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Taiwan

Fresh Deciduous Fruit Annual

Fresh Deciduous Fruit

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Report Highlights:

The apple is, far and away, the most heavily consumed imported fruit in Taiwan. Fuji, with its sweet taste and firm texture remains the overwhelmingly favored variety – recently accounting for 90% of total retail apple sales. Local apple production supplies only 3% of domestic demand. The consumption of apples is not expected to reach the highs seen in the late 1990s but should remain in the 120-140 K MT range through the next few years. In MY 2009, Taiwan imported a total of 127,151 MT or over US\$140 million worth of fresh apples. The United States continues to be the leading supplier accounting for 36% of Taiwan's total apple imports.

Executive Summary:

Characteristics of the Taiwan Fruit Market

- World's highest per capita consumption of fresh fruit -- 130 kgs which is about 2-3 times more than other countries.
- Market share of imported fruit vs. domestic fruit -- 15% by value; 10% by volume
- In Taiwan, consumers do not believe that fruit can be "too sweet," -- the sweeter the better.

Taiwan Apple Production: Over the past few years, Taiwan has produced a small amount of fresh apples with an annual production of nearly 6,000 metric tons (MT). This production level reflects a downward trend that has occurred since its accession to the WTO in 2002. In MY2009, Taiwan's apple production continued to drop further to 3,645 MT, a 12% decrease from the previous year. The locally produced apples are no longer profitable and competitive due to high labor/transportation costs and the steady influx of imports from various sources.

Taiwan Apple Imports: Taiwan imported 127,151 MT of apples in MY2009. Of which, 45,869 MT were from the United States. The U.S. dominates the Taiwan apple market. However, the entry of major apple suppliers from Japan and Korea in the Northern Hemisphere and New Zealand and Chile in the Southern Hemisphere that were formerly only allowed to export to Taiwan under quota has shifted some market share away from U.S. apple suppliers. Overall, market share of apple imports from the United States has been in decline since 2002.

Commodities:

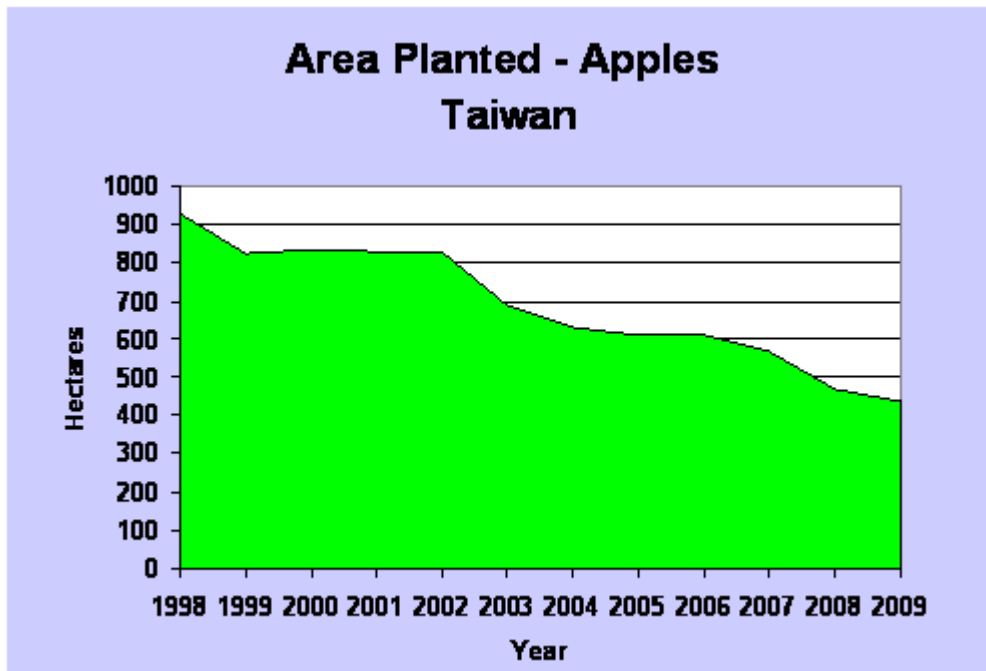
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Production:

Even prior to accession to the World Trade Organization (WTO) in 2002, Taiwan's annual apple crop, grown in orchards set in Taiwan's temperate central mountain range, was not significant, less than 10,000 MT per year. Since WTO accession and market liberalization, cropland has been steadily taken out of production. In MY2009, only 3,645 MT of fresh apples were harvested, a 12% drop from the previous year. This was mainly attributed to damage caused by tropical storm Morakot in August 2009 and cold weather in January 2010. Typhoon Morakot brought record-breaking heavy rain which caused flooding and mudslides to parts of Taiwan.

