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Japan

Stone Fruit Annual

Favorable Weather Raises Japanese Cherry and Peach Production

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Report Highlights:
Japanese production of cherries, called “sakuranbo” in Japanese, is tied to the distribution of premium gift cherries. Post estimates marketing year (MY) 2016 production at 19,500 metric tons (MT), an 8% increase from the previous marketing year. Post estimates MY 2017 production at 18,500 MT. Cherry imports continue a marginal decline. Post estimates MY 2016 imports at 4,800 MT and forecast MY 2017 at 4,600 MT. Post raises Japanese peach production due to favorable weather to an estimated 130,000 MT in MY 2016, but forecasts a reduction to 123,000 MT in MY 2017.

Key words: JA6023, stone fruit, cherry, cherries, peach, peaches, nectarine, nectarines, sakuranbo, satonishiki, benishuho.

Commodities:

Fresh Cherries,(Sweet&Sour)

Fresh Peaches & Nectarines

Cherries:

Crop Area

Japan's planted area and harvested areas for fresh cherries peaked in 2010 and remain steady near that level, despite an annual marginal decrease. Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) reported that planted areas and harvested areas for fresh cherries in Japan were slightly reduced to 4,820 and 4,440 hectares (ha) in 2015 respectively. The leading cause of the decline is the lack of labor caused by Japan's aging population, notably a net deficit in the farming population as more farmers exit than enter farming. Another factor is the current transition at many cherry farms to diversify to new varieties (please see the "Production" section). While the transition to new varieties will diminish in the coming years, the labor constraint is expected to worsen over time. Post estimates that both planted and harvested areas have declined to 4,810 and 4,430 ha in 2016, and forecasts further reductions at a comparable rate in 2017 to 4,800 and 4,420 ha respectively.

The government of Japan (GOJ) releases the "Basic Policy for Promoting Fruit Agriculture" every five years. The policy sets a target for planted area at 4,830 ha in 2025, indicating that the GOJ intends to maintain the current acreage for the next 10 years.

Production

Yamagata prefecture, located 250 miles north of Tokyo, is Japan's largest cherry producing state, accounting nearly 75% of total domestic production. Particular regions famous for cherry production within Yamagata are located in a basin that provides drainage and temperature fluctuations between day and night, as well as summer and winter, that are advantageous to cherry production. The basin's drainage enables local farmers to grow cherries side by side with paddy fields. Furthermore, other climate conditions such as low wind and rain during rainy seasons in June before harvest make this region especially suitable for cherry production.

(A cherry greenhouse [left] located next to a rice paddy. Sagae City, Yamagata Prefecture)

Weather conditions are a leading factor in the production of fresh cherries in Japan. In 2015, production was reduced to 18,100 metric tons (MT) or by 5% due to frost damage during blooming, and subsequent reductions in fruit set. The weather in Yamagata prefecture was quite favorable both at flowering and maturing in 2016. Consequently, Post has increased estimated production to 19,500 MT in 2016, an increase of 8% over the previous marketing year.

The leading variety of Japanese cherries is Satonishiki, which accounts for 72% of total production; followed by Benishuho at 13% (see 2015 Stone Fruit Annual Report (JA5028) for further details on the varieties). Yamagata prefecture is converting acreage of the late-developing Benishuho variety in anticipation of exploring international markets as their larger size and longer shelf-life make exports more competitive. The delayed maturity of Benishuho also allows retailers to prolong the domestic cherry season later into summer. This ongoing transition, together with the aging and exiting of farmers, has contributed to a marginal reduction in production. Therefore, Post forecasts production to reduce marginally 5% to 18,500 MT in 2017. According to the GOJ's fruit agriculture policy, the government's target level of production in 2025 is 18,000 MT – a continuation of the current level for the next decade.

An aging population of farmers, too few successors as farmers exit cherry production, and labor constraints are the biggest challenges facing cherry producers. Government support for cherry producers includes research in cherry cultivation technologies such as training trees to grow along low-height trellises, or V and Y-shaped trellises that reduce the physical burden for an older labor force.

Japan's local agricultural association, often referred as JA, has developed a system to arrange part time and temporary labor forces to support cherry production. Since the cherry production requires intensive input during flowering, thinning, and harvest, it is impractical to hire someone full-time. Therefore, JA helps to recruit students and farmers of other crops (such as watermelon) to assist with cherry production. These programs, however, are as of yet insufficient to offset the number of those who are exiting cherry farming.

