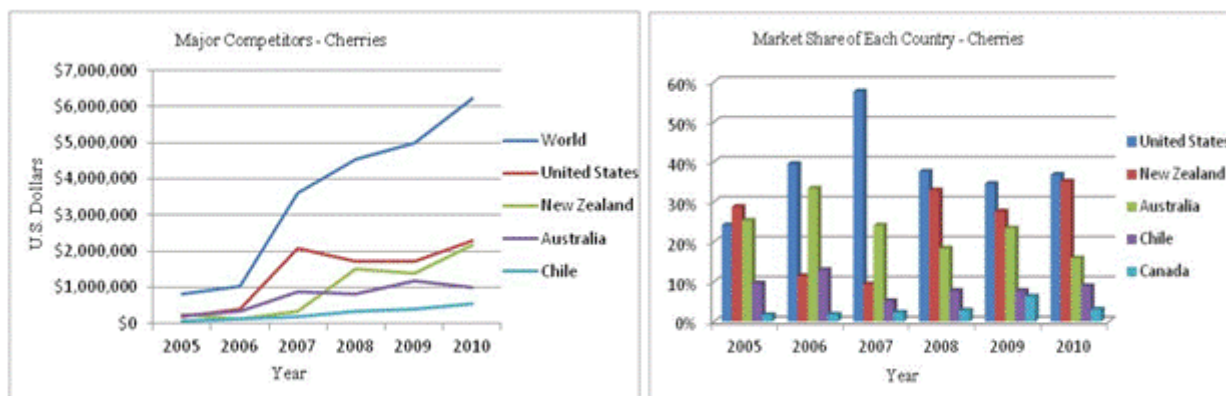


Cherries Overview:

PT&Tatch promotes Northwest Cherries in Thailand and cherry varieties that are sold in Thailand are Bing, Chelan, Rainier, Skeena, Sweetheart, and Tieton. Dark red cherries market share is 90 percent and 10 percent is Rainier. U.S. exports of cherries to Thailand have skyrocketed in the last five years from US\$199,364 in 2005 to US\$2,287,096 in 2010 and its market share has increased from 24 percent to 36 percent in the same period (Figure 3). This is a remarkable achievement as U.S. cherries have been classified as a luxury product by the Thai government which has a 40 percent tariff rate compared to countries that have trade arrangements such as Australia, New Zealand and China which enjoy 0 tariff rates.

Northwest Cherries has done a fabulous job branding U.S. cherries as these are the most recognized and well-known cherries amongst importers and consumers in terms of quality, consistent supply and competitive pricing. In addition, Northwest Cherries have been successful in taking aim at its key consumer base by working with retail outlets targeting middle and upper income earners that are able to put quality above pricing.

Figure 4: Imports and market share of cherries into Thailand from major destinations



Summer Fruits Overview:

From 2005 to 2010, U.S. market share of summer fruits to Thailand has decreased from 48 percent to 27 percent for plums & sloes and from 19 percent to 8 percent for peaches & nectarines although sales increased from \$99,646 to \$163,180 and \$51,160 to \$100,433, respectively (Figure 4).

In the past, California Summer Fruits, a cooperator group used to have marketing activities such as product knowledge training at the produce departments of major retailers, and they also had on- spot consultants to answer and provide brochures to consumers about the products and tips on how to best handle them. Unfortunately these activities ceased in 2007 which has resulted in a decreasing market share along with export volumes and sales. Part of this problem can be attributed to the new produce staff lack of knowledge of these products and their proper handling and display. As a result, retailers have reduced their stocks of these products and are available only at upper-end supermarkets and fresh markets. In addition to the lack of cooperator activities, tariff disadvantages have affected potential market opportunities for these products. Since 2005, the Australians have increased sales of plums and sloes by 380 percent and the US only by 64 percent, and Australian sales of peaches and nectarines have increased by 1034 percent while U.S. sales have increased 96 percent.