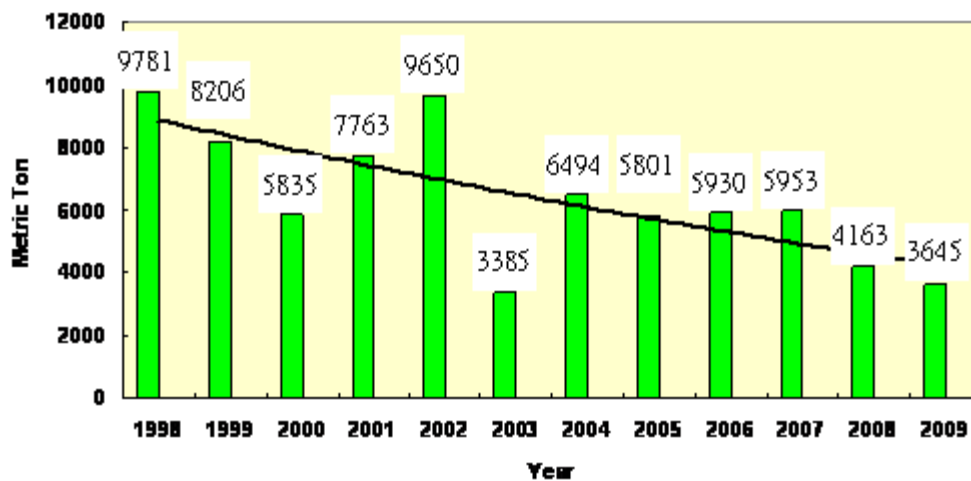
Since 2002, Taiwan has experienced a downward trend of area planted (see table below). The trend is that more and more land that used to be devoted to apples are now used to plant mountain vegetables. Locally produced apples are no longer profitable and competitive in the market. Local production is currently able to supply only some 3% of domestic demand, making the impact of annual fluctuations in

local crop yields on imports insignificant. The industry is likely to continue slowly contracting due to high production costs and labor retention problems. Local production is principally the Fuji variety. Nearly 100 percent of commercially-grown local apples are estimated as sold for fresh consumption.



Source: Taiwan Council of Agriculture

Taiwan Apple Production



Source: Taiwan Council of Agriculture

Consumption:

Taiwan Consumers' Preferences: The vast majority of people in Taiwan

view fruit as an important part of the daily diet. Fruit is frequently eaten as a snack as well as dessert and is the most common food prepared to serve to visitors in the home or office.

The apple symbolizes many positive things to the Taiwan consumers. Unless bought solely for personal consumption, the color, size, and general appearance, of fruit is typically quite important to Taiwan retail customers. The “best-looking” fruit, sold in gift packaging, fetches the highest prices. The most expensive apples on the market, Japan-grown Fujis, sell well at premiums of 100% because of their size and consumers' quality perceptions.

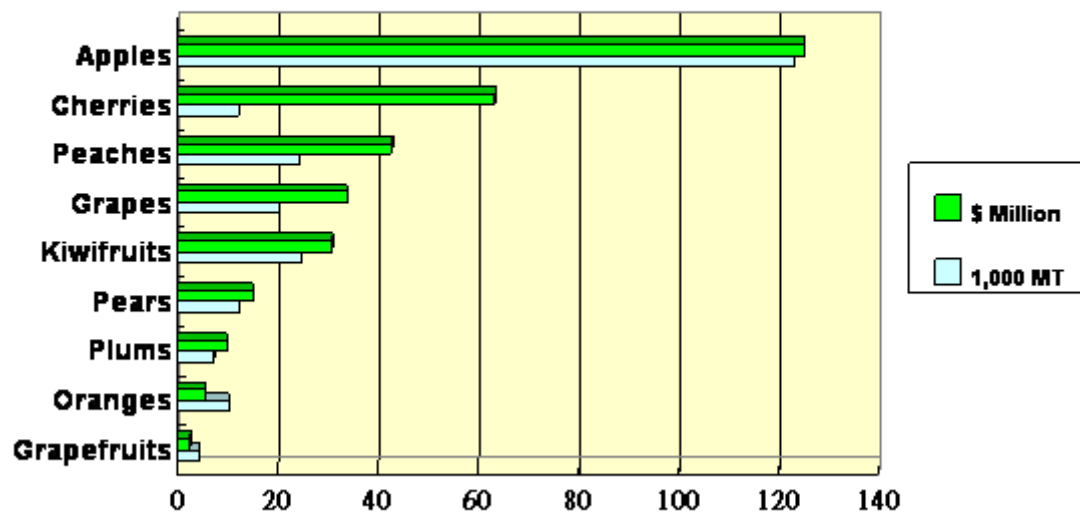
While countries like the United States, Chile and New Zealand continue to focus on supplying the Taiwan market with traditional varieties, Japan is having some success at introducing less common varieties into the market to maintain its “premium” image and justify higher prices to consumers. It is not uncommon to find Japanese and Korean fruit in the market at US\$6-8 per piece.

