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Stone Fruit Annual

Cherry bumper crop in Japan may slow increasing trend in imports

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Report Highlights:
For the 2011/12 season, post estimates Japanese production of cherries will grow by 7 percent, the highest level since 2002. During the 2010/11 season, Japanese imports of U.S. cherries grew by 10 percent but overall imports for the current season are expected to slow as a result of the increase in domestic supplies. Japanese production peaches in the 2011/12 is expected to increase by 6 percent. Meanwhile, fears of radioactive contamination in foods remains a concern for both Japanese consumers and Fukushima growers.

Commodities:

Fresh Cherries,(Sweet&Sour)

Fresh Peaches & Nectarines

Fresh Cherries

PS&D Table:

Fresh Cherries,(Sweet & Sour) Japan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	4,900		4,850	4,880		4,860
Area Harvested	4,450		4,400	4,470		4,450
Bearing Trees	0		0			
Non-Bearing Trees	0		0			
Total Trees	0	0	0	0		0
Commercial Production	14,700		16,000	17,500		18,500
Non-Comm. Production	1,900		2,000	2,200		2,500
Production	16,600	0	18,000	19,700		21,000
Imports	10,013		11,000	11,009		9,300
Total Supply	26,613	0	29,000	30,709		30,300
Fresh Dom. Consumption	25,113		27,500	28,959		28,450
Exports	0		0	0		0
For Processing	1,500		1,500	1,750		1,850
Withdrawal From Market	0		0	0		0
Total Distribution	26,613	0	29,000	30,709		30,300

*Area measured in hectares

#Production, Imports and Consumption measured in metric tons

Crop Area

According to the Ministry of Agriculture, Forestry and Fisheries (MAFF), Japan's planted area for sweet cherry trees in the 2010/11 season was 4,880 hectares, similar to the previous season. The area harvested also remained about the same at 4,470 hectares. Since the 2006/07 season, the Japanese crop area for sweet cherries has been marginally declining due to the overall labor shortage in the Japanese agricultural sector. The Yamagata Prefecture, located 200 miles north of Tokyo, has the largest crop area of sweet cherries in Japan (about 65 percent of the nation's total crop land for cherries). The Yamagata Prefectural government reports that local cherry growers have been facing reductions in the labor force as many cherry growers are aging and only a few young people are joining the farm sector. In particular, the cultivation of cherries requires well-skilled farmers; the retirement of older farmers is significantly reducing the amount of skilled labor in the region. While the Yamagata cherry crop area remains about the same as the past several seasons, growers expect that the crop area will start declining in the near future. Given the continued reduction of skilled laborers, Post estimates Japan's cherry tree planting area to marginally decline to 4,860 hectares in the 2011/12 season.

The common cherry trees planted in Yamagata are the "Satonishiki" and the "Benishuho" varieties. The pictures below of "Satonishiki" (Figure 1) and "Benishuho" (Figure 2) were taken on June 23, 2011, and

“Satonishiki” was at 70 percent maturity and “Benishuho” was at 50% maturity. The peak harvesting season for “Satonishiki” is in late June, while “Benishuho” is in early July.

Figure 1 "Satonishiki" variety

Figure 2 "Benishuho" variety

Production

According to industry sources, the area where Japanese cherries are largely produced experienced cold weather in early spring 2011. Hence, the overall production process for cherries was slightly delayed about one week compared to previous years. When the cherry blooming season began in northern Japan in late April, temperatures rose and were ideal for bee pollination. As a result, the fruit set was excellent. Correspondingly, the Yamagata Prefectural government expects this season to have a bumper crop. However, the overall fruit size will be relatively smaller since there are so many fruit in the trees as a result of the good fruit set. Thus, post forecasts the nation’s total output of cherries to be approximately 21,000 metric tons, 7 percent higher than the previous season and the highest level since 2002.

