

International Market Report



MARKET NEWS FROM CTFA REPRESENTATIVES AROUND THE WORLD

May 27, 2005

Welcome to the first bi-weekly International Marketing Report of 2005! We are starting to see movement of our fruit to overseas markets as supplies increase and the season gets going. Promotional programs are ramping up, and importer interest is reportedly high in many of our traditional markets. We also have some very positive news to report about promotional support and government funding in several of our markets, as you'll read later.

The purpose of CTFA's International Market Report is to provide the industry with valuable information about our international marketing efforts and conditions in important overseas markets. In doing so, we want to make sure it is easy to read and that it's not too lengthy. Because there is a lot of information to report on the ten vastly different foreign markets serviced by CTFA, keeping it short is often difficult. For that reason, we will provide you with highlights of activities in each market as part of this newsletter. Keep in mind we have much more information available than what you will read here. We are more than happy to supply additional information from the experienced representatives who work with us in these ten markets.

Also, please let us know how we can improve this information and this newsletter. Your input is important to our staff.

Current News

House Committee Approves Additional MAP Funding. Last week the House of Representatives Appropriations Committee allocated \$200 million for the Market Access Program (MAP). Earlier the House Agriculture Committee had set recommended funding at \$140 million for MAP, while the President's Administration suggested just \$125 million. However, led by several San Joaquin Valley congressmen, many members of Congress implored the Appropriations Committee to provide full funding as stipulated in the Farm Bill. The Committee agreed, thus making way for a significant increase in funding for this important program once the budget goes before Congress. CTFA is still awaiting official word on our 2005 request for \$1.95 million in funding from MAP. This funding allows us to more than double the revenues provided by grower assessment dollars to expand export markets for California peaches, plums and nectarines. MAP is an extremely important program for the industry and CTFA is very pleased that additional funding may be forthcoming.

Governor to Appear in Hong Kong Ads. CTFA has recently received confirmation that new television and billboard advertising set to run in Hong Kong this season will include images of Governor Schwarzenegger encouraging the purchase of "California Grown" peaches, plums and nectarines. We are very excited about this news and are pleased that the Governor has agreed to lend his image to our products. The ads are set to begin airing this month.

News from Japan. An actual date for hearings regarding the acceptance of additional SugarPlums!® varieties in Japan has been set. We anticipate the Moyer variety may be eligible for shipment in 2005, but the hearing date may be too late for Tulare Giants. In other news from Japan, the Japanese inspector is expected to arrive June 7 and will remain here to provide oversight of nectarine and SugarPlums! shipments at least until September 7 — or longer if necessary.

Mexican Shipments Begin. Shipment of tree fruit to Mexico for fruit under the systems approach has begun. In total, this important market has received 20 loads of fresh stone fruit being to date, using both fumigation and the “systems” protocol that does not require post-harvest fumigation.

In-Country Inspection Service for Taiwan. As previously directed by the International Market Development Subcommittee, CTFA staff will present a viable option to provide in-country inspection to manage claims on tree fruit shipped to Taiwan. A meeting of the Subcommittee to discuss the proposal will be held at CTFA offices in Reedley June 3 at 2:00 p.m. All interested parties are invited to attend.

Market Reports

Mexico

To date, early sales are good, and shipments of stone fruit - especially peaches - have been well received. Quality is reported as “good, showing good appearance, consistency and uniform size.” But, there were some comments about soft plums in Monterrey. Prices for local peaches are projected to drop as volume of the better quality California fruit in the market increases. California plums are not yet in the market - other than a few in Monterrey. Significant volumes are expected to begin arriving within the fortnight.

Importers from Guadalajara are very excited about the 2005 California Summer Fruit® season, and they expect to surpass last season’s results. The most common concern regarding California Summer Fruits® is the fumigation process and its negative effects. Importers are looking for fruit produced via the systems approach. Importers know that volumes on the systems approach may be short.

Direct competition from local peaches from Sonora (known as Amarillos or Criollos) is evident with 80% coverage in wholesale markets and 90% at retail. However, quality is not sufficient to compete strongly with California fruit. The local plum variety, Moscatel, is of good quality this year and is enjoying strong demand at the moment.

Competition from Chihuahua peaches is expected to be strong this year beginning around mid-June. Many retailers are looking forward to this fruit due to its relative price point. As availability for this origin decreases, California peaches should take over the market again.

There is a lack of direct competition for California nectarines. But, indirect competition from Washington apples, Chilean table grapes and low-priced Mexican table grapes is significant.