The Taiwan consumers' preference for the apple over other fruit is grounded in a number of factors, including appreciation of nutritive/health benefits, relatively low price, a strong quality image, attractive appearance, and relatively long shelf life. Furthermore, the year-round availability of the apple is attractive to retailers, because point-of-sale formats need not be rotated - as is necessary for fruits available only at certain times of the year.

Fresh apples are a welcomed item in Taiwan. It is 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 grapes, cherries, peaches, and berries. Due to the variety of imported and domestic fruits

available year round, consumption of apples is not expected to reach the highs seen in the late 1990s without some new factor or factors changing the competitive picture (e.g., such as new positive findings regarding the health benefits of apples or an expansion of fruit consumption in general).

**Although produces a rich variety of tropical and subtropical fruits
Taiwan Is Also a Good Market for Fruit Imports
FY 2009**

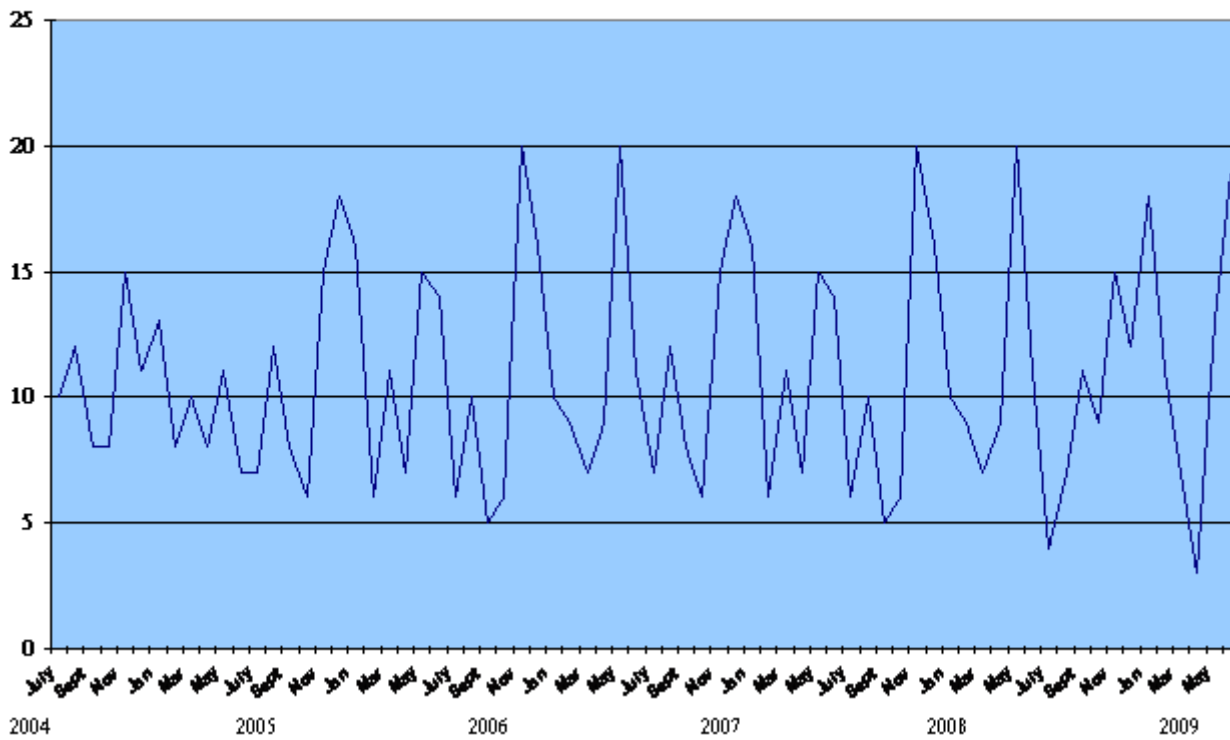


Source: Global Trade Atlas

Seasonal Preferences: While eaten year round, Taiwan consumers purchase significantly more apples during the autumn and winter months- the prime production months for northern hemisphere growers. Reasons for this include general perception of the apple as a “cool weather” fruit and the incorporation of apples into the many festivals held during this time of the year. People in Taiwan send food products in gift packages to their friends and relatives during three major lunar-year festivals: Taiwanese 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.