Yamagata is the major producer of Japanese cherries, about 73 percent of the nation’s total cherry output. The Hokkaido prefecture, the northern island of Japan, and the Aomori and Akita prefectures, located on the main island are also important Japanese cherry producers. The peak season for Hokkaido cherries is expected in mid July, about one week late compared to previous years and the crop is expected to be normal. On the other hand, cherry production in the Aomori and Akita prefectures is expected to be about 20 percent smaller than last season due to heavy snow storms during the winter season. The majority of Japanese cherries are sweet cherries, while the production of tart cherries is insignificant. The Bing cherry variety is not commercially produced in Japan.

On March 11, 2011 the Great North East Japan Earthquake and tsunami devastated the Pacific coast of the northern Japan. The contamination of radioactive substances caused by the explosions of Fukushima Daiichi Nuclear Power Plant remains a major concern among Japanese consumers and agricultural growers including cherry growers.

According to Tokyo traders, the price and shipping volume of cherries produced in the Fukushima Prefecture are the same as in previous years. The Fukushima prefecture produces only about 2 percent of Japan’s cherries. The Fukushima Prefectural government reports that thanks to the increasing number of shops supporting Fukushima products outside the prefecture retail sales have remained normal. However, the situation is different for sales of cherries used as gifts and sales of cherries at picking farms. One cherry farmer feels uneasy

as he has not received many orders from customers who usually sell cherries as gifts. The situation is more serious at cherry picking farms located in Fukushima, where tourists can pick the fruit themselves. Since the nuclear accident, radiation fears have kept tourists from visiting cherry picking farms.

The major cherry production regions such as Yamagata, Akita and Aomori are quite far from the Fukushima Daiichi Nuclear Power Plant and traders report that retail sales from these prefectures remain the same as other years. However, nationwide tourism slowed significantly after March 11 and impacted visits to these prefectures and picking farms.

Consumption

Japanese consumption of fresh cherries is significantly affected by the production of domestic cherries and imports from overseas. Japan does not export cherries. Hence, 100 percent of domestic cherries are consumed domestically. Post estimates that per capita consumption of fresh cherries averages about 200 to 260 grams annually.

Trade – Imports

Japan: Imports of fresh cherries (Quantity)
Marketing year: January-December / Quantity in metric tons

	MY 2006/07	MY 2007/08	MY 2008/09	MY 2009/10	MY 2010/11
Beginning month of marketing year:	Jan/06	Jan/07	Jan/08	Jan/09	Jan/10
World	**6,947**	**9,374**	**8,525**	**10,013**	**11,009**
United States	6,846	9,295	8,454	9,920	10,904
Market share:	*99%*	*99%*	*99%*	*99%*	*99%*
Chile	76	45	33	26	53
Australia	12	13	17	35	26
New Zealand	14	22	21	32	24
Canada	0	0	0	0	2

Source: Global Trade Atlas

For the 2011/12 season, Post estimates Japanese imports of fresh cherries to be approximately 9,300 metric tons, down approximately 16 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. California and the Pacific Northwest region (the states of Washington and Oregon) are the major suppliers of fresh cherries to Japan. On May 1, 2011 this season's first shipment of cherries arrived in Japan from California with 1,372 cartons (approximately 11 metric tons). The first shipment of this season arrived two days later compared to the previous season. California shipped fresh cherries to Japan daily until June 24 with shipments peaking in late May. According to the Japan Fresh Fruit Import and Safety Association, California supplied 897,734 18-pound cartons (roughly 7,270 metric tons), about 98 percent of the total shipment from the previous season. Early this season, California supplied Brooks and Tulare cherries as early-crop varieties, and then Bing, Rainier, Van and Lambert as late-crop varieties. The first shipment from the Pacific Northwest arrived in Japan on June19, 8 days later compared to last season. Japanese trade sources state that this season's domestic cherry was a bumper crop and the domestic supply started to increase around June 25. Industry expects that the domestic supply of cherries will continued to be high until about mid July. Hence, imports of cherries from the Pacific Northwest are expected to lower during the high season of domestic supplies. As of July 20, 2011, the Pacific Northwest

supplied 194,820 18-pound cartons (about 1,578 metric tons), or 63 percent of the total shipment of the previous season. Industry expects shipments to continue arriving until mid-August.
Other suppliers of fresh cherries to Japan include Chile, Australia and New Zealand. Taking advantage of the differing production seasons, suppliers in the Southern Hemisphere ship fresh cherries during Japan's winter season at higher market prices. In Japan, fresh cherries are mainly given as gifts during the Christmas and the New Year holiday season.