Hong Kong

California Tao Lee (peaches, plums and nectarines) was not yet available at wholesale as of last week, but some fruit was seen at the retail level. Tropical fruits such as mangoes and papayas are currently popular with traders and consumers, and interest in oranges, apples and bananas is strong. Early season lychees also appeared in the market recently. Fruit prices are on the high side, probably due to heavy rains over the past two weeks. Late season Australian red and black plums were good in appearance and taste, though sold at high prices. Early season Chinese peaches included the

standard white flesh, donut peaches and “oily tao” (literally in Chinese), with a texture like California nectarines but with far inferior taste. The supply of Chinese peaches is increasing at both wholesale and retail. Sizes are on the smaller side, but prices are considered low.

Taiwan

A small volume of California peaches are now in this market, but the trade indicated overall quality of early California peach varieties was not as good as expected. Early comments were mostly that the appearance was better than the flavor so far this season. They attribute this to the rain and hail that swept across California in late April and May. The impression of traders is that California Tao Lee suffered from crop reductions, especially for nectarines and plums.

Affected by an unusually cold winter with record snow, some locally grown summer fruits were either damaged or have a delayed harvest timing, and most of the crops were predicted to be smaller than ever. This is a good opportunity for CTFA, since consumers are looking for California Tao Lee due to the short supplies in last year and a short local crop. Many traders have indicated they will carry as much California Tao Lee as possible this season. This is especially true for the “Ghost Festival” and “Moon Festival” during the second half of the supply season.

A small volume of local peaches were found in the market, but in smaller sizes compared to early California peaches. This local fruit was in very small supply during the reporting period. The fruit market was filled with imported apples, especially from Washington, after an over 4-month import suspension. Other imported fruits such as California cherries, California strawberries, kiwi fruits from New Zealand plus seasonal local fruits such as pineapples and melons were also found in the market.

Singapore

The California Summer Fruits® season has started in Singapore with initial air shipments of Summerwhite® peaches found in importers’ cold rooms at the wholesale centers. The relatively high import price has restricted volumes for the moment. Retail distribution was mainly found at the leading supermarket chains such as Cold Storage and NTUC Fairprice outlets, as well as selected fruit shops that service the middle and upper income consumers.

Information gathered during trade visits indicated importers are planning to import more California peaches and nectarines as the season progresses and prices are better understood. Of course, most importers are still looking for lower prices at this time. The quality of the Summerwhite® peaches already imported was reported as good with most samples firm and fresh on arrival.

There is very little direct competition in the market for California peaches and nectarines now that Australia and other stone fruit countries have been finished since the end of April. Only Chilean plums and small pockets of Australian fruit are still found at wholesale and retail levels. According to a few importers, their existing stocks should last until the first half of June.

Traders report movement as average and above due to affordable retail prices. Market visits and observations revealed a large consignment of Australian and New Zealand persimmons were imported, and the starting of the lychee season from China will pose competition to sales of California Summerwhite® peaches in the market. Other fruits that will compete with California Summer Fruits® include California cherries, strawberries, Thai Longans and mangoes from Thailand and India, which are popular fruits in the market.

Malaysia

Importers have begun to import California peaches and nectarines into the market by airfreight, but the volume is still fairly small due to the high cost of transportation. According to traders, they are still

looking for lower prices to make the fruit more affordable for more consumers, especially in the case of California plums. Current prices limit sales to higher-income consumers. The importers and supermarket managers are generally happy with the fruit quality received thus far. They hope the quality will be maintained in the coming shipments as the season progresses.

The supermarkets in Malaysia are looking forward to another good season for California Summer Fruits. They recorded good sales growth, especially for the peaches and nectarines, last season, and most of these supermarkets are committed to more promotions for these fruits this season. The promotions will help to establish a firmer foundation, and all supermarkets are asking for CTFA support this year.

The supermarkets in general are of course still very keen to conduct the generic California plum promotions, as the fruit is very popular with consumers. Some of the supermarkets have already contacted CTFA with regards to their promotion proposals and all this interest augurs well for the California fruit this season.

California does not face direct competition from other countries for peaches and nectarines, but there are still Chilean plums available at a relatively cheap price, although the quality is not very good. Most of the importers are still looking for more competitive prices for California plums before buying.

Local fruits like mangoes, durians and watermelons are widely available in the market. Tropical fruits continue to be popular with the consumers and are presently enjoying prominent displays at the various supermarkets.