Figure 5: Imports and market share of plums & sloes/peaches & nectarines into Thailand from major destinations

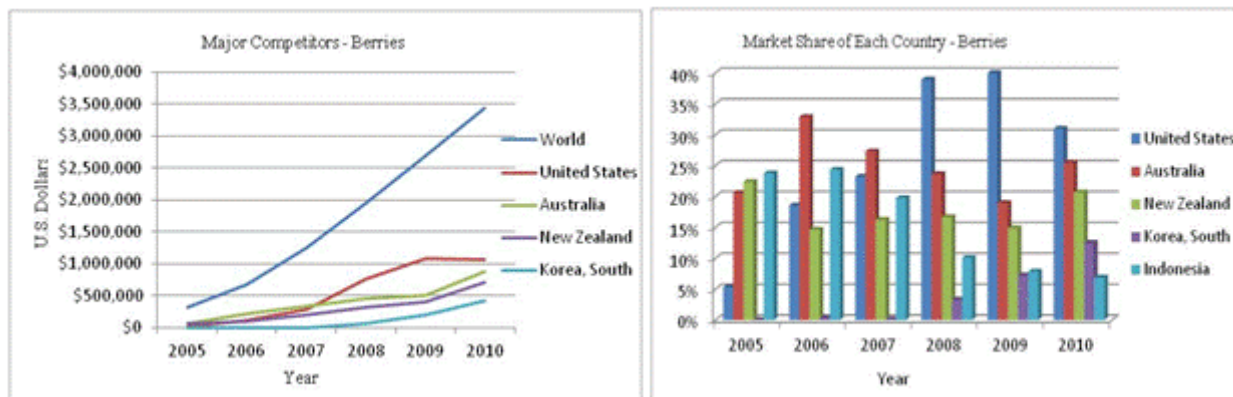


Berries Overviews:

Berries include strawberries, raspberries, blackberries, mulberries, etc shows an increasing export to Thailand year by year. “Driscoll’s berries packages are available in medium- and high end supermarkets throughout Thailand. In last five years U.S. exports of berries fruits to Thailand have increase from US\$ 16,935 in 2005 to US\$ 1,062,022 in 2010, and its market share from 5 percent to 31 percent in this period (Figure 5).

Although U.S. ranks as the number one U.S. berries exporter to Thailand, it faces a big constraint of a high tariff rate of 40 percent compared to other competitors such as Australia, New Zealand, Korea and China at 0 percent. However, retailers have stated their preference of U.S. berries due to their size and quality.

Figure 6: Imports and market share of berries into Thailand from major destinations



Constraints:

- High import tariff on U.S. fresh fruits (30-40 percent) remains a key barrier for fruits market access into Thailand compared to competitors e.g. China, New Zealand and Australia.
- Importers have difficulty finding supplies of U.S. fresh fruits during the early season. Continuity, consistency and quantity of supply are critical for the new importers or retailers who make direct orders.
- Produce staff are highly mobile, as they are frequently rotated to other sections or leave their jobs. Therefore, there is a need to deal with a changing workforce on a constant basis to ensure they've got the basic knowledge of imported fresh fruits and their display, cold room/cleaning and sanitation, care and handling requirements.

- Majority of Thai consumers are not familiar with the sweet juicy taste, the crunchiness texture and color of U.S. fresh fruits especially California grapes, limiting consumer purchases of additional varieties.

Opportunities:

- Innovative merchandizing displays and in-store promotional activities to let consumers sample and taste U.S. fresh fruits especially during the peak period of competitors' products such as Chinese grapes from August through October. This would enable consumers to distinguish between products.
- Highlighting U.S. fresh fruits as superior quality and differentiate from the competitors as "value premium quality fruits".
- Educating the retailers' staff at the store level by conducting seminar and product knowledge training to acquire the proper handling skills to prolong the fruits shelf-life, leading to an increase in the retailer's profitability. Retailers still prefer seminars on fruit handling, post harvest, and up-to-date techniques to keep produce fresh.

Trends:

- Although U.S. fruit sales in Thailand have increased significantly since 2005 by 181 percent, it has lost overall market share from 18 to 12 percent in the same period especially to major competitors that have trade agreements with Thailand such as China, New Zealand and Australia.
- It is interesting to note that the products that have consistently increased their sales year after year are those that have cooperator activities in Thailand such as U.S. apples, grapes, and cherries.
- Cherries and berries are the only products that have increased their market share in the period of 2005-2010.

Conclusions:

- U.S. fruits are losing market share to key competitors that enjoy market share such as the Australians, Chinese and New Zealanders, as such it is imperative that the US engage the Thai's in some sort of trade arrangement to avoid further market share erosion.
- Cooperator activity and promotional events have been key in increasing sales of U.S. fresh fruits in Thailand. Lack of cooperator activity has resulted in decreased sales.
- Although berries and cherries have increased their market share considerably since 2005, this situation is unlikely to remain as Australian and New Zealand berries started enjoying a 0 percent tariff rate since 2010 compared to the U.S. 40 percent tariff rate. This tariff advantage was noticeable for berries as market share decreased from 40 to 30 percent from 2009 to 2010.

End Report.