Trade – Exports

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

Policy

Due to findings of codling moth in the United States, two types of protocols were established for importing fresh cherries from the United States. Cherries can be imported under either protocol. One protocol requires all U.S. cherry varieties to be fumigated with methyl-bromide before entering Japan. The other protocol allows imports of U.S. cherries without methyl-bromide fumigation if certain monitoring conditions are met (commonly known as the "systems approach").
Regarding Japanese imports of U.S. cherries, the following plant health issues have taken place since the last Stone Fruit Annual report (August 2010). *Requirements on New Cherry Varieties:* In the protocol requiring methyl-bromide fumigation before entering Japan, Japan individually approves each new variety of fresh cherry following fumigation trials, a burdensome process that restricts entry of new varieties of cherries. Japan has not provided a scientific basis for testing of each variety given that the pest list for all varieties is the same. In February 2007, the United States requested Japan to encourage its acceptance of fresh sweet cherries as a single commodity, all varieties of which may be imported without the need for separate testing. MAFF requested USDA's Animal Plant Health Inspection Service (APHIS) to submit detailed data for fumigation trials. In 2008, through 2010, USDA conducted a series of tests on different sizes and varieties of cherries and submitted data to MAFF. In the same period, USDA/APHIS and MAFF actively discussed the effects of fumigation on different sizes and varieties of cherries. Discussions between USDA/APHIS and MAFF on this issue continued in 2011. In order to finalize its decision, MAFF must hold a public comment period as part of the mandatory process.
Access for non-fumigated cherries (systems approach): In 2009, the United States and MAFF reached an agreement on the systems approach protocol allowing the states of Washington and Oregon to ship fresh cherries to Japan without fumigation provided certain conditions are met. The region's successful implementation of this protocol is now on its third year. In 2010, a protocol for California cherries was completed. U.S. officials are now working to expand the systems approach agreed on the Pacific Northwest to include Idaho. In July 2010, MAFF completed its inspection of Idaho facilities and in November 2010, APHIS submitted a report to MAFF on the systems approach pilot study conducted in Idaho. Currently, the report is being reviewed by MAFF and will require holding a public comment period before the inclusion of Idaho is

finalized. In addition, USDA/APHIS is requesting MAFF to ease the burden of the "end of season" reporting requirements.

Western Cherry Fruit Fly (WCFF): In 2009, Western Cherry Fruit Fly was found in cherries that were shipped from the Pacific Northwest under the systems approach. In this instance, MAFF has allowed U.S. cherries shipped under the systems approach to be treated with methyl-bromide (MB) fumigation if WCFF is detected upon arrival in Japan. This MB fumigation treatment is a regular quarantine regulation.

According to industry sources, some growers are still considering whether the potential benefits of systems approach outweigh the risk of shipping without fumigation. Growers concerns stem from the fact that WCFF was detected in U.S. cherries upon arrival in Japan (shipped under the systems approach) and the product was required to be fumigated with methyl-bromide in order to enter Japan. This fumigation treatment not only added extra costs to the product, but also damaged the quality of fruit. In addition, the fumigation process at the port also delayed product delivery to retail stores. Traders report that in 2010 the cost of shipping under the systems approach protocol significantly exceeded the cost of shipments sent under the methyl-bromide fumigation protocol. Moreover, Japanese retailers do not differentiate between non-fumigated and fumigated cherries at the point of sale, selling them at the same price (no price premium exists).

Trade sources state that in 2010, approximately 4,000 18-pound cartons were shipped to Japan under the systems approach protocol from California. This is only 4 percent of the total cherries shipped to Japan from California. Approximately 13 percent of the Pacific Northwest cherries were shipped to Japan under the systems approach in 2010.

