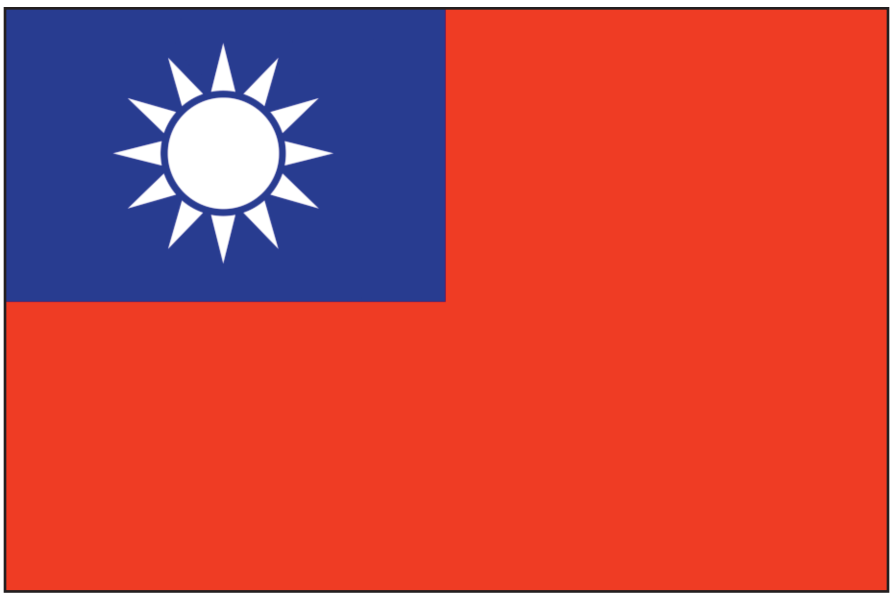
GO TO MARKET REPORT: Taiwan



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Organic trade association SINCE 1985

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TABLE OF CONTENTS:

Overview:

Domestic agricultural production in Taiwan is limited, making Taiwan increasingly dependent on imported food and other agricultural products. In 2012, food and agriculture product imports in Taiwan were valued at US$11.108 billion, up from US$3.87 billion in 2011. The United States is the leading supplier of food and agricultural imports to Taiwan, and Taiwan was the seventh largest market for U.S. Agricultural exports in 2012, with US$3.2 billion. Although US exports have been bulk commodities, consumer-oriented products imported from the U.S. in 2012 (red meats, poultry, fresh fruits, processed fruits and vegetables, tree nuts, dairy products and snack foods) were valued at US$1.1 billion, up a record six percent. Approximately 70 percent of organic food and beverages sold in Taiwan are imported. Health and wellness sales grew in 2012, fueled in part by diet-related health concerns and a mini baby boom in 2011 and 2012.

Within Taiwan's farming sector, about 45 percent of the labor force is over age 65, leading to additional government assistance for the agriculture sector, including promoting transition to organic production and further development of the high-value-added food processing industry. Organic acreage in Taiwan is expected to reach 5,000 hectares by 2021.

Of note: The United States has an export trade relationship with Taiwan. This arrangement allows USDA organic products to be sold as organic in Taiwan. The trade arrangement includes all USDA organic products produced in the United States or its territories. USDA organic products produced outside the United States are not included in this arrangement. USDA Organic products exported to Taiwan must be accompanied by an organic transaction certificate (TM-11) that verifies that the product complies with the terms of the export arrangements. A list of certifying agents approved to issue TM-11 export certificates is available at http://bit.ly/tm11acas.

Commonly imported products

Non-organic: Imports from the United States, valued at US$3.3 billion, provided about 29 percent of Taiwan's total agri-food products in 2012. Bulk commodities, including corn, soybeans, and wheat made up more than US$1.4 billion of those imports from the United States. The US supplies 74 percent of Taiwan's wheat. Other major U.S. imports include meat, poultry products (providing 88 percent of the market), dairy, fresh fruits, alcohol and beverage. The U.S. is the top supplier of most varieties of imported fresh fruits: apples, table grapes, oranges, cherries, peaches and plums. The United States supplied 94 percent of almonds and 94 percent of walnuts in 2012.

