

MARKET NEWS FROM CTFA REPRESENTATIVES AROUND THE WORLD

July 22, 2005

In the past two weeks, packout of California peaches, plums, and nectarines rushed past the half way point of the season, and by the first week in August almost two-thirds of the orchards will be empty. With that in mind, it should be no surprise that our International markets have good supplies of California peaches, nectarines, and increasing numbers of plums. The 5th installment of the International Market Report for 2005 covers the most recent market visits to Taiwan and Hong Kong.

Marketing programs for 2005 continue including technical seminars to encourage retailers to handle California peaches, plums, and nectarines properly. In-store sampling continues in select markets to introduce consumers to the sweet and juicy taste found in California. Some excellent PR work with hotels in Taiwan generated significant media coverage and appreciation from the trade. Also, a new cross-branding effort integrates California peaches, plums, and nectarines in a chain of over 30 eateries throughout Hong Kong. Some highlights for the next few weeks are the unveiling of Mexico's television advertising campaign, a significant increase in nectarine shipments to Taiwan and the beginning of the festival season in Taiwan, which remains California's number one export market for peaches, plums, and nectarines.

Current News

2005 MAP Funding may not be approved until after Labor Day

MAP and FMD funds for the 2006 fiscal year continue to await final approval by the U.S. Senate. The latest news out of Washington is that unless the Senate approves the appropriation before the August recess next week (August 5), the bill will not be considered until after Labor Day. The House already passed the legislation, but it must clear the Senate before the President can put his signature on these funds used to develop export markets for U.S. agricultural products, including peaches, plums, and nectarines.

China suspends pegging their currency to U.S. Dollar

The move on July 22nd immediately increased the value of the Yuan by 2 percent, and should mean an increase in the price of Chinese goods, but many economists feel the Chinese currency was undervalued recently by 40 percent. Any increase in the value of the Yuan and further devaluing of the U.S. dollar should translate into improved export opportunities as U.S. goods become more price competitive in China, and throughout Asia.

Secretary of Agriculture Johanns pushes China to open Markets

On July 11, U.S. Secretary of Agriculture Mike Johanns teamed with U.S. Trade Representative Rob Portman in Beijing to solidify previous Chinese promises regarding open access for more U.S. goods. Progress was made in regards to U.S. beef, and China pledged to send a technical team to the U.S. to evaluate USDA sanitary and phytosanitary protocol in the beef industry. While no progress was made with regards to California plums, the Chinese and U.S. officials plan to meet in September. The Chinese have specifically requested a discussion regarding the Chinese fragrant pear and the California plum.

Market Reports

Mexico

Shipments of California peaches, plums, and nectarines have increased as perceived quality improved. Average arrivals in Mexico City have been 8 loads of peaches, and around 5 loads of nectarines and plums per week. In Guadalajara, the shipments are lower but have been consistent. While peaches can average 3 loads per week, local peach supply can reduce demand for California peaches periodically. Very little summerwhite fruit can be found in the market and no information was available about when the next summerwhite shipments were expected. Quality of peaches and nectarines has been excellent, and attractive prices for California peaches have resulted in increased demand. Competition from Washington apples and Argentinean pears is a challenge for nectarine volumes. Local supplies of peaches are decent and make up approximately 60 percent of market share. Plenty of local plums can be found in the Mexican market, but quality was just average.

Hong Kong

Supplies of California Tao Lee in Hong Kong continued to increase through mid-July, with the most popular varieties being yellow nectarines and red and black plums. A significant quantity of pre-conditioned fruit was seen arriving in the market. California peaches were found predominantly in supermarkets. A recent development in Hong Kong is the lack of California peaches, plums, and nectarines found in the wholesale markets, but finding California Tao Lee widely distributed through the major supermarket chains. Apparently, supermarkets have altered their buying preferences from wholesalers towards direct sourcing. The restriction on moving fruit from Hong Kong into Mainland China has placed additional pressures on the wholesale markets.