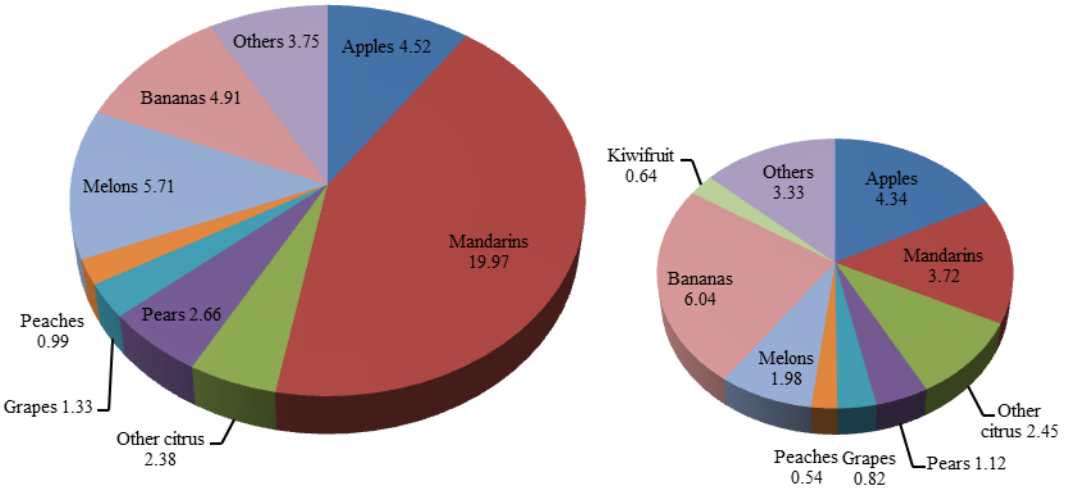
Consumption

Japanese do not consume fruit on daily basis, in part due to their high cost. The disposable income of Japanese consumers, especially among the younger generation, has declined significantly as the stagflation/deflation that has plagued the Japanese economy over the past 20 years. Although Japanese consumers have more fruit options available to them than ever before, the increased variety has subdivided a shrinking market, reducing the quantity of many varieties.

Japanese consumers do not consider imported cherries a direct competitor with Japanese domestic cherries, or sakuranbo. There are two major types of cherries in Japan; the yellow-cherry and the red-cherry. Domestically produced cherries in Japan are almost all yellow-cherries, whereas imported cherries are mostly red. Although both domestic and imported cherries share the same peak seasons between late March and mid-July, there is little competition between them.

1975
49.68 kg / capita / year

2015
25.83 kg / capita / year



Yellow cherries are largely distributed through premium gift boxes. The demand for these premium cherries drives production numbers. Japanese production of premium yellow cherries allows substantial variation in production quantities without substantial reduction in quality. This is achieved by the removal of fruit at an early stage – a practice that encourages the trees to invest greater energy in the remaining cherries while farmers can better manage the level of production. Red (imported) cherries are distributed through retail establishments, where there is little competition with yellow cherries.

Japanese exchange gifts throughout the year, but the greatest concentration is between June to July and in December. Gift giving takes place based on both individual and business relationship. The value of a gift generally determines its status, relationship and appreciation. Therefore people tend to select items with higher public recognitions and market values. The price of a 1 kilogram box of premium sakuranbo ranges between JPY 6,000 to 10,000 (approximately $60-$100). The prestige of domestic cherries contributes to their relatively stable consumption, even under unfavorable economic situations when the disposal income of the average consumer is limited.

In 2015, total consumption decreased slightly by five percent from 2014. However, Post expects cherry consumption to recover to 24,300 MT in 2016 due to improved yield. However, Post forecasts 2017 production slightly lower than in 2016 due to the continued marginal decline in planted and harvested areas. Therefore, Post forecasts 2017 consumption at 23,100 MT, which will be a 5% reduction from 2016.