The chart below illustrates the higher-than-average apple imports during Taiwan’s autumn & winter months recorded over the past six years:

Taiwan Apple Import Volume Per Month
MY2004 - MY2009 (1,000 Metric Tons)

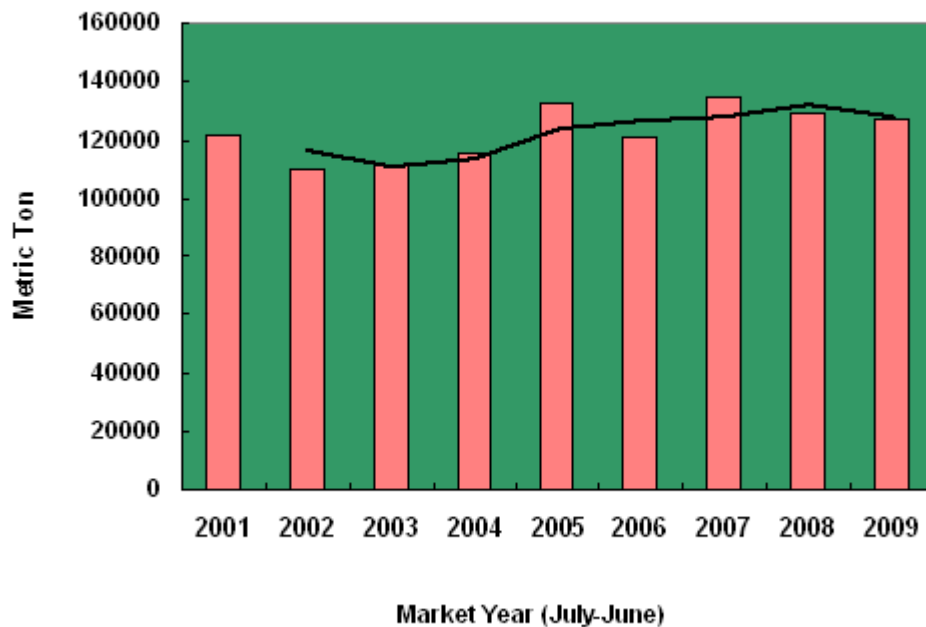


Trade:

Taiwan is a well developed market for fresh apples. In MY2009, Taiwan imported a total of 127,151 metric tons or over US\$140 million worth of apples, a nearly one percent decrease in terms of volume and 2 percent increase in terms of value from the previous year. Fuji, with its sweet taste and firm texture, remains the favorite variety in Taiwan – recently accounting for 90% of total retail apple sales. Industry executives indicated that MY2010 apple imports will further drop by an estimate of 4 percent as there was an oversupply of Fuji apples that were mainly imported into Taiwan from Chile during May-September 2010. Therefore, many importers are now making every effort to reduce the inventory of these apples from the Southern Hemisphere. Consequently, importers are more cautious about placing new orders.

With the Taiwan fresh apple consumption ‘pie’ looking set to remain at about the same size for the coming few years and the market open to all major producers (with the important exception of China), importers now have a broad choice of suppliers and countries from which to choose. The pie, divided up, will keep varying based on supplier prices, product quality, and availability.

