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Japan

Stone Fruit Annual

A Strong Yen and the Systems Approach Provide New Opportunities to Expand U.S. Cherry Exports to Japan

Approved By:
Jeffrey Nawn

Prepared By:
Jennifer Clever and Kenzo Ito

Report Highlights:
The quality of this season's U.S. crop, a strong yen and new marketing opportunities signal Japanese imports of U.S. cherries to increase approximately 10 percent from the previous season. For a second year, the Pacific Northwest region ships U.S. cherries under the systems approach. California gains approval to ship under the systems approach in July 2010, while Idaho seeks approval for MY2011.

Commodities:
Fresh Cherries, (Sweet & Sour)
Fresh Peaches & Nectarines

Fresh Cherries

PS&D: Production, Supply & Demand

Fresh Cherries, (Sweet &Sour) Japan	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			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	4,950	4,950	4,950	4,950	4,950	4,900			4,850
Area Harvested	4,490	4,490	4,490	4,490	4,490	4,450			4,400
Bearing Trees	0	0		0	0				
Non-Bearing Trees	0	0		0	0				
Total Trees	0	0	0	0	0	0			0
Commercial Production	14,700	14,700	15,000	16,000	16,000	14,700			16,000
Non-Comm. Production	2,000	2,000	2,000	2,000	2,000	1,900			2,000
Production	16,700	16,700	17,000	18,000	18,000	16,600			18,000
Imports	9,300	9,300	8,525	10,000	10,000	10,013			11,000
Total Supply	26,000	26,000	25,525	28,000	28,000	26,613			29,000
Fresh Dom. Consumption	23,600	23,600	23,025	25,500	25,500	25,113			27,500
Exports	0	0	0	0	0	0			0
For Processing	2,400	2,400	2,500	2,500	2,500	1,500			1,500
Withdrawal From Market	0	0	0	0	0	0			0
Total Distribution	26,000	26,000	25,525	28,000	28,000	26,613			29,000

Crop Area

Similar to previous seasons, Japan's planted area for sweet cherry trees in the 2009/10 season was 4,900 hectares, according to the Ministry of Agriculture, Forestry and Fisheries (MAFF). The area harvested also remained about the same at 4,450 hectares. Japanese planted area for cherry trees peaked during the 2006/07 season with 4,960 hectares, marginally declining since then due primarily to the overall labor shortage in the agricultural sector. Approximately 43 percent of Japanese cherry farmers are over 60 years old and will be retiring in the next few years, largely outpacing the number of new comers to the farm sector. In 2007, the average number of Japanese farm workers in cherry production was 2.41 persons per farm, a decline from 2.60 in 2004, according to MAFF's latest data. Ongoing efforts to improve per-worker productivity have fallen short in offsetting the effects of the retiring labor force. Given the continuing

aging farm population, Post estimates that Japan's planted area for cherry trees to marginally decline to 4,850 hectares in the 2010/11 season.

The Yamagata Prefecture, approximately 200 miles north of Tokyo, is the major crop region for sweet cherries in Japan. Cherry trees are planted on the South-side of hills where the climate is relatively mild and less windy. In the 2009/10 season, Yamagata had an area of about 2,900 hectares planted with cherry trees, approximately 65 percent of Japan's total cherry tree planting area. Hokkaido, the northern-most island in Japan, contains the second largest planted area with 517 hectares.

Production

According to industry sources, Japanese sweet cherry production is expected to increase significantly in the 2010/11 season. Although the blossoming was delayed due to the cold temperatures in the spring, pollination and fruit setting went extremely well and growers expect to have a good crop this season. Hence, for the 2010/2011 season, post forecasts the nation's total output of cherries to be approximately 18,000 metric tons, up approximately 8 percent from the previous season.

This season's peak harvesting season is expected to lie between late June and early July, which is approximately 10 days later than the historic average. The Yamagata prefecture remains a key region producing approximately 72 percent of Japan's cherry production. The majority of Japanese cherries are sweet cherries, while the production of tart cherries is insignificant. The "Satonishiki" cherry variety, which is similar to "Rainer" cherries in the United States, is the most popular variety produced in Japan. Bing-type cherries are not commercially produced in Japan.