SELECT FRESH FRUIT IMPORTS FROM THE UNITED STATES TO TAIWAN, 2012

Fruit	Dollar value (US, millions)	Percent of import market
Apples	164.5	46
Cherries	88.0	60
Peaches	41.0	78
Grapes, fresh and dried	38.0	59

Other major agriculture suppliers for Taiwan include Brazil, Australia, Thailand and New Zealand. Brazil is the leading US competitor for soybean and corn, although the US provides over 49 percent of Taiwan's soybeans. Australia provides more beef by volume; Thailand is Taiwan's largest supplier of starches and sugar/sucrose; New Zealand is the leading supplier of dairy products, mutton, and kiwi.

Organic: In 2011, Taiwan's Council of Agriculture approved 1291 requests for labeling of 7536 metric tons of imported grain or produce as organic. An additional 28 documents covered import of 86.5 metric tons of animal husbandry products. Broccoli, cherries, and celery are among the leading consumer-oriented organic product imports from the United States.

SALES OF SELECT CONSUMER-ORIENTED ORGANIC PRODUCTS FROM THE U.S. TO TAIWAN, 2011-2013

PRODUCT	Dollar value (thousands) 2011	2012	2013	Period/Period % Change Value
Fresh organic broccoli	4,994	7,415	7,405	
Fresh organic cherries, not sour	0	1,946	1,264	-35
Fresh or chilled organic celery	2,102	805	676	-16
Fresh organic cauliflower	2,256	2,246	643	-71
Fresh/chilled org. lettuce, except head	4,528	1,649	620	-62
Fresh organic apples	127	670	452	-32
Fresh organic grapes	81	62	323	421
Fresh or dried organic oranges	180	401	316	-21
Roasted organic coffee, not decaf	414	36	137	285
Organic tomato sauce, except ketchup	94	173	96	-45
Fresh or chilled organic carrots	15	36	61	69
Fresh organic strawberries	0	13	56	348
Fresh or chilled organic onion sets	69	24	44	80
Fresh or chilled organic head lettuce	134	3	34	1,028
Fresh organic cultivated blueberries	0	4	8	133
Fresh or chilled organic potatoes, except seed	6	99	7	-93
Fresh or chilled organic cherry tomatoes	184	53	0	
Fresh or chilled organic cabbage	0	8	0	
Fresh or chilled organic pears/quinces	50	0		
Fresh organic pears	0	54		0
Fresh organic cherries	3,765	0	0	
Grand Total	269,993	344,145	342,361	-1

Data: U.S. Census Bureau Trade Data

Market conditions by sector

Retail: The grocery sector in Taiwan is fragmented, with the five leading grocery retailers, which are spread over the convenience store, hypermarket and supermarket channels, accounting for less than 20 percent of the total market share. As competition intensifies, consolidation is expected, and convenience stores are expected to increase as traditional mom-and-pop and wet markets, which sell the majority of fresh fruit, decline.

TAIWAN —TOP FIVE GROCERY DISTRIBUTION BANNERS — 2002, 2006, AND 2011

Banner	Company	Format	Total Grocery Banner Sales ($US)	Total Grocery Market Share
2002				
President Chain Store	President Group	Convenience store	1,282,600,232	3.02
Carrefour	groupecarrefour	Hypermarket	946,341,301	2.23
FamilyMart	FamilyMart	Convenience store	515,876,800	1.21
PXmart	PXmart	Supermarket	305,484,256	0.72
Costco	Costco Wholesale	Wholesaler	146,989,600	0.28
2006				
President Chain Store	President Group	Convenience store	1,918,780,344	3.54
Carrefour	groupecarrefour	Hypermarket	1,268,062,182	2.34
PXmart	PXmart	Supermarket	816,888,475	1.51
FamilyMart	FamilyMart	Convenience store	766,097,092	1.41
Costco	Costco Wholesale	Wholesaler	285,800,296	0.42
2011				
President Chain Store	President Group	Convenience store	2,702,785,490	3.67
PXmart	PXmart	Supermarket	2,120,581,481	2.88
Carrefour	groupecarrefour	Hypermarket	1,516,246,895	2.06
FamilyMart	FamilyMart	Convenience store	1,312,641,927	1.78
Costco	Costco Wholesale	Wholesaler	1,037,641,016	1.13

From: Grocery Retail Trends in Taiwan, Agriculture and Agri-food Canada

Large multi-national grocers are leaders in Taiwan; leading domestic retailers are PX Mart, President Chain Store, Hi-Life and Far Eastern. Costco, which sells mostly U.S. products, RT Mart and Carrefour are the leaders among hypermarkets. The largest supermarket operators are Dairy Farm and the value-conscious PXMart, while luxury supermarkets CitySuper and Jasons, as well as premium supermarkets in the Sogo and Mitsukoshi Department Stores, target high income shoppers.