Taiwan Apple Imports

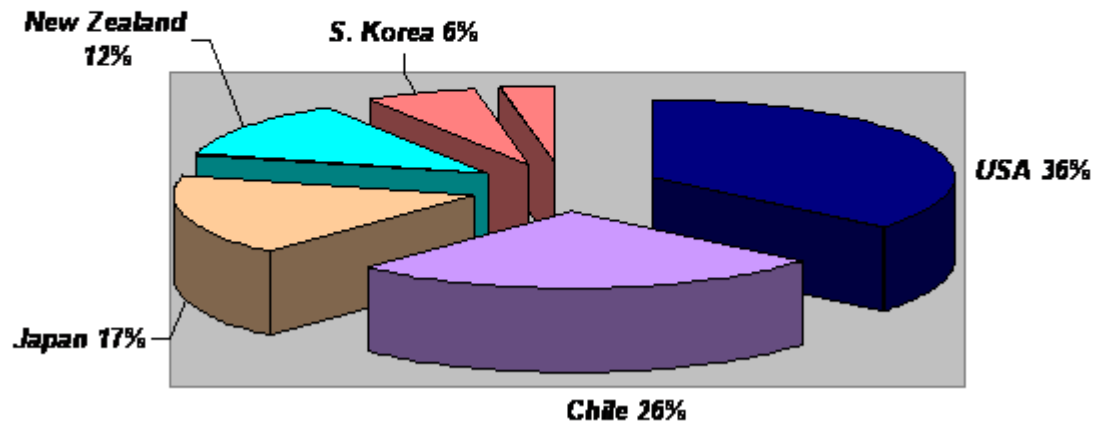


In MY2009, the United States continued to be the leading supplier with 36% (45,869 MT) of the market, followed by Chile (26%), Japan (17%), New Zealand (12%), and South Korea (6%). Export volumes from all countries decreased in MY 2009 except South Korea that posted a 99% increase from 3,992 MT in MY2008 to 7,954 MT in MY2009. Japanese apples are currently receiving positive reviews (generally good taste, relatively small size, excellent appearance, and competitive price). Industry executives indicated that Korean Fuji apples with already improved color/brix level and with competitive prices will become a strong competitor for U.S. apples in the near future.

In general, while Taiwan buyers do express a continued preference for U.S.-origin Fuji apples, apple importers have shown themselves more than willing to shift purchase orders to other competing supplier countries when cost factors run against U.S. exporters. A recently significant change of attitude towards importing apples by Taiwan importers is that they do not want to risk placing a large volume forward order of apples from one single supplier or country wherever its apple exports might be suspended due to detection of codling moth or peach moth. Taiwan importers need the flexibility to switch their orders to other countries if the supplier country is suspended. As a result of this new trend, many larger U.S. companies are less eager to offer aggressive pricing on smaller, multiple orders of product.