Consumption

Per-household annual consumption of fresh fruit in Japan was approximately 93.9 kilograms in 2009, according to the Ministry of Internal Affairs and Communication (MIC). Per-household consumption is based on a two-or-more-person household. Japan's fresh fruit consumption has been in a long downward trend for more than 20 years. However, new data reveals that in recent years fresh fruit consumption in Japan (excluding citrus) has been marginally increasing. Fruit consumption campaigns conducted by the Japanese government and the private sector may largely explain the recent increase in fresh fruit consumption. In 2006, per-household annual fruit consumption dropped to approximately 87.7 kilograms. Still, in the last three years per-household fresh fruit consumption (excluding citrus) has increased by 6.2 kilograms (a 7

percent increase). Individual statistics on Japanese cherry consumption are not available.

Total commercial shipments of domestic cherries were about 14,700 metric tons in the 2009/2010 season; with approximately 90 percent going to fresh consumption and the rest to processing (i.e. canning). Imported fresh cherries were mostly for fresh consumption.

Trade – Imports

For the 2010/11 season, post estimates Japanese imports of fresh cherries to be approximately 11,000 metric tons, an increase of about 10 percent from the previous season. The United States is by far the largest supplier of cherries to Japan, accounting for 99 percent of Japan's total imports. On average, U.S. cherry imports have grown steadily back since hitting an all-time low in 2006 when cold temperatures in California reduced that year's crop.

Other suppliers of fresh cherries to Japan include New Zealand, Australia (Tasmania), and Chile. Japanese imports from these countries do not compete directly with U.S. cherries as their shipping season runs from December to January.

Japan imports fresh cherries from California and the Pacific Northwest region (Washington and Oregon). On April 29, 2010, this season's (2010/11) first shipment arrived in Japan with 1,113 cartons (approximately 10 metric tons.) This shipping season started approximately one week late compared to the previous year. California cherry shipments peaked during mid-May and mid-June, concluding on June 23. This season's total shipments from California were 915,946 cartons (approximately 8,243 metric tons), approximately 10 percent higher than the previous season.

The first shipment of cherries from the Pacific Northwest arrived in Japan on June 11 and will continue through mid-August. Although the product shipments from the Pacific Northwest region are not as large as those from California, this is the second year that shipments of U.S. cherries have arrived from the Pacific Northwest region under the systems approach protocol, which exempts cherries from methyl bromide fumigation (see policy section). Japanese traders expect the total shipment in the 2010/11 season to be approximately 330,000 cartons (3,000 metric tons), up 23 percent from the previous season.

Trade – Exports

Japanese exports of fresh cherries are nil, as domestic production is only large enough to satisfy local demand.

Policy

MAFF's Plant Protection Station is the agency responsible for regulating plant disease issues for both domestic and imported products. This agency inspects shipments at Japanese ports and has the authority to accept or deny their entry. In addition, the agency is in charge of inspecting the plant protection systems in exporting countries and the effectiveness of their corresponding pest treatments.

U.S. exports of fresh cherries to Japan were first approved in 1978. Initially Japan approved the Bing and Lambert varieties and later other varieties such as Van, Rainier, Garnet, Tulare, Brooks, Lapin, Sweet Heart, and Chelan. In 2001, all other U.S. cherry varieties were approved for export to Japan. However, due to findings of codling moth in the United States, Japan requires all U.S. cherry varieties to be fumigated with methyl-bromide before entering Japan.

In 2005, the government of Japan approved imports of fresh cherries from Australia (Tasmania), New Zealand and Chile. These cherries are also subject to methyl-bromide fumigation due to the codling moth.

Since methyl bromide fumigations on fresh cherries causes significant damage to the quality of fruit and shortens the product's shelf life, the U.S. industry, USDA and the government of Japan began discussing a cherry systems approach, a plant health protocol that would no longer require methyl-bromide fumigation for U.S. fresh cherries.

In July 2009, USDA and MAFF reached an agreement on a protocol for the Pacific Northwest region (Washington and Oregon). In that same month, the first shipment of U.S. cherries arrived in Japan under the systems approach. The region's successful implementation of this protocol is now on its second year. In May of 2010, USDA's Animal Plant Health Inspection Service (APHIS) hosted a team of MAFF technical experts to visit production and packing facilities in California. Shortly after their visit, USDA and MAFF agreed on a plant health protocol for California. According to trade sources, while California cherries have been approved entry under the system's approach, some growers are still considering whether the potential benefits outweigh the risk of shipping without fumigation.

USDA is currently working on expanding the systems approach agreed on the Pacific Northwest to include Idaho. In July 2010, MAFF completed its inspection of Idaho facilities. While a final determination by MAFF is pending, it is likely that Idaho will be granted approval to ship cherries under this protocol in time for the next shipping season.