Trade

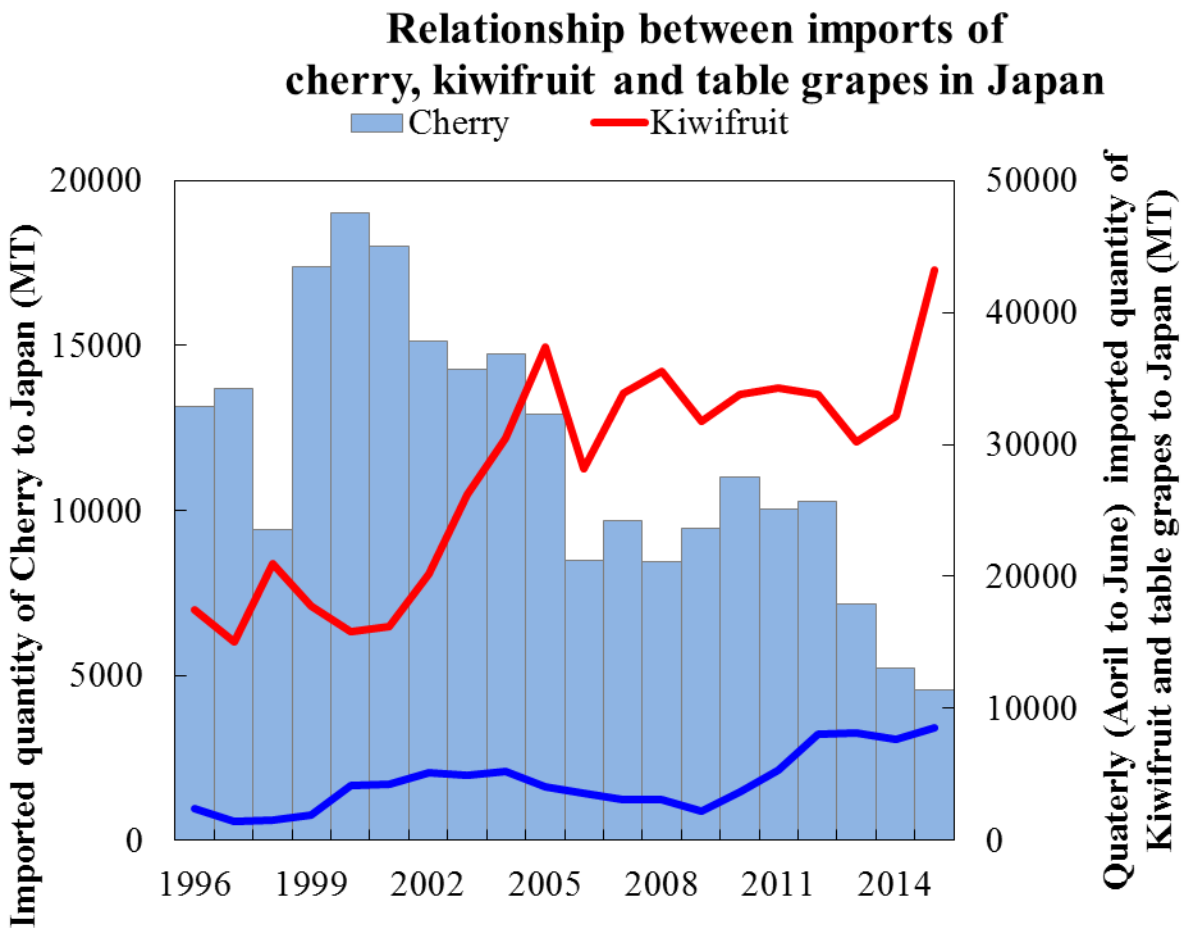
Japan imported 4,900MT of fresh cherries in 2015, of which 99 percent came from the United States. In Japan, imported cherries are often referred as "American cherry". The volume of fresh U.S. cherries has declined by more than 50 percent over the past several years from 10,000 MT in 2012 to 4,900 MT in 2015 as Japanese consumption has declined, and Asian markets such as South Korea have grown. In addition to falling import volumes, retailers have reduced the grade of imported cherries to 11.5 size to maintain a low 100yen per 100g ceiling. At this price point, cherries can compete with other fruit, such as kiwifruit and fresh grapes. The lower quality, however, undermines customer perception of imported cherries.

Following a slight decline in U.S. sweet cherry production in 2016, Post expects a 2 percent reduction in imports compared to 2016 to 4,800 MT. Given the long-term trend in cherry consumption and disposable income in Japan, Post forecasts a further 4% reduction to 4,600 MT in 2017.

Marketing

Cherries are one of the few fruits to market in the season between late March and early July, and enjoyed the premier retail position in Japan for many years. However, that position has been eclipsed by kiwi fruit over the last decade. Kiwifruit's marketing success is due in large part to a few strengths. First, kiwi fruit are retailed individually, allowing consumers to determine their desired price point. Japanese consumers shop daily and tend to have a maximum value that they want to spend in mind. Cherries are sold in packages and tend to sell at higher unit prices that exceed that maximum value. Second, kiwifruit are hardier, transport better, and their consistency in quality and clearing quarantine is a benefit for retailers' logistical planning.

