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Stone Fruit

Annual

2007

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Report Highlights:

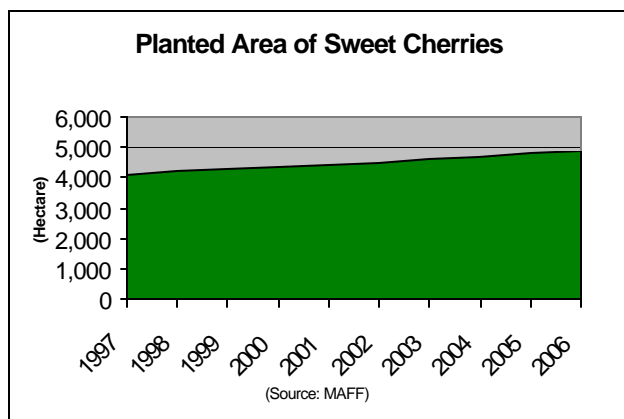
Japanese sweet cherry production is expected to grow continuously, reflecting improving returns on investment. Japan produced 20,800 metric tons of sweet cherries in 2006, of which the majority was a reddish-yellow type, similar to the U.S. grown Rainier variety. There is no production of tart cherries in Japan. Poor weather conditions in California and the Pacific Northwest region reduced exports of U.S. cherries to Japan significantly in 2006, resulting in high Japanese cherry prices. New Zealand cherries were shipped to Japan for the first time without requiring fumigation, due to a special phytosanitary arrangement. Japanese peach production shrank marginally, but a constant demand for high quality product remains. There were no shipments of U.S. nectarines to Japan in 2006 and none are expected in 2007.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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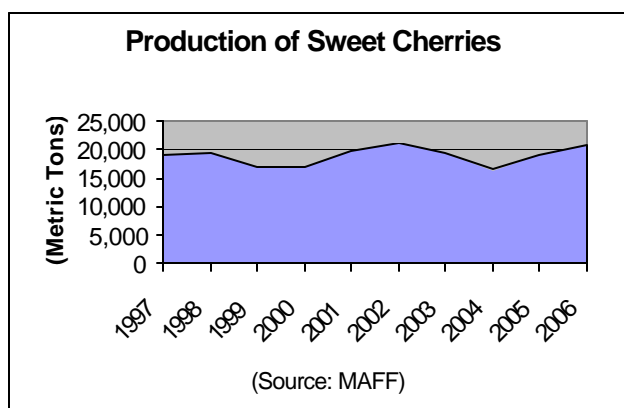
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Japan's Cherry Planted Area Grows Constantly



The planted area of sweet cherry trees in Japan has grown at a rate of approximately 2 percent each year, reaching 4,910 hectares in 2006. Some farmers have converted their land from other crops, including apples, to cherries due to the expectation of better returns on their investments. Production of sweet cherries varies significantly depending on weather conditions and Japan produced 20,800 metric tons in 2006, up approximately 9 percent from the previous year. Yamagata prefecture, approximately 250 miles north of Tokyo, is the largest growing region for

sweet cherries accounting for approximately 72 percent of nation's total output. Yamagata is particularly suited for growing cherries since the region is less affected by Japan's rainy season that coincides with cherry harvesting time in mid June to mid July. Approximately 40 percent of nation's cherries are grown under protected rain shelter in order to prevent fruit splitting. Aomori prefecture (approximately 500 miles north of Tokyo) and Yamanashi prefecture (approximately 100 miles west of Tokyo) together produce approximately 8 and 6 percent of the nation's sweet cherry output, respectively.



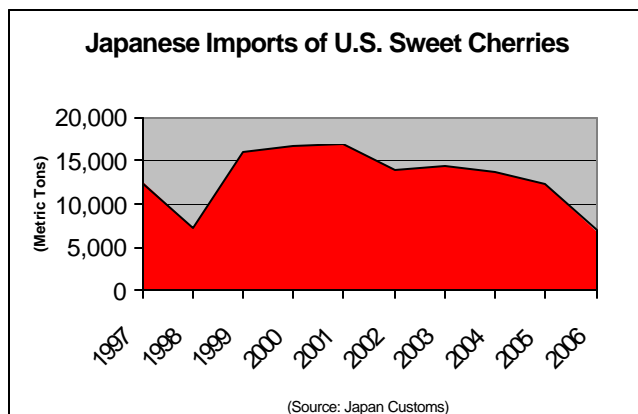
Japan's most popular cherry cultivar is *Satonishiki*, which is similar to the U.S. grown Rainier cherry. It accounts for approximately 75 percent of Japan's total cherry trees. *Satonishiki* cultivar has high productivity, excellent fruit quality, high sugar content and beautiful skin color. The Napoleon type, which was once the leading cultivar in Japan, has bright red skin color and fairly large sized fruit. *Satonishiki* and Napoleon cherries are mainly produced in Yamagata prefecture. *Takasago* (the English name is Rockport Bigarreau) is also an important cultivar, which has reddish

yellow skin color and relatively small sized fruit and is mainly planted in Yamanashi and Aomori prefectures.