Thailand

The import duty for fresh fruit from Australia was eliminated on January 1, 2005 following the commencement of the Free Trade Agreement (FTA) between Thailand and Australia. The fourth round of discussion on the FTA between Thailand and the USA will be held in the United States in July 2005.

During market visits, California peaches were sighted and found in the premium market/hypermarket at the time of this reporting period. According to importers, California nectarines and plums have been booked for arrival in the next two weeks.

The season for local Thai fruits has begun with durian, mangosteen, longan, lychee, mandarin oranges and others - all being sold at very competitive prices. The only direct competitor in the market is Australian plums, which should be ending their season by the next few weeks. According to trade information, the last consignment of Australian plums had just arrived at the time of this report.

New Zealand

Three of the larger importers have imported small volumes of airfreight fruit which arrived over the weekend of May 6 & 7. Since then there have been weekly arrivals of airfreight peaches and nectarines. Most of the early fruit has been eagerly purchased by wholesalers for restaurants. Retail movement has been slow at these prices. The importers report they are happy with the quality. In fact, one commented that it is excellent so far, despite there not being a lot of "sweetness" yet.

The NZ stone fruit season was interesting again this year. Wet, cold conditions through spring and Christmas greatly affected the fruit quality and volume. Post Christmas was incredibly hot across the country. The extremes of temperature caused a lot of head aches in the orchard. The season finished earlier than usual with good quality plums being available.

After a very mixed season last year some traders are feeling cautious as we head into this season. Other traders are actually very confident and looking forward to a better season than they have had with California cherries, citrus and Chilean grapes.

On Wednesday May 26, Woolworths Australia announced they are buying Foodtown, Woolworths and Countdown chains in New Zealand from Australian company Foodland associated Ltd. (FAL), for a price of \$NZ3.2b). The New Zealand view is that one Australian operator is replacing another and the five months it has taken to cut this deal has given Foodstuffs (New World, Pak n Save and 4 Square supermarkets) an opportunity. Woolworths will now be Australia's biggest food retailer, with 180,000 staff and 875 supermarkets, giving it greater buying power.

The exchange rate should help retail price points and will likely see very competitive pricing. Most traders are working with their retailers already to set up the year's promotional program.

There is some concern however about the recent rain and how it will affect the quality of the fruit. Traders have also reported that shipping delays have greatly improved since October last year, so this should impact the quality of the arrivals.

There is a good range of domestic fruit available though a shortfall of imported grapes is expected in June/July as the Chilean season has finished earlier than usual and the Australian grapes wind down.

Importers report a terrible run with California citrus this season. There has been a small volume of California cherries, apricots and apriums starting to arrive in the market. Cherry volumes have been greatly affected by the rain. Northwest cherries are very close to having entry into New Zealand this season. Imports are expected to get the go ahead on June 17.

Central America Region

According to the importers, the arrival of California Summer Fruit® is expected soon for the season, specifically plums and peaches. The price for nectarines is expected to be somewhat high, which could reduce volume. Importers do not believe prices for peaches will be too high for the market, but they are waiting for prices on peaches from Spain for comparison purposes before buying.

The arrival of California plums is expected for the second week of June and will be available by the beginning of June's second fortnight. Currently, only Chilean plums are available at a few supermarkets. However, local plums have the biggest market share in both, traditional and supermarket sectors, only available in small sizes. The quality goes from regular to good, being better at the supermarkets. Stone fruit from Spain is expected to enter the market soon - mostly peaches and plums.

Northern South America Region

Venezuela. Importers have requested their import permits and the first stone fruits from California are expected for the middle/end of June. Some import permits have already been granted, and some importers have been promised permits in one more week. It takes approximately one month for the Ministry of Agriculture to grant import permits.

Chilean plums and Venezuelan peaches and plums are the only competition for California stone fruits at this time. Chilean plums are in bad shape but Venezuelan stone fruits are good quality with low prices and large volumes. Chilean plums are present in low volumes.

Colombia. Most of the importers have already placed orders for California stone fruits, and the first arrivals will be in Colombia the week of May 30th; these will be small air arrivals at more expensive prices. Regular shipments are expected to be in Colombia at the end of June in larger volumes.

The last Chilean stone fruits are still available in this market but in very small volumes. The only stone fruits from Chile at this time are nectarines, which are still in good shape, and plums, some of which have had internal breakdown problems. Their prices are considered low for imported fruit in this market.

Ecuador. Importers have placed their first orders from California but the fruits are expected for the end of June. A new importer from Colombia, who just opened offices in Ecuador, expects to significantly increase the volume of USA fruits into this market in 2005.