Fresh table grapes from Australia have increased over the years, receiving a boost to their sales with varieties that are seedless and have edible skin (most Japanese varieties must be peeled). Furthermore, the sale price of fresh table grapes ranges between 60 and 80 yen/100g, at a lower price point than for imported cherries.



As described consumption section, Japanese customers distinguish between yellow and red cherry varieties. There is little or no competition between them in the Japanese market. Japanese consumer preference is for yellow cherry varieties. Japanese cherries are retailed immediately from ripening on the tree and marketers advertise their freshness by highlighting the color of their stems. Japanese consumers identify green stems with freshness, and the brown stem of imported cherries with age and reduced quality. In addition to this customer preference, red cherries are disadvantaged by fluctuations in cost, insurance and freight (CIF) prices. As these fluctuations have not had an impact on the quantity cherry import, red cherry markets are not elastic. This is partially because plastic packages required for incoming cherries in bulk form offset the price fluctuations. Market contacts indicate that the yellow Rainier cherry would do well in the Japanese market if quality and unit prices could be assured.

Policy

Ratification of Trans-Pacific-Partnership (TPP) will reduce the current tariff of 8.5% to 4.2% in the first year, followed by incremental reductions over 6 years when the tariff will be zero.

GOJ releases the "Basic Policy for Promoting Fruit Agriculture" every 5 years, and orders each prefecture to release production plan once in every 5 years based on their fruit agriculture policy. It contains information of focused commodities with priority varieties for local farmers and productions. GOJ operates 5-year subsidiary program for farmers either converting their existing farms to grow the focused commodity and/or switching cultivating varieties to poetized one. For examples, Yamagata prefecture runs subsidiary programs for farmers switching from Satonishiki to Benishuho.

Peaches:

Crop Area

Japan's fresh peaches planted area and harvested area continue to decrease marginally to 10,500 and 9,690 ha respectively. The leading cause of the decline is Japan's aging population and the lack of young farmers to succeed them. This constraint is expected to continue further. Post estimates that both planted and harvested areas to decline to 10,400 and 9,500 ha in 2016, and forecasts a steady marginal reduction in 2017 to 10,300 and 9,500 ha respectively.

The GOJ releases the "Basic Policy for Promoting Fruit Agriculture" every 5 years. The policy sets a target of planted area for fresh peaches as 10,700 ha in 2025, indicating the GOJ's intention to maintain the current level of production for the next decade.

Production

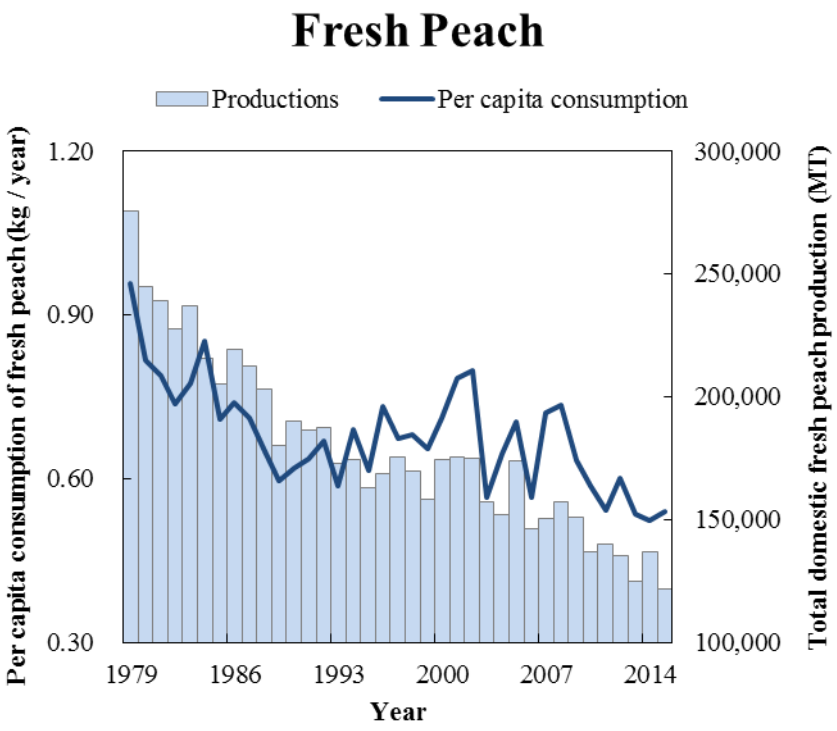
There are three major peach producing regions in Japan, namely Yamanashi, Fukushima, and Nagano that account for two thirds of Japan's peach production. Yamanashi prefecture, located 80 miles west of Tokyo, is Japan's largest peach producing state, accounting nearly one third of total domestic production. Producers in Fukushima have made substantial efforts to ensure the safety of their peaches following the events at a nearby nuclear power plant following the Great East Japan Earthquake and tsunami in 2011. Local municipal officers informed Post of efforts made by local producers to decontaminate all peach trees in the regions approved to resume production, and that they continue to monitor for radioactivity in products before shipment.