A wide variety of fruits can be found in Hong Kong currently, and a majority of them are indirect competition to California Tao Lee. Apples, oranges, bananas, pears, cherries, and melons make up a majority of those fruits. Also, Chinese nectarines, peaches, and some plums are direct competition for California. Distributed almost entirely in wet markets and wholesale markets, Chinese stone fruit competes solely on price, as size and eating quality continue to be below average. Consumer packs from China, containing 10 very small nectarines, with green stem cavities, were found recently in Hong Kong. The packs were labeled in English, with a difficult to see reference to their origin.

The new California Tao Lee television commercial began its first run on July 18th. Reaction to the ad has been positive with Governor Arnold Schwarzenegger supporting California peaches, plums, and nectarines with his image in the commercial and on new POS materials. Additionally, a current promotion with MIX restaurants in Hong Kong has highlighted some innovative ways to use California peaches, plums, and nectarines not only in juices and smoothies, but in cookies, salads, and tortilla wraps.

Taiwan

Typhoon Haitang battered Taiwan earlier this week and estimates of damage are already at \$3 billion NT dollars. Supplies of local fruits and vegetables, already low due to a very cold spring and torrential rains, were battered again. Prices of local produce were 150 to 450 percent higher than they were one year ago. All importers interviewed were very optimistic about the opportunities for California Tao Lee in the coming months, especially during the festival season when demand for fresh fruits is extremely high throughout the island. The first significant shipments of nectarines arrived the last two weeks, and even more shipments are expected next week. For perspective, at the end of June one importer purchased 3 container loads of nectarines (40ft), and last week accepted 70 containers, with over 90 expected next week. These increases in supply of California Tao Lee will be just in time for the beginning of Ghost month on August 5th.

Indirect competition from imported fruits will also receive additional attention with short local supplies of mangoes, lychees, watermelons, grapes, and pears. The imported fruits include apples, cherries, grapes, and kiwifruit. Imported kiwifruit by Zespri in New Zealand has a major television campaign in Taiwan, but the focus appears to be solely on health benefits, and without the worship/festival appeal of California Tao Lee. The

second wave of California Tao Lee TV ads began July 18th, and merchandising visits continued with 1000 retail stores scheduled through the end of the season. Three press conferences last week showcased the partnership between 5-star hotels and California Tao Lee for the coming month. Attendees found California peaches, plums, and nectarines to complement a variety of dishes, not limited solely to desserts. Two more press conferences are scheduled for early August.

Singapore

Stable wholesale prices in Singapore contributed to strong consumer demand over the last two weeks. Supplies of California peaches and nectarines increased with shipments from air and sea. Pluots shipped by air were found in the market the last few days. Three more varieties of plums are expected to arrive by sea in the next two weeks. These shipments should arrive in time for the Hungry Ghost Festival which begins in August. Distribution of California peaches, plums, and nectarines at retail outlets grew as retailers have increased the number of varieties on display, and wet markets also had good distribution of varieties from California.

Israeli white peaches are now directly competing with California summerwhite peaches. Some Chinese peaches and nectarines can be found in Singapore, but the volume appears to be down since the last report. Popular Malaysian durian continues to gain momentum with consumers, and retailers have contributed with fierce price cutting. Rounding out the other indirect competitive fruits are Thai longans and Chinese lychee.

Some importers were concerned about the quality of California donut peaches which turned soft quickly, but most other varieties have arrived in excellent shape, especially by air. A few importers have begun to speculate on how the fruit will react to the heat wave here in California, and indicated they will be cautious about future shipments.

Malaysia

High-end supermarkets continue to allocate more space for California peaches, plums, and nectarines, and demand for these fruits is strong. Additional shipments by sea will arrive in the next few weeks and offer even more consumers the chance to enjoy California summer fruits. Also, the sea shipments should relieve some of the pressure off supermarkets, and more California peaches, plums, and nectarines should find their way to fresh fruit stalls.

Chilean plums are no longer available in Malaysia, and demand for California plums is strong and increasing. Major retailers in the north and south are eagerly trying to match supply with consumer demand. The air-flown plums have been of excellent quality to this point. The only direct competition to California peaches, plums, and nectarines are Chinese nectarines. The appearance was very similar to the consumer packs of the Chinese nectarines found in Hong Kong.