Chilean plums are available in all supermarkets of Quito and Guayaquil. Peruvian peaches are available only in municipal markets and street markets. Both still have good quality but low volumes.

Promotional Highlights

General

This section of the report highlights various promotional programs and/or events that are traditionally important for our fruits. Listed below are several key holidays or festival dates in some of the markets. Promotional programs will continue to ramp up as more fruit enters each of the international markets over the next couple of weeks.

Hong Kong

June 11	Tuen Ng Festival
July 1	HK SAR Establishment Day
Sep 19	Moon Festival
October 1	National Day
October 11	Chung Yeung Festival

Taiwan

The Trade Newsletter for May has been mailed to 1,994 traders including importers, wholesalers as well as retailers on May 24. A questionnaire for merchandising visits has been designed, and merchandisers have been trained. Visits to wholesalers will begin in mid-June.

The first wave of main TV ads will be on aired around mid-June. Newly designed POS materials are being sent to the trade through merchandising visits.

Several 5-star hotels have agreed to participate in the Hotel Promotion that will start in July 2005.

Singapore

Starting in early May 2005, merchandising trade visits were made to importers, wholesalers and supermarket buyers to remind them of the new California Summer Fruits® season. Early season crop estimates and other relevant information available from CTFA were shared with the trade during the meetings.

May 23	Vesak Day
May 28 – June 26	Mid-year School Vacation
August 09	National Day
September 03 –11	Term 3 School Vacation
November 01	Deepavali
November 03	Hari Raya Pusa
November 19 – December 31	Year End School Vacation
December 25	Christmas Day
*August 19	Hungry Ghost Festival
*September 18	Moon Festival

New Zealand

Early May, preseason meetings were held with all importers and retailers to discuss goals, objectives and the program direction for the 2005 season. This was met with a very positive response as the trade now has the "heads up" as to where the California Summer Fruit program is going for 2005.

The consumer and PR program have been initiated, with service contractors appointed and initial program plans well underway. A strong emphasis this year will be on driving sales in the Auckland region. Response from three major retailer groups in this region has been fantastic.

We have 4 consumer promotions confirmed for the month of July. They will run for a month with each chain. Providing Northwest cherries get access to NZ, we are planning to combine our promotions and leverage promotional funds to increase sales.

We are planning to kick off in-store sampling as soon as the first sea shipments arrive. Our aim will be to start to generate sales early in the season.

The important holiday - Queen's Birthday - is on June 5, 2005.

Country	Fruit	Grade/ Origin	Size/Count	Wholesale Price US\$	Retail Price US\$
Mexico	Peach	CWM	56-64 vf	18.29-21.95	1.08-1.32/lb
	Peach	CWM	60-72 vf	19.16-20.07	1.24/lb.
	Nectarine	CWM	72 vf	20.53	NA
	Peach	CWM	64-72 vf	16.49-21.08	1.31/lb.
	Nectarine	CWM	80 vf	22.91-24.74	-/lb.
	Plum	CUG	80 vf	25.66-27.49	1.43/lb.
	Peach	MX	22 lb,	7.31-10.97	0.57-1.16/lb.
	Apple	WA,MX,	88-135	14.63-23.78	0.57-1.11/lb.
	Kiwifruit	Chile	22 lb.	14.63-16.46	0.82-0.95/lb.
	Strawberry	CA,MX	12 lb.	5.48-14.63	0.61-1.40/lb.
	Grape	MX, Chile	18-20 lb.	10.97-14.63	0.99-1.74/lb.
Plum	MX	18kG	8.23-10.06	0.57-0.62/lb.	
Hong Kong	Peach	CWM	64	--*	1.28-1.41/pc
	Nectarine	CWM	64	--*	0.91-1.92/pc
	Peach	China	64-80	12.82-14.74	0.21-0.32/pc
	Plum	Australia	10kg	15.38-20.51	0.32-0.51/pc
	Apple	WA, China, NZ	40-80	10.26-15.38	0.21-0.32/pc
	Mango	Thailand	21 lb.	14.74-16.41	1.32-0.77/pc
	Papaya	Mal,China	28 lb.	11.28-12.82	0.77-1.28/pc
	Lychee	China	80-90 lb.	23.30-26.09	0.77-1.03/lb
Taiwan	Peach sw	CWM	21-25/1 lyr	23.96-31.95	1.59-2.56/pc
	Nectarine sw	CWM	N / A	N / A	N / A
	Plum	CWM	N / A	N / A	N / A
	Peach	Local	24-28/ 1lyr	20.67-26.58	0.96-1.44
	Apple	WA	56-113	20.77-38.34	0.48-0.80/pc
	Apple	NZ	70-100	25.56-38.34	0.38-0.71/pc
	Apple	Chile	48-113	25.56-51.12	0.38-0.80/pc
	Apple	Japan	32-40	57.51-70.29	1.28-1.92
	Cherry	CA	18 lbs	51.12-95.85	4.15-5.75/pc
Singapore	SW Peach	CWM	64/ 2lyr	40.63	1.06/each
	SW Peach	CWM	56/ 2lyr	46.88	1.25/each
	Plum	--	--	--	--
	Plums	Chile	68	17.5	0.97/ 5pcs
	Plums	Australia	10 kg	17.5	0.21/pc
	Cherries	USA	10 ½	56.25	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/each
Malaysia	Peach	CWM	50pc	40.0-48.0	0.94-1.08/pc.
	Nectarine	CWM	64pc	50.0-55.0	0.94-1.08/pc.
	Plum	Chile	100pc.	1.05-1.28/kg	2.0-2.5/kg.
	Mangoes	Thai	25kg	9.1-9.8	1.45/kg
	Mangos teen	Thai	20kg	11.0-16.0	1.3-1.8/kg
Thailand	Peach	CWM	17	40.0-41.0	3.47-3.5/pc
	Plum	Aus	30	30.0-31.00	5.9-6.1
	Lychee	Thai	10kg	11.25-12.5	1.75-2.0
	Durian	Thai	10kg	3.0-3.75	0.6-1.0