A credible crop forecast is not available until early June, but according to Tokyo traders the Yamagata region experienced a fairly warm winter and so an early blooming is expected this season. Fruit setting is expected to take place in early May and peak harvesting in mid June. Although it is still too early to forecast this season's crop size, Tokyo traders expect the crop will be somewhere between 20,000 and 22,000 metric tons, provided there is good fruit setting and no rain damage or other major weather problems.

There is no commercial production of tart cherries in Japan.

Japanese Imports of U.S. Sweet Cherries Declined Significantly in 2006



Poor weather conditions in California, Washington and Oregon significantly reduced exports of fresh U.S. cherries to Japan in 2006. Japan imported 6,846 metric tons of U.S. cherries in 2006 valued at approximately \$61 million (CIF). This is down approximately 44 percent from the previous season, by volume. U.S. cherries were shipped to Japan in 18-pound (8.2 kilograms) cartons, mostly by airfreight. According to Japan Fresh Produce Importers' Association, Japan imported 478,688 cartons (3,925 metric tons) of California cherries from May 5 to

June 21 and 298,345 cartons (2,446 metric tons) of Pacific Northwest (Washington and Oregon) cherries from June 12 to August 9.

The short supply situation caused a price surge on U.S. cherries in the Japanese market. Early in the season, California cherries were trading at a premium price of \$107.19 - \$123.69 (13,000 - 15,000 yen) for an 18-pound carton at Tokyo Ohta Wholesale Market, approximately 30 percent higher than the level of the previous season. Retail prices reflected the higher wholesale prices. Tokyo supermarkets sold cherries for \$2.06 (250 yen) per 100 grams, approximately 30 percent higher than the previous season's price. When U.S. cherry exports switched to Pacific Northwest products in July, Washington Bing cherries were trading at a more normal price of \$61.84 - \$70.09 (7,500 - 8,500 yen) for an 18-pound carton at Tokyo Ohta Wholesale Market.

Japanese traders expect 1.2 to 1.4 million cartons (11,000 – 12,880 metric tons) of U.S. cherry sales in 2007 provided that weather conditions are favorable. The fact that Japanese strawberry sales end in April, combined with the fact that sales of citrus products are expected to be below normal in May and June, favorable conditions will be created for Japanese fruit retailers to promote the new crop of U.S. cherries in May.

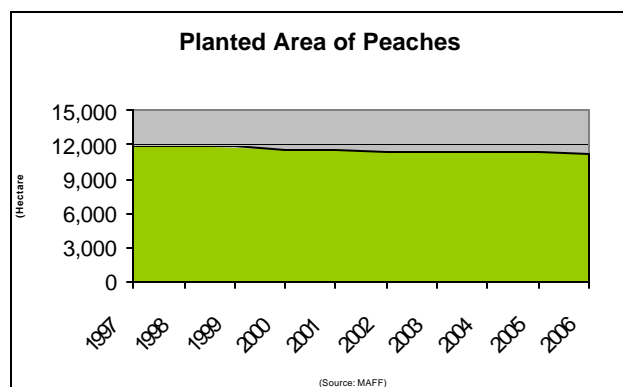
Fumigation of Cherries Exported to Japan

Currently, imports of any varieties of U.S. cherries to Japan are subject to methyl bromide fumigation treatment due to codling moth concerns. The fumigation process exposes fresh cherries to high temperatures, which damages the quality of fruit and shortens the shelf life of the products. Japanese traders explained that they can significantly increase the sale of U.S. cherries if they were not fumigated. The U.S. and Japanese Governments have been discussing ways to address cherry fumigation problems with alternate methods for almost a decade. In February 2007, U.S. and Japan met again to discuss an alternate method called "cherry systems approach" in Tokyo, but a conclusion has not yet been reached. This approach uses integrated pest control management in lieu of fumigation.