Thailand

California peaches, plums, prunes, and nectarines can all be found in Thailand. Distribution is widespread throughout hypermarkets, including white and yellow nectarines, and red and black plums. Retailers have reported the Thai consumer does not prefer smaller sized plums. The quality of the fruit has been excellent recently, but several importers are hoping to offer more competitive pricing by receiving sea shipments instead of air. The current distribution of California peaches, plums, and nectarines in Thailand is encouraging. As the market becomes more familiar with the fruit and CTFA's promotional activities, some retail groups are looking to import directly from California shippers. In terms of competition, Chinese white peaches were found in small quantities, but the biggest competition comes from the local longan. The Thai government has been promoting locally produced fruits, and the bumper crop of longans this year is doing well.

New Zealand

Currently, schools are out for the two week winter holidays, and sales have been better than expected for this traditionally slow period. Regular sea shipments continue and importers have been working well with retailers so fruit is moved quickly to market. While supply and demand have been well balanced this year, there

was a report of a lack of California peaches, plums, and nectarines in Christchurch. This should be remedied soon because several loads are currently in transit.

A few reports of quality issues have been received mainly some softness and short shelf lives of plums and nectarines. Overall though quality has been a minor issue and several importers have commented on the excellent quality of California stone fruit, especially peaches. There is some good evidence the tray-packed peaches have contributed to the quality. Regional fresh fruits are slowing down as New Zealand citrus supplies shorten, and Australian grapes are down to the end. Northwest cherries have arrived and may provide some indirect competition, but more is expected from California table grapes which should arrive soon by air.

CTFA received a very positive report from a retailer in Auckland that our pre-season training seminars have given their produce managers much more confidence when handling California peaches, plums, and nectarines. The "Hot Holiday Competition" promotion continues and feedback has been excellent. See below an email received from a very pleased customer. California peaches, plums and nectarines travel an incredible distance around the world and still draw rave reviews:

From: Kent MacLachlan [mailto:kentmaclachlan@xtra.co.nz]
Sent: Saturday, July 09, 2005 9:41 PM
To: Jocelyn Waite
Subject: Fresh Peaches !!

Hi, thought I would like to send you an e mail after seeing your ad in The Sunday Star Times , Sunday Magazine.dated July 10/05 here in NZ.

While shopping at New World in Kerikeri in the North Island yesterday Sat, I came across a display of lovely peaches and noted from the sticker on each peach that they came from Calif and each peach bore the name California Peach 4038. I only bought 4 as I have had lots of problems with fresh fruit here in NZ. The worst disaster were Necterines from NZ that were rotten on the inside of each and every one that I bought.

Well you can imagine my suprise this morning when I peeled one of your peaches and had it with a lovely bowl of hot oatmeal porridge !!! The peach was indeed fresh and full of flavour , many many thanks, at the time I wanted to send someone at New World a congratulatory letter for bringing this fruit all the way from California to Kerikeri !!!! Then this afternoon reading the paper I came across your ad !!

Onece again many thanks ,

Cheers, Kent

Central America Region

CAFTA remains a hot issue in this region and in the U.S. If passed, then U.S. products will be available to 36 million inhabitants throughout the region, but some issues will need to be resolved. While CAFTA will treat Central America as an integrated region, some work will be required to establish true integration with scale economies. Another issue that may hurt Central American exports is the EU's recent action against bananas. WTO action is expected with several countries charging unfair trade practices.

Finally, all California summer fruits can be found with plums entering the market in solid numbers and good quality. Sales have been above average despite prices remaining at relatively stable levels. Retail outlets and supermarkets continue to be the driving force in California peach, plum and nectarine sales. Traditional markets offer more local produce and thus move less California fruit. This is especially true in Guatemala where local peaches have a strong presence.

Northern South America Region

Venezuela. Shipments of California nectarines and plums continue to arrive in this market, but no new import permits for plums have been issued in the last two weeks. While not a problem for nectarines, there is some level of concern for California plums because import permits for Spanish plums have been approved. On top of the import permit issue, delays in customs caused damage to some shipments of nectarines.

Colombia. Prices for California peaches have been stable over the last two weeks. Additional shipments of California summer fruits are expected to arrive shortly. The radio advertising campaign for California peaches, plums, and nectarines will begin the first week of August.