Marketing

In the 2010/11 season, U.S. cherry sales started in early May, a few days late compared to the previous year. Sales volume started to rise in mid May as the shipment volume from California increased. Many Japanese retail stores and supermarkets strengthened their sales promotions by disseminating sales flyers to individual homes, decorating their shops with promotional posters and encouraging shoppers to taste U.S. cherries by providing cherry samples. Promotional U.S. cherry sales activities continued until the start of domestic cherry sales in late June. Domestic cherries are relatively scarce during May and June. U.S. fresh cherries from the Pacific Northwest region become available in Japan in late June coinciding with domestic cherry sales. This season, sales competition between domestic and imported cherries was particularly fierce due to the domestic bumper crop. Nonetheless, the domestic cherry season is relatively short (about one month) and usually ends by mid July, while cherries from the Pacific Northwest are available until mid August. The Pacific Northwest cherries face additional competition from Japanese summer fruit such as watermelons, pears and peaches which are available in the market from July until mid August.

On May 28, 2011 Japan's largest national chain supermarket conducted American Food Fair promotions featuring a variety of U.S. food products such as U.S. cherries, fresh citrus, U.S. beef and seafood. The promotion was co-sponsored by UADA/ATO and various U.S. agricultural cooperators. U.S. cherries are usually the headliners at the promotional fairs.

Figure 3 A scenery of American Food Fair promotion

Prices

In early July 2011, a national chain supermarket sold U.S. Bing cherries at $4.93 (398 yen) for a 300-gram plastic clamshell pack, and $7.41 (598 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). U.S. Rainier cherries were also sold at $5.58 (450 yen) for 300-gram pack. While, domestic cherries were sold at $3.69 (298 yen) for a 230 gram pack (small sized cherry) at the same supermarket, and $6.17 (498 yen) for medium sized cherry.

*The 80.66 yen per dollar exchange rate is based on a Nikkei News quote from July 11, 2011

Wholesale prices

Japan: Fresh Cherry Wholesale Prices *

Domestic (Yen/KG)			Imports (Yen/KG)		
	2010	2011		2010	2011
January	…	…	January**	¥1,205	¥1,243
February	…	…	February	…	…
March	…	…	March	…	…
April	¥6,315	¥6,763	April	¥2,469	…
May	¥4,661	¥4,417	May	¥1,109	¥1,107
June	¥1,670		June	¥893	
July	¥990		July	¥924	
August	¥1,295		August	¥947	
September	…		September	…	
October	…		October	…	
November	…		November	…	
December	…		December**	¥1,407	

Source: MAFF *Source: MAFF*

*Wholesale prices for both domestic and imports are average wholesale prices at the major wholesale markets.

**Wholesale prices for imports in December and January are prices for cherries from Australia, New Zealand and Chile.

Tariff Table

Japan: Import Duties 2011		
Tariff Code (HS)	Description	Duty Rate (%)*
0809.20	Fresh cherries	8.5%

Source: Customs Tariff Schedules of Japan 2011

** all duties are charged on a CIF basis*

Fresh Peaches

PS&D Table:

Fresh Peaches & Nectarines Japan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	11,000		10,900	10,900		10,800
Area Harvested	10,100		10,000	10,000		9,900
Bearing Trees	0		0			
Non-Bearing Trees	0		0			
Total Trees	0	0	0	0		0
Commercial Production	138,300		138,000	125,700		133,000
Non-Comm. Production	12,400		12,000	11,000		12,000
Production	150,700	0	150,000	136,700		145,000
Imports	0		0	0		0
Total Supply	150,700	0	150,000	136,700		145,000
Fresh Dom. Consumption	131,186		130,500	118,706		126,000
Exports	514		500	494		500
For Processing	19,000		19,000	17,500		18,500
Withdrawal From Market	0		0	0		0
Total Distribution	150,700	0	150,000	136,700		145,000

*Area measured in hectares

#Production, Consumption and Exports measured in metric tons

Crop Area

According to the Ministry of Agriculture, Forestry and Fisheries (MAFF), Japan's planted area for peach trees in the 2010/11 season was slightly lower than the previous season at 10,900 hectares. The area harvested also declined marginally from last season. Japan's crop area for peaches has been constantly declining at approximately 1 percent annually due to the overall labor shortage in the Japanese farm sector.