Country	Fruit	Grade/ Origin	Size/Count	Wholesale Price US\$	Retail Price US\$
New Zealand	Peach sw	CWM	70	3.60/lb	6.54/lb
	Nectarine sw	CWM	70	3.60/lb	6.54/lb
	Plum	CWM			
	Apples	NZ	100 - 120	NA	0.97/lb
	Grapes	Aus		NA	1.63/lb
Central America	Peach	CWM	72 vf		
	Nectarine	CWM	72 vf		
	Plum	CR, CH	20 lb	10	0.74-1.45/lb
	Apple	WA, CH	80-198	20.0-27.00	0.75-1.05/lb.
	Pears	CH	44 lbs	18.0- 35.0	1.06-1.75/lb
	Kiwifruit	CH	22 lb.	21.00-24.00	0.95-1.15/lb.
	Strawberry	Local	12 lb.	8.5-10.00	0.73-0.85/lb.
	Grape	CH	20 lb.	21.00-25.00	.85-1.10/lb.
Venezuela	Peach (Melocoton)	Ven	5.5-Kg. Box	N/A	1.35-2.08
	Peach	Ven	30-Kg. Box	N/A	1.29-1.54
	Plums (Huesito)	Ven	5-Kg. Box	N/A	1.94-2.48
	Plums (Angeleno)	Chile	Size 72 - 9-Kg Box	17.20-18.00	3.40-3.94
	Apple	Chile	19-Kg box Sizes:72-80-88-	18.00-24.00	1.17-2.54
	Grape (Negra)	Ven	5-Kg. Box	N/A	1.98-2.11
	Grape Black	Ven	5-Kg. Box	N/A	2.78
	Grape (Red Globe)	Chile	8.2-Kg. Box	12.00-16.00	2.71-4.15
	Grape (Calmeria)	Chile	8.2-Kg. Box	13.00-18.00	3.99
	Strawberry	Ven	4-5Kg. Box	N/A	1.83-3.64
	Pears (Packham)	Chile	18-Kg box Sizes: 60 - 110	16.00-20.00	1.43-2.08
	Pears (Bosc)	Chile	Size 90 - 18-Kg. Box	18	1.75-3.00
	Pears (Asian)	Chile	N/A	18	3.92-4.30
	Kiwifruit	Chile	10-Kg. Box	N/A	3.44-3.98
	Mango	Ven	20-30-Kg. Box	N/A	0.57-0.63
Ecuador	Plum	Chile	150	26.00-28.00	2.84-3.08
	Peach	Perú	150	13.00-14.00	1.00-1.50
Legend	CWM	Cal Well Mat®		MX	Mexico
	USM	US Mature		Aus	Australia
	CUG	California Utility Grade		NZ	New Zealand
	CR	Costa Rica		SP	Spain
	CH	Chile		Thai	Thailand
	WA	Washington			