Ecuador. Importers have noticed the improved quality from the most recent shipments of California nectarines and plums, and expect to increase these shipments if the high quality continues. Some comments were made regarding the relatively low sugar levels found in plums to date. The only direct competition at the moment in Ecuador comes from Peruvian peaches.

Promotional Highlights

General

Listed below are several key holidays or festival dates in some of the markets, and some promotional highlights.

Mexico

Currently, the new California peaches, plums, and nectarines TV commercial is running in support of our ongoing marketing program this year. CTFA and our marketing representatives in Mexico are excited about the new commercial. If you would like to view the commercial please contact the CTFA office in Reedley.

Hong Kong

Promotions and fruit sampling are underway at the Hong Kong retail markets and are alternating between the two major players to avoid conflict. This sensitivity is not as significant with some of the smaller retail chains where promotional activities have been consistent throughout this season. Media advertising has begun with the new California Tao Lee commercial featuring California Governor Shwarzenegger. The marketing activities at 7 Jusco outlets for the American Food Fair will wrap up on July 27.

Holidays/ Festivals

- Sep 19 Moon Festival
- October 1 National Day
- October 11 Chung Yeung Festival

Taiwan

The second wave of TV ads began on July 18. Two more Luxury Hotels will participate in the hotel promotions in early August. After the press conferences last week, it was clear that promoting the tasty and innovative ways California peaches, plums, and nectarines are used by chefs in Taiwan generates a tremendous amount of media interest. The Hyatt promotion and press conference in Taipei attracted internationally recognized magazines Glamour, Marie Claire, Vogue, and GQ. Additionally, national and local newspapers, top television stations, and food programs attended the event.

Singapore

Seventy retail stores will be conducting in-store sampling promotions of peaches, nectarines, and plums and will conclude at the end of this month.

Holidays/ Festivals

- August 09 National Day
- August 19 Hungry Ghost Festival
- September 03 –11 Term 3 School Vacation
- September 18 Moon Festival
- November 01 Deepavali
- November 03 Hari Raya Pusa
- November 19 – December 31 Year End School Vacation
- December 25 Christmas Day

New Zealand

The second advertisement for the “Hot Holiday Competition” ran last weekend and has been featured in media advertisements. There are plans to attend upcoming trade shows, one partnering with the US Embassy and USDA to increase exposure to produce representatives across New Zealand.