Under the systems approach, Japan allows imports of fresh cherries without methyl-bromide fumigation if the following three conditions are met:

1. Cherries should be harvested in an orchard where low codling moth occurrences are confirmed by a field trap survey;

2. Cherries should be inspected three times after the harvest (the inspections take place when cherries arrive at the packing house from the field, after grading the fruit, and prior to shipping to Japan); and

3. Approved production fields and facilities should be audited periodically by Japanese government inspectors.

New Zealand and Australia (Tasmania) are also able to ship cherries to Japan under the systems approach protocol. New Zealand was granted the protocol in 2005 and Australia in 2008. Protocol negotiations between MAFF and other suppliers are under way; Chile is expected to reach an agreement soon, while Canada has just requested consideration. According to MAFF, countries are increasingly interested in shipping under a systems approach for environmental purposes as they seek to phase out their use of methyl bromide as a fumigant.

Marketing

U.S. cherries play an important role in the American Food Fair promotions carried out by Japanese retailers. In early May, during "Golden Week", a popular Japanese week-long holiday, many retailers set up American Food Fair promotions featuring a variety of U.S. food products such as fresh citrus, U.S. beef, seafood, dried fruits & nuts. U.S. cherries are usually the headliners at these American fairs. The red color and size of American cherries are very attractive to Japanese consumers. Hence, retailers often display the U.S. cherries at the very front of the store with a large poster that reads "American Cherry".

The sales season for California cherries in Japan peaks between mid May and mid-June, while sales of cherries from the Pacific Northwest peak between mid-June and early

August. Japanese cherries are sold for about one month, from mid-June until mid-July. Consequently, sales of Pacific Northwest cherries often face direct competition with domestic cherries.

According to Tokyo traders, the quality of U.S. cherries brought under the systems approach is extremely good, compared to the cherries fumigated with methyl-bromide. However, there is some disagreement among traders as to what is the most effective way to market unfumigated cherries to Japanese consumers. Nonetheless, Japan's major retailers have expressed great interest and are already considering opportunities for the next shipping season.

Prices

U.S. cherries are competitively priced relative to domestically produced cherries. In late June 2010, a Tokyo supermarket sold U.S. cherries at $4.49 (398 yen) for a 300-gram plastic clamshell pack, and $6.65 (590 yen) for a 500-gram pack. The size of U.S. cherries sold at this supermarket was likely 10.5 Row (25.4 millimeter in diameter). While, domestic cherries were sold at $4.49 (398 yen) for a 200-gram pack at the same supermarket. Domestic cherries were fairly small sized fruit, with a likely size of 12.0 Row (21.4 millimeter in diameter) or smaller.

Wholesale prices on U.S. fresh cherries (dollar per kilogram) remain significantly lower than other suppliers. A lower price coupled with a strong yen, will continue to secure U.S. cherries position in the Japanese market.

* The 88.74 yen per dollar exchange rate is based on a Nikkei News quote from July 13, 2010.

Tariff Table

The applicable import duty for fresh cherries is as follows:

TARIF CODE (HS)	DESCRIPTION	DUTY RATE
0809.20	Fresh Cherry	8.5%

The duty is charged on a CIF basis.

Trade Matrices

Import Trade Matrix (Quantity)					
Country	**Japan**				

Commodity	**Cherry, Fresh**				
Time Period:	January - December				
Units:	Metric Tons				
Import for:	**2007**	Import for:	**2008**	Import for:	**2009**
U.S.	**9,295**	**U.S.**	**8,454**	**U.S.**	**9,920**
Others		Others		Others	
Chile	45	Chile	33	Chile	26
New Zealand	22	New Zealand	21	New Zealand	32
Australia	13	Australia	17	Australia	35
Total for Others	79	Total for Others	71	Total for Others	93
Others not Listed	0	Others not Listed	0	Others not Listed	0
Grand Total	9,374	Grand Total	8,525	Grand Total	10,013
Source: World Trade Atlas					

Import Trade Matrix (Value, CIF)					
Country	**Japan**				
Commodity	**Cherry, Fresh**				
Time Period:	January - December				
Units:	Millions of US Dollars				
Import for:	**2007**	Import for:	**2008**	Import for:	**2009**
U.S.	**65.245**	**U.S.**	**69.530**	**U.S.**	**75.560**
Others		Others		Others	
Chile	0.442	Chile	0.384	Chile	0.298
New Zealand	0.261	New Zealand	0.285	New Zealand	0.413
Australia	0.253	Australia	0.257	Australia	0.595
Total for Others	0.956	Total for Others	0.926	Total for Others	1.306
Others not Listed	0.000	Others not Listed	0.000	Others not Listed	0.000
Grand Total	66.201	Grand Total	70.456	Grand Total	76.866
Source: World Trade Atlas					