Southern Hemisphere Cherries Sold During Christmas in Japan

Fresh cherries from Chile, New Zealand and Australia were sold during the Christmas season in Japan. Sales were limited, with approximately 100 metric tons in total. Chile supplied approximately 75 metric tons in 2006 and New Zealand and Australia supplied 14 and 11 metric tons, respectively. Cherry exports from these countries do not directly compete with U.S. sales since they ship in opposite seasons. New Zealand cherries developed a good reputation among Japanese traders since New Zealand made its first cherry shipment to Japan in December 2005. New Zealand was granted a cherry export protocol with no fumigation requirement, which significantly improved the arrival quality of the products. New Zealand sent large sized fruit, from 26 to 28 millimeters in diameter (U.S. equivalent size is 10 Row and 9.5 Row, respectively), which were packaged in relatively small cartons of 5 and 2 kilograms. New Zealand sent the Sweetheart and Lapin varieties.

Japanese Planted Area of Peach Trees Down Marginally



Japan's planted area of peach trees was 11,200 hectares in 2006, of which 10,300 hectares were harvested, according to the Ministry of Agriculture, Forestry and Fisheries (MAFF.) Japan's peach production volume varies significantly each year depending on weather conditions. Japan produces approximately 150,000 to 175,000 metric tons of fresh peaches annually, but the 2006 production was reportedly a record low of 146,300 metric tons, due to heavy rainfall and strong winds in July. Japan experienced a relatively

warm winter in 2007, which is expected to cause early blooming. The nation's total peach output in 2007 is expected to be 160,000 to 170,000 metric tons, provided that weather conditions continue to be favorable.

According to industry sources, peach cultivation is suitable for areas that have an average annual temperature of above 12 degree Celsius and an annual rainfall of below 1,300 millimeters. Yamanashi prefecture, centered in the Kofu basin just west of Mt. Fuji is Japan's key peach growing region. The prefecture contains 3,280 hectares of peach orchards, accounting for approximately 35 percent of the nation's total output, followed by Fukushima and Nagano with approximately 20 and 12 percent, respectively.

Japan largely grows white table peaches. *Hakuho* and *Akatsuki*, which have white flesh, large sized fruit with excellent quality, are the most popular varieties grown in Japan. The early crop variety, *Hakuho*, is mainly grown in the Yamanashi region and harvested in late June and July, while *Akatsuki* is grown in the Fukushima region and harvested in late July and August. Japanese nectarine production is very small with only about 200 hectares planted. A popular nectarine variety is *Shuho*, which has cling stone-type yellow flesh and large fruit.

No Shipments of U.S. Nectarines to Japan Expected in 2007

It is likely that there will be no shipments of U.S. nectarines to Japan in the 2007 season, according to industry sources. That will mean there will be no U.S. nectarine sales in Japan for two consecutive seasons (2006 and 2007). In the past, U.S. nectarines were sold in Japan and had a good reputation for their quality and flavor among Japanese traders. Tokyo

supermarkets sold U.S. white nectarines (Summer white) \$1.48 (180 yen) per fruit two seasons ago. In the 2006 season, a major national supermarket chain was planning to promote U.S. nectarines nationwide, selling them for \$0.90 - \$0.98 (110 – 120 yen) per fruit, but this plan did not materialized due to the lack of imports, according industry sources.

2007 Import Duties

Import duties are not subject to further reductions outside of the next round of WTO negotiations. The applicable import duties on fresh cherries and nectarines are as follows:

Tariff Code (HS)	Description	Duty Rate
0809.20-000	Fresh Cherry	8.5 %
0809.30-000	Fresh Nectarine	6.0 %

All duties are charged on a CIF basis.

The Positive List System Became Effective on May 29, 2006

On May 29, 2006 Japan implemented new regulations on maximum residue limits (MRLs) for agricultural chemicals. The MRLs of agricultural chemicals applied to cherries can be found on the following web site:

<http://www.m5.ws001.squarestart.ne.jp/foundation/search.html> (English)

Related information on the positive list system can be found in GAIN reports JA6011, JA6025 and JA6027.