| Country | Fruit | Grade/Origin | Size/Count | Wholesale Price US\$ | Retail Price US\$ |
|-----------|-----------------|--------------|------------|----------------------|-------------------|
| Mexico | Peaches | CWM | 32-50/vf. | 20.75-21.69 | 0.71-1.01/lb. |
| | Nectarines | CWM | 40/vf. | 18.86-20.75 | 0.93-0.97 |
| | Plums | CWM | 60/vf | 16.98-18.86 | 1.05-1.39 |
| | Peaches | MX | 33lb. | 12.06-16.86 | 0.66-0.78/lb. |
| | Plums | MX | 15-18kg. | 8.61-12.06 | 0.86/lb. |
| | Apples | WA,CH | 70-125 | 17.66-24.12 | 0.59-0.97/lb. |
| | Table-grapes | MX | 18-20lb. | 8.40-19.60 | 0.71-1.56/lb. |
| | Strawberry | CA,MX | 12lb. | 9.33-13.07 | 1.37-4.65/lb. |
| | Kiwifruit | NZ,CH | 22lb. | 12.26-17.74 | 0.89-1.22/lb. |
| Plums | MX | 18kg. | 8.35-11.14 | 0.59-0.84 | |
| Hong Kong | Peach | CWM | 21-64 | 14.1-25.64 | 0.43-2.05/pc. |
| | Nectarine | CWM | 48-72 | 13.46-17.95 | 0.21-1.79 |
| | Plum | CWM | 40-70 | 15.58-18.18 | 1.79-3.31/lb. |
| | Prune | CWM | 75/28lb. | 52.56-61.51 | 2.82-4.10/lb. |
| | Peach | China | 64-88 | 14.10-15.38 | 0.21-0.51/pc. |
| | Apple | WA, China | 32-100 | 12.82-17.31 | 0.18-0.51/pc. |
| | Orange | CA | 32-45 | 14.10-19.23 | 0.21-0.64/pc. |
| | Pear | China | 20lb. | 12.82-16.67 | 0.19-0.43/pc. |
| | Cherry | USA | 28lb. | 58.97-73.08 | 2.88-4.48/lb. |
| Taiwan | Peach sw | CWM | 15-25/lyr. | 23.96-35.24 | 0.48-1.92 |
| | Nectarine sw | CWM | 48-72 | 25.56-31.95 | 0.32-0.96 |
| | Plum | CWM | 40-45 | 25.56-28.75 | 0.32-0.96 |
| | Prune | CWM | 60-80 | 41.53-51.12 | 0.67-1.11 |
| | Peach | Taiwan | 24-36/lyr. | 19.17-20.77/box | 0.26-1.28/pc. |
| | Plum | Taiwan | 45-60/vf | 38.34-47.92/box | 0.16-0.56/pc. |
| | Apple | NZ,CH | 56-125 | 25.64-70.28 | 0.64-1.12 |
| | Cherry | WA | 20lbs. | 63.89-83.06 | 4.15-5.39 |
| Singapore | Peach sw | CWM | 56/2lyr. | 34.13 | 0.63-0.75/pc. |
| | Peach sw | CWM | 18/lyr | 26.25 | 2.19/pc. |
| | Peach/Nectarine | CWM | 56/2lyr. | 37.5 | 1.13/pc. |
| | Donut Peach | CWM | 56/2lyr. | 20 | 0.63-0.94/pc. |
| | Nectarine sw | CWM | 64/vf. | 37.5 | 0.81/pc. |
| | Plums | CWM | 60 | 23.13 | 0.29/pc. |
| | Prunes | CWM | 80 | 52.5 | 5.63/kg. |
| | Peach/Nectarine | Israel | 4x1kg. | 11.03 | 3.47/kg. |
| | Cherries | USA | 10 ½ | 62.5 | 9.38/kg. |
| | Lychees | China | S/M | 5.62 | 6.88 /2kg. |
| | Strawberry | USA | 8 x 454g. | 20.65 | 3.44/454g. |
| | Mango | India | 12 | 12.5 | 1.25/pc. |
| Malaysia | Peach | CWM | 56pc/2lyr. | 36.0-38.0 | 0.85-1.08/pc. |
| | Donut Peach | CWM | 56pc/2lyr. | 38.0-45.0 | 0.78-0.95/pc. |
| | Nectarine | CWM | 56pc/2lyr. | 37.0-40.0 | 0.85-1.08/pc. |
| | Plum | CWM | 28lb. | 45.0-49.0 | 5.3-8.1/kg. |
| | Plum | Chile | 100pc. | 1.05-1.28/kg. | 2.0-2.5/kg. |
| | Orange | US | 163pc. | 14.0-16.5 | 0.17-0.38/pc. |
| | Nectarine | China | 900g. | 18.0-23.5 | 2.2-2.65/pack |
| | Mangoes | Thailand | 25kg. | 9.1-9.8 | 1.45/kg. |
| | Mangosteen | Thailand | 20kg. | 11.0-16.0 | 1.3-1.8/kg. |
| Thailand | Peach | CWM | 18/lyr. | 20.0-45.0 | 1.5-3.75/pc. |
| | Nectarine | CWM | 50-55 | 45.0-55.0 | 8.75-9.97/kg. |
| | Black Plum | CWM | 25-35 | 30-55.0 | 5.97-9.97/kg. |
| | Red Plum | CWM | 25-35 | 30.0-55.0 | 5.97-9.97/kg. |
| | Prune | CWM | 90 | 55.0-62.5 | 7.37-9.97/kg. |
| | Cherry | USA | 9kg. | 87.50-92.50 | 12.0-16.87/kg. |
| | Grape | USA | 10kg. | 20.0-70.0 | 3.12-9.97/kg. |
| | Persimmon | NZ | 18/lyr. | 30.0-37.5 | 2.3-3.0/pc. |
| | Kiwifruit | NZ | 22/2lyr. | 7.5-10.0 | 0.46-0.72/pc. |
| | Longan | Thai | 10kg. | 0.30-0.37 | 0.5-0.87 |