Taiwan has one of the highest concentrations of convenience stores in the world at over 9000 stores, or about one store for every 2500 people. 7-Eleven has over 48 percent market share, followed by Family Mart, Hi-Life and OKS each having half the share of the next largest company. These four convenience store chains cover 90 percent of the market.

In Taiwan's mature grocery retail market, businesses emphasize an improved customer experience over adding additional stores. One strategy grocery retailers use to attract customers within a highly competitive environment, where convenience stores, hypermarkets, and supermarkets are all in close proximity, is to enhance the product mix. President Chain Store and Taiwan Family Mart, for example, increased the fresh-cooked menu items in their convenience stores to appeal to time-pressed consumers seeking quick meals. Some convenience stores have added seating areas. In addition, convenience stores provide a wider range of goods and services than in the United States. Offering private label brands is another differentiation strategy in use across the grocery sector.

Some of the top organic specialty stores are Leezan, Yogi House International, Santacruz (part of the Uni-President Corp conglomerate) and Cotton Land. In the typical organic specialty store, organic products only account for about of 20-30 percent of overall sales. Although specialty stores selling organic and nutraceutical products are present in Taiwan, most health and wellness goods (including organic products) are sold through supermarkets and hypermarkets, with convenience stores also increasing their profile in health and wellness.

Hotel, Restaurant, Institution: With the rise of double income families who are pressed for time to shop and cook, Taiwan's food service sector is growing. In 2012, foodservice expanded 7.7 percent to U.S. $13.2 billion. About 14 percent of Taiwanese eat out at least once per day, and lunch is the most popular ready-to-eat meal, followed by dinner and snacks.

All types of dining establishments are available and independent stores, such as street stalls, night markets, convenience stores, tea shops, and cafes, outnumber chains. Cafes are expected to grow, since many have expanded the meals they offer beyond breakfast. In addition, inexpensive prepared box lunches (biandang) from convenience stores and small shops are extremely popular with office workers.

With 24-hour service and seating areas where customers can enjoy coffee and microwaved meals, 7-Eleven has surpassed McDonalds as the largest foodservice operation in Taiwan, with sales of "fresh food" estimated at about US$1 billion in 2013.

In addition, department stores offer restaurants and food courts, which together bring in as much as 30 percent of total department store revenue. Leading department stores include Shin Kong Mitsukoshi, Far Eastern Department Store, and Sogo Department Store (which is managed by Far Eastern).

In addition to providing restaurants that are popular spots for socializing, many hotels offer gift food packages for holidays and festivals. Examples include moon cake gifts for Moon Festival, chocolates for Valentine's Day, and turkey for Thanksgiving.

FOODSERVICE REVENUE (US$MILLION)

	2010	2011	2012
Restaurants	9,603	10,456	11,274
Beverage Stores	1,248	1,312	1,405
Others	501	518	551
Total Revenue	11,352	12,286	13,230

Data: Taiwan Ministry of Economic Affairs (MOEA)

Food ingredients: Liberalized market policies and a more open business environment have increased competition in the food processing sector, with imported foods taking a larger share of the food processing market. Foreign investment in food processing has grown, with leading firms in Taiwan investing in infrastructure, large scale agriculture and food processing overseas; Uni-President and Great Wall have been very successful in China with this strategy.

Retail sales of packaged food were up 13 percent since 2008, estimated at US$7.6 billion in 2012, and expected to reach nearly US$8 billion by 2017, according to Euromonitor. Fast-growing categories of packaged products include:

- snack bars
- ready meals
- chilled processed food
- bakery items
- frozen processed food
- ice cream
- baby food

Distribution

Buyers in Taiwan are very price conscious, prefer well-proven products, turn-key solutions and expect suppliers to provide service support after the sale.