Wholesale Price Table					
Country: Japan					
Commodity: Fresh Cherry					
Prices in Japanese Yen / KG					
	Domestic			**Imported**	
Year	2009	2010	Year	2009	2010
Jan			Jan		
Feb			Feb		
Mar			Mar		

Apr	6,644	6,315	Apr	1,973	2,469
May	4,190		May	1,185	
Jun	1,758		Jun	890	
Jul	1,355		Jul	726	
Aug	1,404		Aug	647	
Sep			Sep		
Oct			Oct		
Nov			Nov		
Dec			Dec		
Exchange Rate: 90.86 (Local Currency/US$)					
Date of Quote: 6/18/2010 (MM/DD/YY)					
Source: MAFF					

Fresh Peaches

PS&D: Production, Supply & Demand

Fresh Peaches & Nectarines Japan	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			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	11,000	11,000	11,100	11,000	11,000	11,000			10,900
Area Harvested	10,000	10,000	10,100	10,000	10,000	10,100			10,000
Bearing Trees	0	0		0	0				
Non-Bearing Trees	0	0		0	0				
Total Trees	0	0	0	0	0	0			0
Commercial Production	151,000	151,000	144,100	146,500	146,500	138,300			138,000
Non-Comm. Production	14,000	14,000	13,200	13,500	13,500	12,400			12,000
Production	165,000	165,000	157,300	160,000	160,000	150,700			150,000
Imports	0	0	0	0	0	0			0
Total Supply	165,000	165,000	157,300	160,000	160,000	150,700			150,000
Fresh Dom. Consumption	145,40	145,40	138,13	140,40	140,40	131,18			130,50

	0	0	8	0	0	6			0
Exports	600	600	562	600	600	514			500
For Processing	19,000	19,000	18,600	19,000	19,000	19,000			19,000
Withdrawal From Market	0	0	0	0	0	0			0
Total Distribution	165,000	165,000	157,300	160,000	160,000	150,700			150,000

Crop Area

According to the Ministry of Agriculture, Forestry and Fisheries (MAFF), Japan's planted area for peach trees was 11,000 hectares during the 2008/09 season. The area harvested in that period was 10,100 hectares. Consistent with national tree-fruit production trends, Japanese planted area for peach trees has been declining marginally due to the aging farm population. Correspondingly, for the 2009/10 season, post forecasts the peach tree planted area to continue its marginal decline to 10,900 hectares.

The Yamanashi prefecture, approximately 100 miles west of Tokyo, has the nation's largest peach crop area. The Fukushima prefecture, approximately 100 miles north of Tokyo is also an important crop area for peaches. Yamanashi and Fukushima combined hold more than 50 percent of Japan's total crop land for peaches. Japan's total planted area for nectarines is only 280 hectares.

Production

In the 2009/10 season, Japanese total peach production was 150,700 metric tons, according to MAFF. Japanese peach output has been fairly stable in the recent years ranging from 150,000 to 160,000 metric tons annually.

According to industry sources, cold temperatures and rains in the spring delayed flowering and pollinations of peaches. However, good weather conditions in early summer led peach production to an average year level.
With no major changes from the previous season, Post estimates the nation's total output of peaches in the 2010/11 season to be approximately 150,000 metric tons. The peak harvesting season for Japan's peach production takes place during July and August. The majority of peaches produced in Japan are of the white peach variety.

Since 2005, no official statistics on Japanese nectarine production have been available given the low output volumes. However, in previous years Japanese nectarine production was recorder to average about 3,000 metric tons annually. The largest production area is located in the Nagano prefecture, approximately 150 miles north-west of Tokyo.

Consumption

According to the Ministry of Internal Affairs and Communication (MIC) per-household consumption of fresh peaches in Japan was approximately 1.97 kilograms in 2009, down from 2.3 kilograms in the previous year. Per- household consumption is based on a two-or-more-person household.

The majority of peaches harvested in Japan, about 85 percent, are consumed fresh, and the rest are used for processing (i.e. canning.) Due to sanitary concerns, imports of fresh peaches are not allowed in Japan. Hence, fresh peaches consumed in Japan are all domestically produced.