PS&D Table and Trade Matrices

Fresh Cherry PS&D Table

PSD TABLE									
Country	Japan								
Commodity	Fresh Cherries, (Sweet&Sour)								
							(HA)(1000 TREES)(MT)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Area Planted	5000	4900	4910	5000	5000	5020	0	0	5130
Area Harvested	4480	4380	4490	4480	4480	4590	0	0	4690
Bearing Trees	0	0	0	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	17800	17300	18400	17800	17800	19400	0	0	20400
Non-Comm. Production	2200	2200	2400	2200	2200	2400	0	0	2400
Production	20000	19500	20800	20000	20000	21800	0	0	22800
Imports	14000	14000	6947	14000	14000	11000	0	0	12000
Total Supply	34000	33500	27747	34000	34000	32800	0	0	34800
Fresh Dom. Consumption	31200	30700	24697	31200	31200	29580	0	0	31420
Exports, Fresh	0	0	0	0	0	0	0	0	0
For Processing	2800	2800	3050	2800	2800	3220	0	0	3380
Withdrawal From Market	0	0	0	0	0	0	0	0	0
Total Distribution	34000	33500	27747	34000	34000	32800	0	0	34800

Fresh Cherry Import Trade Matrix

IMPORT TRADE MATRIX			
Country	Japan		
Commodity	Fresh Cherries,(S weet&Sour)		
Time Period	Jan.-Dec.	Units:	Metric Tons
Imports for:	2005		2006
U.S.	12256	U.S.	6846
Others		Others	
Chile	105	Chile	76
		New Zealand	14
		Australia	11
Total for Others	105		101
Others not Listed	1		0
Grand Total	12362		6947

Fresh Cherry Wholesale Price Table

PRICES TABLE			
Country	Japan		
Commodity	Fresh Cherries,(Sweet & Sour)		
Prices in	Yen	per uom	KG
Year	2005	2006	% Change
Jan			
Feb			
Mar			
Apr	10098	9002	-11%
May	4974	5505	11%
Jun	1686	1627	-3%
Jul	1023	1125	10%
Aug	1249	1391	11%
Sep			
Oct			
Nov			
Dec			
Exchange Rate	121.27	Local Currency/US \$	
Date of Quote	02/14/2007	MM/DD/YYYY	

Fresh Peach & Nectarine PS&D Table

PSD TABLE									
Country	Japan								
Commodity	Fresh Peaches & Nectarines								
							(HA)(1000 TREES)(MT)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Area Planted	11200	11200	11200	11200	11200	11200	0	0	11200
Area Harvested	10200	10200	10300	10200	10200	10200	0	0	10200
Bearing Trees	0	0	0	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	157000	157000	133900	157000	157000	147000	0	0	147000
Non-Comm. Production	13000	13000	12400	13000	13000	13000	0	0	13000
Production	170000	170000	146300	170000	170000	160000	0	0	160000
Imports	100	100	0	100	100	0	0	0	0
Total Supply	170100	170100	146300	170100	170100	160000	0	0	160000
Fresh Dom. Consumption	149000	149100	128575	149000	149000	140600	0	0	140500
Exports, Fresh	900	800	425	900	900	500	0	0	600
For Processing	20200	20200	17300	20200	20200	18900	0	0	18900
Withdrawal From Market	0	0	0	0	0	0	0	0	0
Total Distribution	170100	170100	146300	170100	170100	160000	0	0	160000

Fresh Peach & Nectarine Export Trade Matrix

EXPORT TRADE MATRIX			
Country	Japan		
Commodity	Fresh Peaches & Nectarines		
Time Period	Jan.-Dec.	Units:	Metric Tons
Exports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Taiwan	665	Taiwan	367
Hong Kong	46	Hong Kong	55
Singapore	2	Singapore	2
Total for Others	713		424
Others not Listed	0		1
Grand Total	713		425

Fresh Peach & Nectarine Import Trade Matrix

IMPORT TRADE MATRIX			
Country	Japan		
Commodity	Fresh Peaches & Nectarines		
Time Period	Jan.-Dec.	Units:	Metric Tons
Imports for:	2005		2006
U.S.	28		0
Others		Others	
South Korea	1		
Total for Others	1		0
Others not Listed	0		0
Grand Total	29		0

Fresh Peach & Nectarine Wholesale Price Table

PRICES TABLE			
Country	Japan		
Commodity	Fresh Peaches & Nectarines		
Prices in	Yen	per uom	KG
Year	2005	2006	% Change
Jan			
Feb			
Mar			
Apr	10008	3005	-70%
May	1563	1473	-6%
Jun	620	716	15%
Jul	403	482	20%
Aug	326	450	38%
Sep	309	422	37%
Oct	386	425	10%
Nov			
Dec			
Exchange Rate	121.27	Local Currency/US \$	
Date of Quote	02/14/2007	MM/DD/YYYY	