Distribution chains vary depending on the type of product, and there may be more than one option. Over the past decade, direct sales from importers to retailers and wholesalers has increased. Supermarkets and hypermarkets might buy fruits, vegetables and seafood directly from the exporter, from the importer, or from a wholesaler. For imported meats, which are available primarily in Western-style supermarkets and hypermarkets with appropriate refrigeration facilities, the typical distribution chain is importer to wholesaler, then distributor to retailers, caterer or food service. Importing, wholesale, and distribution might all be done by the same company, however.

Hotel, Restaurant, Institution: Depending on the type of food item and the specific channel, hotels, restaurants and institutions might purchase from importers, distributors, wholesalers, regional wholesale markets, wet markets, or supermarkets/hypermarkets. Although the foodservice sector might procure imported fresh items such as produce, fish/seafood and beef from importers or through distributors or wholesalers, only larger chains import directly or buy from importers. Due to size limitations, most foodservice operators make small orders frequently from local suppliers. Price is a key consideration, followed by quality and packaging if the price is right; chain and independent store buyers will change suppliers for a better price, since exclusive contracts are rare. Hotels, particularly those with foreign chefs and foreign cuisine, and high-end family restaurants use more imported items from importers or wholesalers/distributors.

Other variations in foodservice procurement based on business type include:

Institutional operations: Either import directly or buy from local distributors.

International hotels: Although food and beverage managers and executive chefs decide what should be purchased, the purchasing department does the procurement.

Fast food chains: Either use their own distribution centers or contract for distribution to their outlets island-wide.

Mid-level family style chain restaurants: Generally maintain centralized purchasing and kitchens.

Small food service businesses: Purchase from wholesalers, regional wholesale markets or wet markets, or seek items in quantity at the lowest cost from retailers such as Costco.

Working with reliable and efficient importers and distributors is a key to the market, especially for the foodservice sector.

Recent population and market trends

Within an aging population (12 percent will be over age 65 by 2015), the average Taiwanese household is three people. In addition, the number of single-person households is increasing, driving interest in nutrition, health and safety, ready to eat foods and product variety. Mainstays in the diet include rice, soy, seafood, pork, mustard greens, black beans, dumplings and noodles, and Taiwanese shoppers eat more fruit per capita than anywhere else. Starfruit, papaya, and watermelon are especially popular. Health-conscious consumers are using more whole grains, oatmeal, and muesli.

Taiwanese shoppers overall prefer convenient, healthy, high-quality food and beverages. Within the region, Taiwan has highest per capita spending on food and beverages, with grocery spending accounting for approximately 30 percent of total consumer spending in 2012. Despite the prevalence of eating out, recreational cooking is a trend, especially among fashionable singles, couples and young families.

Most urban and rural consumers use supermarkets and hypermarkets for the bulk of their shopping and make a weekly shopping trip, but some consumers prefer to shop daily at open markets because they feel the foods are fresher. Many older shoppers prefer specialist markets for meat, fish, fruit, and vegetables, and supermarkets have, with some success, attracted these shoppers by creating the look of traditional markets in their stores.

Due to a lack of storage space for food, consumers shop often, and most live within a block or two of a supermarket or convenience store, where they can do daily 'top-up' shopping as needed. Shoppers also buy food in smaller units than is typical in the United States.

Shoppers in Taiwan are open to North-American style foods, such as ready-made products, and European flavors such as Italian, French and British are popular with middle and upper class shoppers.

Online food shopping is likely to increase, as customer service improves and becomes more efficient. About 25 percent of online shoppers purchased food online.

Resources

IN TAIWAN

American Institute in Taiwan, Agricultural Trade Office

Provides marketing assistance to U.S. companies and associations interested in exporting food and agricultural products to Taiwan. Sponsors food shows and promotional activities.

Taiwan External Trade Development Council (TAITRA),

Offers information on trade shows in Taiwan and a frequently updated calendar for international conferences and trade exhibitions held at the Taipei World Trade Center and Nangang Exhibition Center. Most trade exhibitions in Taiwan are export-oriented. Many include a significant number of foreign exhibitors.

IN THE UNITED STATES

Regional trade groups can provide assistance for entering the Taiwanese market.

Midwest: http://www.foodexport.org/
West: http://www.wusata.org/
Northeast: http://www.foodexportusa.org/
South: http://www.susta.org/

Visit the United States Organic Export Directory and The Organic Pages Online to search for organic businesses that may be able to assist US exporters.

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Acknowledgement:

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