Weather conditions are a leading factor in the production of fresh peaches in Japan. In 2015, less favorable weather at flowering time resulted in reductions of fruit set. Furthermore, high temperatures and precipitation throughout the growing period caused dehiscence and fruit drop. Consequently, domestic peach production declined in 2015 by 10% to 121,900 MT. Weather conditions in 2016 were quite favorable in many regions, both at flowering and maturing. Accordingly, Post estimates an

increase in production to 130,000 MT in 2016, an increase of 7% over the previous marketing year. Post forecasts 2017 production at 125,000 MT. According to the fruit agriculture policy, the GOJ aims to increase peach production to 157,000 MT by 2025.

Consumption

Per capita consumption of fresh peaches in Japan reached its peak in the late 1960s or and early 1970s, and has decreased gradually since. Post expects fresh peach consumption to recover to 124,200 MT in 2016 due to increased production on improved domestic yields. However, Post forecasts 2017 fresh peach consumption to return to the recent average at approximately 115,000 MT, which is an 8 % reduction from 2016.



Trade

GOJ aims to increase exports of fresh agricultural products to JPY 25 billion by 2020, and fresh peach exports is one of the target products. Currently, Hong Kong and Taiwan are the two leading export markets accounting for nearly 96 percent of Japanese peach exports. Although the total export volume is still small, it has grown rapidly in the past few years and Japan exported 1,150 MT in 2015. Post expects further expansion of export volume to 1,400 MT in 2016, an increase of 20%, and forecasts to 1,700 MT in 2017.

Due to phytosanitary concerns, Japan does not allow the import of fresh peaches or nectarines, except for nectarines from the U.S. and New Zealand. Although official trade data indicates no imports of nectarines in Japan, Post is aware of two shipments of U.S. nectarines in 2016 that are first since 2005.

Marketing

The season of fresh peaches in Japan begins in late June and runs until early September. In July and August, fresh peaches enjoy the prime marketing placement, competing with melons, watermelons, and grapes. Producers, together with local governments and Japan Agricultural Cooperatives, promote sales and public awareness campaigns through peach-picking events at local farms.

Policy

Japan restricts nectarine imports to six designated varieties only from the U.S. and New Zealand due to phytosanitary concerns, and requires mandatory fumigation with methyl bromide.

Ratification of the Trans-Pacific-Partnership (TPP) would eliminate the current 6% tariff in the first year.

Production, Supply and Demand Data Statistics

Fresh	**2015/2016**	**2016/2017**	**2017/2018**

Cherries,(Sweet&Sour)						
Market Begin Year	**Jan 2015**		**Jan 2016**		**Jan 2017**	
Japan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	0	4820	0	4810	0	4800
Area Harvested	0	4440	0	4430	0	4420
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	16000	16300	0	17500	0	16500
Non-Comm. Production	2000	1800	0	2000	0	2000
Production	18000	18100	0	19500	0	18500
Imports	5100	4923	0	4800	0	4600
Total Supply	23100	23023	0	24300	0	23100
Fresh Dom. Consumption	21500	21393	0	22550	0	21450
Exports	0	0	0	0	0	0
For Processing	1600	1630	0	1750	0	1650
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	23100	23023	0	24300	0	23100
(HA) ,(1000 TREES) ,(MT)						

Fresh Peaches & Nectarines	2015/2016		2016/2017		2017/2018	
Market Begin Year	**Jan 2015**		**Jan 2016**		**Jan 2017**	
Japan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	10600	10500	0	10400	0	10300

Area Harvested	9850	9690	0	9500	0	9500
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	125400	114000	0	120000	0	116000
Non-Comm. Production	11600	7900	0	10000	0	7000
Production	137000	121900	0	130000	0	123000
Imports	0	0	0	0	0	0
Total Supply	137000	121900	0	130000	0	123000
Fresh Dom. Consumption	119560	106122	0	114200	0	107800
Exports	1000	1150	0	1400	0	1700
For Processing	16440	14628	0	14400	0	13500
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	137000	121900	0	130000	0	123000
(HA) ,(1000 TREES) ,(MT)						