MY2009 Taiwan Apple Imports

Total Imports: 127,151 mt



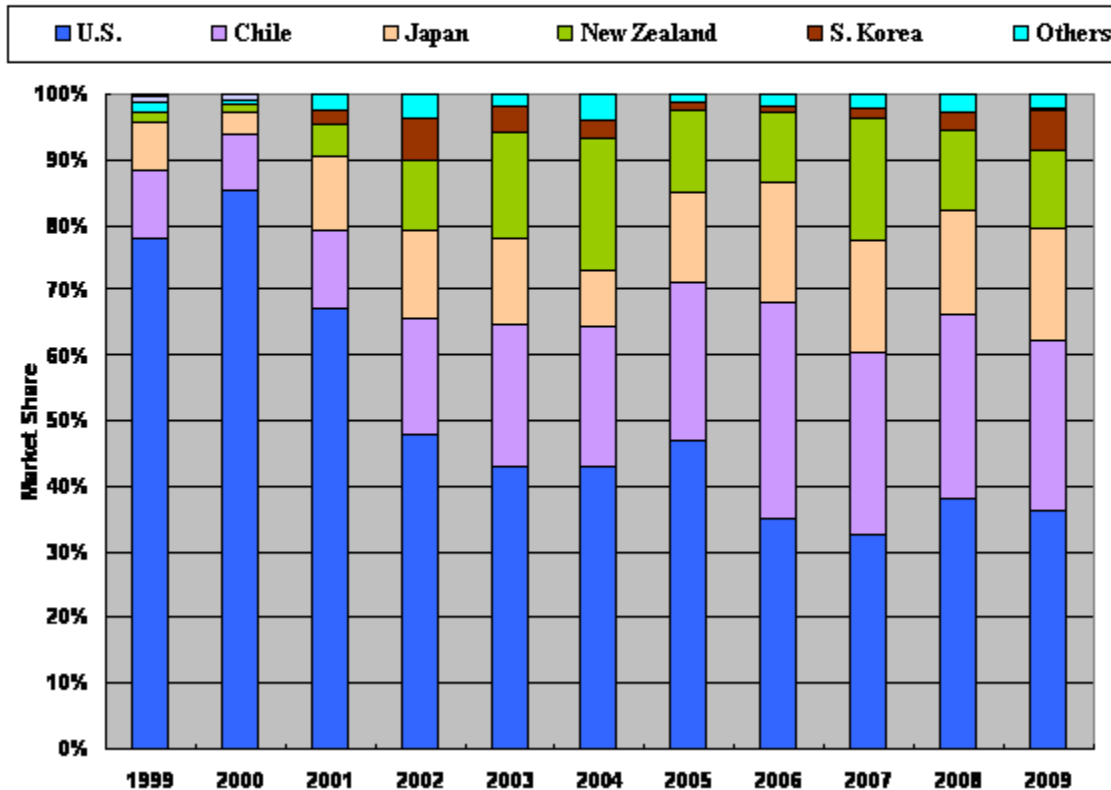
Source: Global Trade Atlas

Taiwan's 2002 entry into the WTO eliminated previous quota restrictions on all countries formerly approved to export to Taiwan under quota (Chile, New Zealand, Australia, Japan, South Africa, Argentina, and the European Union) and removed a previous ban on apple imports from South Korea. The entry of major apple suppliers from Japan and Korea in the Northern Hemisphere and New Zealand and Chile in the Southern Hemisphere has shifted some market share away from U.S. apple suppliers since then. Currently, China remains prohibited from exporting fresh apples to Taiwan for phytosanitary reasons.

Taiwan Apple Imports Trends in Change in Market Share

Marketing Year (July-June) 1999-2009

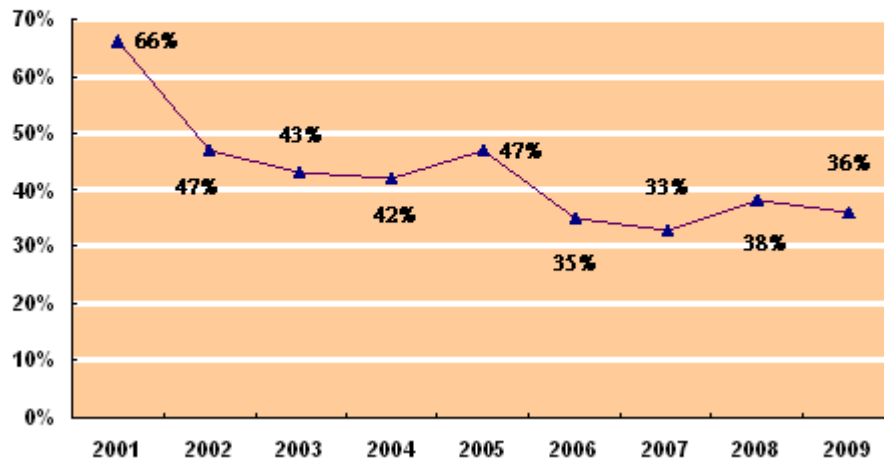
Unit: MT



Source: Global Trade Atlas

Since exports of California apples to Taiwan remains small, U.S. exports are mainly from Washington State. Currently, no other countries import as many Washington Fuji apples as Taiwan does. As shown in the table below, the U.S. market share began a downward trend in 2001. However, the U.S. is expected to remain the dominant player in the upcoming years with an expected total market share around 35-40%.

Taiwan Apple Imports U.S. market share began a downward trend since 2001



Source: Global Trade Atlas

Taiwan currently applies a 20% tariff on apple imports, down significantly from the 50% tariff applied prior to January 2002. Taiwan Customs assesses tariffs due on a shipment based on a region-specific reference price rather than the invoiced value.

The China Factor in Competition in the Taiwan Apple Market: Private investment has been flowing from Taiwan into China to develop Fuji apple production. As the world's largest producer of apples, China, and its potential to export large quantities of cheap, good quality apples to Taiwan now that both are in the WTO, is of concern to many apple exporters. The entry of Chinese apples into Taiwan presently hinges on Taiwan's certification of China's phytosanitary controls in apple growing areas and handling processes. The industry believes it highly unlikely that Chinese apples will arrive in the market during the coming 2~3 year period. However, presuming that Chinese apples will eventually be permitted in, some in the industry believe that the United States can still retain its position as the leading apple supplier to Taiwan. Factors in support of this opinion include:

Quality- While China has cultivated apples for centuries; the Fuji apple is a relative newcomer. Experience and time is required to develop not only the technical infrastructure but also the expertise to cultivate, select, grade, package, and deliver premium Fuji apples in the manner which Taiwan distributors and consumers expect.

Price- Industry watchers report that, when China exports its highest quality apples, quoted prices have not been significantly different from those quoted by U.S. suppliers.

Season- China's apple season is similar to that of Washington State. Apples from other growing regions in the U.S., such as California, should face less direct competition in Taiwan from China growers.