The Yamanashi Prefecture, located 80 miles west of Tokyo has the largest nation's crop area for peaches. The Yamanashi Prefectural government reports that peach harvest takes place during the summer and it is particularly hard for older people to perform harvesting in hot weather. Peach farmers are aging rapidly in Yamanashi and the current young labor cannot compensate for the overall loss of older farmers retiring. Given the continuing aging farm population, post estimates that Japan's planted area for peach trees will continue to marginally decline to 10,800 hectares in the 2011/12 season.

The Fukushima Prefecture, located 120 miles north of Tokyo, is also an important region for peach production. According to the Fukushima Prefectural government, Fukushima peach farmers are also facing similar problems; an aging farm population and a declining farm labor force. This season Fukushima peach growers are also

concerned that consumers' fear of radiation contamination may have an impact on retail sales of Fukushima peaches.

Peach trees planted in Japan are almost all white peach trees with very little yellow peach trees. The common peach trees planted in Japan are "Hakuho" variety in the Yamanashi region (Figure 4) and "Akatsuki" variety in the Fukushima region (Figure 5). Japan's crop area for nectarines is reportedly very limited, approximately 250 hectares.

Figure 4 "Hakuho" variety

Figure 5 "Akatsuki" variety

Production

The Yamanashi Prefectural government reports that in 2011, the region experienced cold weather during the early spring which delayed harvest by a few days compared to the last season. However, when peach trees started blooming in April, weather in Yamanashi became ideal for pollination and, as a result, the peach fruit set was excellent. In addition, Japan's rainy season ended early this year (roughly 12 days earlier than other years) which allowed warm weather to continue after the rainy season. Given the hot weather conditions in Yamanashi, the Japanese industry expects a good peach crop this season. In Yamanashi, peach harvesting started in late June will continue through early August.

According to Fukushima Prefectural government, peach fruit set was excellent and fruit is growing well since the region's weather has kept relatively good since the early spring. This year's rainy season in the Fukushima region ended on July 11, about 2 weeks earlier than in previous years. The Fukushima peach industry expects that peach fruit will continue to grow until the peak harvesting time in August. In Fukushima, peach harvest commonly starts in late July and continues until early September. Given the good fruit set conditions in the two major producing regions, post forecasts the nation's total output of peaches to be approximately 145,000 metric tons, up 6 percent from the previous season.

On March 11, 2011 the Great North East Japan Earthquake and tsunami fatally damaged the Fukushima Daiichi Nuclear Power Plant. The contamination of radioactive substances in the region remains a big concern among Japanese consumers and agriculture growers. As fears of radioactive contamination linger, the Fukushima peach growers worry about consumers' reactions to their product as peach harvest has just started.

The Fukushima Prefectural government reports that fruits and vegetables are closely monitored for radiation contaminations. On July 11, peach samples were picked from various orchards in Fukushima and all samples showed contamination levels well below the government's allowable limit. The prefectural government

continues to monitor contamination levels for peaches as the peak harvesting season in Fukushima approaches. Industry sources indicate that retail sales for peaches are currently (as of mid July) selling as well as previous years because the peaches currently in the market are mainly from the Yamanashi Prefecture. However, when the major supplier changes to Fukushima in mid August retailers worry that consumer's continued fears may negatively affect sales. According to the Tokyo Metropolitan Wholesale Market, some early-crop varieties have already arrived from Fukushima and the trading prices remain unchanged. Since the first findings of radiation contaminated foods, the Fukushima agricultural cooperatives have actively set up consumer campaigns to promote the safety of the prefecture's farm products. There is a big nationwide movement to buy Fukushima products in order to support Fukushima farmers.
Similar to the challenges faced by Fukushima cherry picking farms, the Fukushima picking farm association remains concerned that sales in peaches used as gifts and at picking farms will lower. The number of tourists visiting the Fukushima Prefecture has dropped significantly since March 11 as people are fearful of radiation.