Trade – Imports

There were no imports of fresh peaches/nectarines in the 2008/09 season.

During the 2000-05 period, Japan imported fresh nectarines from the United States, with annual sales volume varying between 9 and 51 metric tons. Since 2005, Japan has not imported fresh nectarines. U.S. nectarines are subject to methyl-bromide fumigation before entering Japan due to codling moth concerns. For this reason, industry sources state that it is not economically viable to ship only small volume under the current fumigation requirement. As for fresh peaches, currently, imports from the United States remain banned due to phytosanitary concerns.

Trade – Exports

In the 2009/10 season, Japan exported 514 metric tons of fresh peaches to neighboring countries. Taiwan and Hong Kong were the two major destinations, with volumes of 306 and 204 metric tons, respectively.

Policy

In 1993, Japan granted approval for imports of U.S. fresh nectarine varieties May Fine, May Glo, and May Diamond. The Royal Giant variety was later approved in 1995. In 1998, Japan approved U.S. varieties such as Summer Grand, Spring Red, Fir Ebrite, Fantasia, May Grand and Red Diamond. In 2000, all other cultivars of nectarines were approved. However, due to codling moth findings in the United States, all varieties of U.S. nectarines must be fumigated with methyl-bromide before entering

Japan. Similarly, due to these pest concerns Japan continues to ban imports of U.S. fresh peach exports.

Marketing

As there are currently no imports of U.S. peaches or nectarines in this market, there are no marketing activities promoting these products in Japan.

Price

In early July 2010, a Tokyo supermarket sold domestic white peaches at $2.79 (248 yen) per fruit. Japanese peaches are usually large sized, weighing approximately 250 grams per fruit. Wholesale prices on Japanese peaches rose 28 percent from $5.45/kg (484 yen) in the previous year to $6.97/kg (619 yen).

* The 88.74 yen per dollar exchange rate is based on a Nikkei News quote from July 13, 2010.

Tariff Table

The applicable import duty for fresh peaches/nectarines is as follows:

TARIF CODE (HS)	DESCRIPTION	DUTY RATE
0809.30	Peaches/Nectarines	6.0%

The duty is charged on a CIF basis.

Trade Matrices

Export Trade Matrix (Quantity)					
Country	**Japan**				
Commodity	**Peaches, Fresh**				
Time Period:	January - December				
Units:	Metric Tons				
Export for:	**2007**	Export for:	**2008**	Export for:	**2009**
U.S.	**0**	**U.S.**	**0**	**U.S.**	**0**
Others		Others		Others	
Taiwan	394	Taiwan	421	Taiwan	306
Hong Kong	90	Hong Kong	135	Hong Kong	204
Singapore	2	Singapore	1	Singapore	3

Total for Others	486	Total for Others	557	Total for Others	513
Others not Listed	2	Others not Listed	5	Others not Listed	1
Grand Total	488	Grand Total	562	Grand Total	514
Source: World Trade Atlas					

Export Trade Matrix (Value, FOB)					
Country	**Japan**				
Commodity	**Peaches, Fresh**				
Time Period:	January - December				
Units:	Millions of US Dollars				
Export for:	**2007**	Export for:	**2008**	Export for:	**2009**
U.S.	**0.000**	**U.S.**	**0.000**	**U.S.**	**0.000**
Others		Others		Others	
Taiwan	3.135	Taiwan	3.497	Taiwan	3.211
Hong Kong	0.672	Hong Kong	1.018	Hong Kong	1.590
Singapore	0.025	Singapore	0.019	Singapore	0.028
Total for Others	3.832	Total for Others	4.534	Total for Others	4.829
Others not Listed	0.060	Others not Listed	0.089	Others not Listed	0.055
Grand Total	3.892	Grand Total	4.623	Grand Total	4.884
Source: World Trade Atlas					

Wholesale Price Table			
Country	**Japan**		
Peaches, Fresh			
Prices in:	Japanese Yen		
Per uom:	KG		
Year:	**2009**	**2010**	% Change
Jan			
Feb			
Mar			
Apr	2,219	2,254	2%
May	1,416		-100%
Jun	484		-100%
Jul	397		-100%
Aug	397		-100%
Sep	374		-100%
Oct	394		-100%
Nov			
Dec			

Exchange Rate:	90.8	(Local Currency/US $)	
Date of Quote:	6/18/2010	(MM/DD/YYYY)	
Source: MAFF			