Domestic Consumption- China's own blossoming domestic demand for high quality apples may meet or even exceed domestic production capacity, leaving less for export - even as production volume expands. Also, Taiwan investors in Chinese orchards are reportedly most interested to develop domestic PRC market sales.

Phytosanitary Controls- Taiwan's strict controls on codling moth in apples will likely be difficult for Chinese growers and packers to meet. Even if the two quarantine services can eventually reach agreement on a quarantine work plan, there is some doubt as to China's capability to ship pest-free fruit.

Distribution Channel



Nearly all fresh fruit imports, apples included, are consumed as fresh produce. The Taiwan consumer's emphasis on both convenience and freshness is the key to channel fresh produce in the market. Currently, traditional/neighborhood wet markets account for about 50% of all fresh apple sales, followed by small fruit shops/street hawkers (34%), and supermarkets/hypermarkets (16%). Due to the current sluggish economy and continuous acquisition/merger within supermarket/hypermarket industry, store expansion for these modern retail stores is anticipated to slow down and thus overall re-structuring of the market share is not expected in the near future.

Fresh Apple - Retail Distribution Channel

Traditional/neighborhood wet markets	50%
Supermarkets/hypermarkets	16%

Small fruit shops/street hawkers	34%
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Marketing:

To maintain its dominant position – particularly against “new” competitors such as Japan, Korea, and New Zealand - U.S. suppliers should continue working closely with Taiwan importers, distributors, and retailers to reinforce the strong positive image that U.S. apples presently enjoy in Taiwan to ensure continued consumer loyalty to U.S.-origin apples.

“Fruit & Vegetable Rainbow 5-7-9” Program: Through funding by USDA’s Global Based Initiative (GBI) program, the ATO Taipei, the Washington Apple Commission, and other 10 U.S. fruit and vegetable trade associations continue to work with the Formosa Cancer Foundation (FCF) to promote a “Fruit & Vegetable Rainbow 5-7-9 Campaign” in Taiwan. This 3-year GBI program, originally known as a “5-a-Day” program and was initiated in 2007, focuses on elementary school children in Taiwan and is designed to promote nutrition by increasing overall market demand for fresh fruits & vegetables. So far, the in-school nutritional seminars have reached more than 400,000 children from 1,500 elementary schools, and, by extension, their families. The goal is to foster substantial and long-term growth in fresh fruit and vegetable consumption in Taiwan resulting in a healthier population. As the major supplier of imported fruits and vegetables in Taiwan, the United States will certainly stand to benefit significantly from any increase in consumption. The program has been very popular with Taiwan schools. There is a small amount of funding left over from 2009 that is used by FCF to launch a 4th year of the program during the last half year of 2010. This will be the last year for this most successful program in Taiwan. The program will conclude in December 2010 with a lucky drawing where several children will receive various prizes including one United Airlines ticket to the U.S., a trip to the State of Montana, and cartons of fresh fruits from several U.S. fruit importers. The 2010 “5-7-9” promotion is anticipated to attract a great deal of media attention again in Taiwan with various reports, print or electronic, on the program and the nutritional value of fresh fruits & vegetables.



Children’s nutrition checkbook that contain many coupons for discounts on selected fruits and vegetables including U.S. apples that may be redeemed at over 200 participating PXMart Supermarket stores through Taiwan.



Sponsors and cosponsors of the “2010 Fruit & Vegetable Rainbow 5-7-9” Program



The FCF's volunteer nutritionist teaches school children the concept of the importance of healthy eating

General Phytosanitary Requirements

Plant Quarantine & Inspection

A phytosanitary certificate of origin issued by 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, depending on fruit variety, is required for importation of fresh apples into Taiwan.

(1) Currently, fresh apples from Hawaii are not allowed to be imported into Taiwan because Taiwan's Bureau of Animal & Plant Health Inspection & Quarantine (BAPHIQ) has not recognized the State of Hawaii as free of Mediterranean fruit fly.

(2) Fresh apples from Texas are also not allowed to be imported into Taiwan due to Mexican fruit fly concerns by the BAPHIQ.

(3) Boca, Florida is currently a Medfly quarantine area. Therefore, fresh apples originating from Boca is suspended, effective as of June 22, 2010.

(4) To export fresh apples originating from Florida outside of the Medfly regulated areas to Taiwan, the following additional requirements must be complied with, otherwise entry of fresh fruits will be rejected:

-- Fresh apples shipped to Taiwan in pest-proof packages which meet the "Quarantine Requirements for Transshipment of Plants or Plant Products through Countries or Districts where Designated Diseases or Pests are Known to Occur" are allowed to pass through the Medfly regulated areas. A statement of "The fruit was neither produced nor packed in the Mediterranean fruit fly regulated areas" should be added in the phytosanitary certificate.