Consumption

According to the Ministry of Internal Affairs and Communications (MIC), in 2010 Japanese annual consumption of fresh peaches was approximately 1.81 kilograms per household. This is the average consumption for two-or-more-person households. In 2010, per-household consumption for fresh peaches was down approximately 8 percent from the previous season. Japanese consumption of peaches is significantly dependent on the domestic supply as Japan does not import peaches. In 2010, Japanese peach production was down approximately 9 percent from the previous season.
MIC also reports that Japanese peach consumption among older generation households is significantly larger than that of younger generations. For example, households of those between ages 60 and 69 consume 2.53 kilograms annually; while, households of those between ages 30 and 39 consume 0.76 kilograms annually. Peach consumption in Japan has followed the nationwide fruit consumption trend; younger generations are eating less fruit that requires pealing. This trend and lower domestic production contributed to decrease in domestic peach consumption in 2010.

Trade – Imports

There were no imports of fresh peaches/nectarines in the 2010/11 season. U.S. nectarines are subject to methyl-bromide fumigation before entering to Japan due to codling moth concerns. Under the current fumigation requirements, traders state that it is not economically feasible to ship only small volume to Japan. There have been no imports of U.S. nectarines since 2005. As for fresh peaches, currently, imports from the United States remain banned due to phytosanitary concerns.

Trade – Exports

Japan: Exports of fresh peaches (Quantity)

Marketing year: January-December / Quantity in metric tons

	MY 2006/07	MY 2007/08	MY 2008/09	MY 2009/10	MY 2010/11
Beginning month of marketing year:	Jan/06	Jan/07	Jan/08	Jan/09	Jan/10
World	**425**	**488**	**562**	**514**	**494**
United States	0	0	0	0	0
Exports share:	*0%*	*0%*	*0%*	*0%*	*0%*
Taiwan	367	394	421	306	261
Hong Kong	56	90	135	204	229
Singapore	2	2	1	3	3
All other	0	2	5	1	1

Source: Global Trade Atlas

In the 2010/11 season, Japan exported 494 metric tons of fresh peaches to neighboring countries. Taiwan and Hong Kong were the two major destinations, where Japan shipped 261 and 229 metric tons, respectively. Exported peaches come from the Yamanashi Prefecture and not usually from the Fukushima prefecture. Hence, the Japanese industry expects that a similar volume will be exported to neighboring countries this season.

Policy

Due to the findings of codling moth in the United States, all varieties of U.S. nectarines are required to be fumigated with methyl-bromide before entering Japan. Similarly, due pest concerns Japan continues to ban imports of U.S. fresh peaches.

Marketing

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

Prices

In early July 2011, a national chain supermarket sold domestic white peaches at $4.93 (398 yen) for a package of two fruit (medium sized peaches, weighing 210 grams). A large sized peach (weighing 250 grams) was sold at $7.43 (599 yen) for a package of two fruit.

*The 80.66 yen per dollar exchange rate is based on a Nikkei News quote from July 11, 2011

Wholesale Prices

Japan: Fresh Peach Wholesale Prices*

Domestic (Yen/KG)		
	2010	2011
April	¥2,254	¥2,238
May	¥1,382	¥1,489
June	¥619	
July	¥469	
August	¥469	
September	¥471	
October	¥466	

Source: MAFF

**Wholesale prices are average wholesale prices at the major wholesale markets.*

Tariff Table

Japan: Import Duties 2011		
Tariff Code (HS)	Description	Duty Rate (%)*
0809.30	Fresh Peaches/Nectarines	6.0%

Source: Customs Tariff Schedules of Japan 2011

** all duties are charged on a CIF basis*