-- Fresh apples shipped to Taiwan in non-pest proof packages are not allowed to pass through the Medfly regulated areas. The statement of "The fruit was neither produced nor packed in the Mediterranean fruit fly regulated areas, and the shipment did not pass through the regulated areas" should be added in the phytosanitary certificate.

In August 2003, the U.S. and Taiwan agreed on a new system approach quarantine work plan for apples that require improved pre-screening in the packing shed, while also putting in place a system of graduated penalties for the detection of codling moth, permitting three codling moth detections (three strikes) in the course of routine inspections in Taiwan before the market is shut down to suppliers from the affected country and investigations are made. Currently, the three strikes still remain as penalties. The "correction period" for one strike, no matter how many detections are found during the correction period, has been extended to two weeks since the 2007-2008 apple season. The supplier is required to provide an investigation report and take needed corrective action during the "correction period."

Maximum Residue Limit (MRL): Taiwan establishes its own maximum residue limits (MRLs) for chemical compounds and many pesticides used in the United States have not been assigned Taiwan MRLs. The default MRL for a compound where a MRL has not been established is the smallest detectable amount – which is effectively zero. Violation of the standard generally results in recall of the product. FAS and APHIS offices are working with Taiwan authorities to speed up the process of establishing new MRLs or in ways to adopt MRLs through international standard bodies such as the CODEX. The lack of MRLs for a long list of chemical compounds not commonly used in Taiwan effectively results in a "ban" on many imported products into the Taiwan market. This problem is being taken very seriously.

Currently, imports of fruit and vegetables are subject to inspection for pesticides at port of entry by Taiwan's Bureau of Standards, Metrology & Inspection (BSMI). Currently, Taiwan uses state of the art inspection systems for pesticide residues on imported fresh fruit and vegetables. Each fruit shipment

will have 2.5 percent of chance of being sampled and tested upon arrival by the BSMI for pesticide residues. Shipments are released for sale after the retrieval of samples and a document review. Noncompliance with Taiwan's pesticide standards results in the recall of the unconsumed shipment product. And, the chance of being tested by BSMI for the next shipment imported by the same importer despite sources will be increase to 20 percent. If the same company continues to violate the pesticide standards for the third shipment, then all shipments imported by this company will be subject to testing. Release of these shipments is not permitted until testing is completed. The upgrade of the testing probability is subject to continuous five shipments by the same company with a total volume of over three times of the previous shipment that violated the regulations.

Production, Supply and Demand Data Statistics:

Statistics

Apples, Fresh Taiwan	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USD A Official	Old Post	New Post	
Area Planted	468		468	436		436			410	(HA)
Area Harvested	466		466	430		436			410	(HA)
Bearing Trees	167		167	154		156			145	(1000 TREES)
Non-Bearing Trees	0		0	0		0			0	(1000 TREES)
Total Trees	167		167	154		156			145	(1000 TREES)
Commercial Production	4,163		4,163	3,760		3,645			4,300	(MT)
Non-Comm. Production	0		0	0		0			0	(MT)
Production	4,163		4,163	3,760		3,645			4,300	(MT)
Imports	128,900		128,898	129,000		127,151			122,000	(MT)
Total Supply	133,063		133,061	132,760		130,796			126,300	(MT)
Fresh Dom. Consumption	133,063		133,061	132,760		130,796			126,300	(MT)
Exports	0		0	0		0			0	(MT)
For Processing	0		0	0		0			0	(MT)

Withdrawal From Market	0		0	0		0		0	(MT)
Total Distribution	133,063		133,061	132,760		130,796		126,300	(MT)
TS=TD			0			0		0	
Comments									
AGR Number									

Import Trade Matrix

Country

Taiwan

Commodity	Apples, Fresh		
Time Period	MY 08/09	Units:	MT
Imports for:	2008	2009	
U.S.	49093	U.S.	45869
Others		Others	
Chile	36374	Chile	33041
Japan	20427	Japan	21609
New Zealand	15445	New Zealand	15406
South Korea	3992	South Korea	7954
South Africa	2726	South Africa	2091
Australia	520	France	573
Canada	258	Australia	479
France	63	Canada	129

Total for Others	79805	81282
Others not Listed	0	0
Grand Total	128898	127151