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# Taiwan

## Ice Cream and Frozen Desserts

### Market Report

### 1999

American Institute in Taiwan  
Agricultural Trade Office

Approved by: Christine Sloop  
Drafted by: John J. Hill

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#### Report Highlights:

- In 1998, Taiwan consumed a total of US\$49,000,000 in ice cream and related products (ice cream bars, ice cream powder/soft ice cream mix, and frozen desserts). Imports accounted for 9.1% by value of this total. Of imported ice cream, 57% came from the US.
- Taiwan's strong economy and taste for foreign products point to growing demand for imported ice cream and frozen desserts.
- Although high tariff barriers exist, both the quality and brand-name appeal of US products are widely recognized. The market for high-end imported products is brightest.
- Health concerns are an important factor in consumer buying decisions in Taiwan. Although still developing, the market for low-fat and organic products is poised for growth.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Taipei [TW1], TW

## 1. Executive Summary

Ice cream and related products are popular snack foods in Taiwan. Ice cream is typically purchased at convenience stores and supermarkets for immediate consumption during the hotter months, and consumers tend to be young and relatively unsophisticated. Per capita ice cream consumption and expenditures are below western standards, so there is room for growth.

Over the last six years, Taiwan's disposable income has risen dramatically, along with its demand for western "luxury" foods. Already, several imported "super-premium" brands have become well-established in the Taiwan market, selling at retail prices as high as US\$6.60 per pint. Even so, significant potential exists to expand "super-premium" ice cream sales in the young adult and adult market, especially in urban areas where western influence is strongest. Low fat brands and frozen yogurt may hold special promise. However, U.S. exporters introducing new brands or products should be prepared to invest considerable resources in building brand recognition and paying for premium retail space.

### Advantages

- C Popular snack food
- C No quotas
- C Increasing disposable income
- C Increasing preference for western goods

### Disadvantages

- C High tariffs
- C Domestic industry well-developed

## Market Access

All processed food products, including ice cream and frozen desserts, are subject to a random inspection by the Bureau of Standards, Metrology, and Inspection (BSMI), which is part of the Ministry of Economic Affairs. The inspection focuses on labeling, food hygiene, and food additives.

## Food Additive Regulations

Imported food products which contain artificial food additives are subject to strict tolerance levels and acceptable use requirements as prescribed by Taiwan's Department of Health (DOH). The DOH's "Compilation of Food Sanitation Regulations" covers several hundred food additive standards and regulations. This list is available in Chinese on the DOH's homepage (<http://www.doh.gov.tw>). However, the names of these food additives are listed in both English and Chinese.

## Labeling Requirements and Exemptions

Taiwan law requires all products, except those destined for use by the food service sector, to have a Chinese-language label affixed before products can clear customs. The Taiwan authorities are strictly enforcing food and beverage labeling requirements. Improper or altered labels risk rejection by the local inspector at the port of entry.

The label must indicate the following information in Chinese:

Product name

Names of all food additives

Weight, volume, or quantity of the contents (if the product is a mixture of two or more components, each component must be listed separately)

Name and full address of manufacturer

Name and full address of importer

Date of manufacture in year, month, date order. To distinguish the month from the date, the Chinese characters for “month” and “date” must be included on the label. An expiration date may be used in lieu of the date of manufacture. Dairy products must also indicate shelf life duration. Coded formats are not allowed.

The following types of businesses may apply for an exemption from the Chinese-language labeling requirement:

Food processing plants which import food for processing

Restaurants, fast food stores, and bakeries, which import food for their own kitchens

Importers who import food for processing, for repack or change-pack (not for direct sale)

## Tariffs and Taxes

There are no quotas in effect for ice cream imports. However, the following table lists the current tariffs levied on ice cream, ice cream powder (soft ice cream mix), and frozen desserts:

Type	Tariff - Current (on CIF Price)	Tariff - Upon WTO Accession (on CIF Price)	Tariff - By/After 2002 (on CIF Price)
Hard Ice Cream	22.5%	15%	10%
Ice Cream Bars	22.5%	15%	10%
Ice Cream Powder (Soft Ice Cream)	20%	15%	5%
Other Ice/Frozen Dessert Products	25%	18%	16.5%

In addition, importers must pay miscellaneous fees including a 0.5% harbor construction fee and a 0.05% trade promotion fee, both based on CIF prices. Taiwan also levies a 5% value-added tax on retail sales. In addition, many retailers impose a wide range of fees (see discussion in Section 6 below).

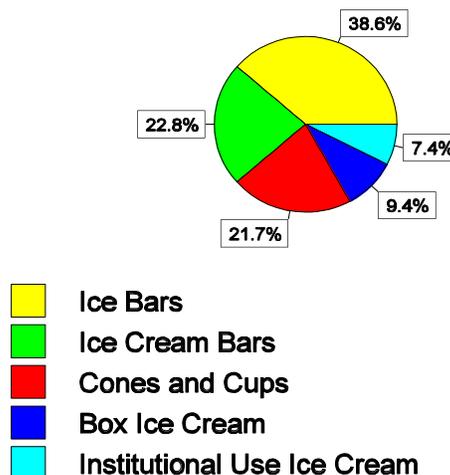
### 3. Trends in Consumption

- C A recent survey conducted by the Taiwan Food Industry Research and Development Institute divided the Taiwan frozen dessert market into ice cream, ice bars, fruits bars, ice cream bars, individual ice cream cones, low fat ice cream, frozen yogurt, institutional use ice cream, and sherbet. The survey predicted an overall annual growth rate for frozen desserts of 3.33%.
- C The highest predicted growth rates were for low fat ice cream (5.38%), frozen yogurt (4.54%), ice cream (4.23%), and institutional use ice cream (4.23%).
- C The market for sherbet was predicted to show a decline of 2.0%.
- C The main frozen dessert consumer group is youth, especially junior high school and high school students, whose consumption peaks in the summer.
- C The survey identified adults as a consumer group that has not yet been tapped. With higher disposable incomes, such a group could be expected to focus their purchases on higher-priced “super-premium” brands.
- C The survey also identified higher-priced frozen desserts as having room for expansion in Taiwan, most likely as the result of rising disposable incomes and increasingly sophisticated tastes.
- C Within the frozen dessert market, ice bars accounted for 38.6% of sales by value, while ice cream bar sales amounted to 22.8% of total sales. Individual cones and cups together made up 21.7%. Box ice cream sales were 9.4%, and institutional sales were 7.4% of the market.

### 4. Trade and Competition

- C In 1998, Taiwan consumed a total of US\$49 million in ice cream and related products (ice cream bars, ice cream powder, and frozen desserts). This total included approximately US\$45 million in domestically produced ice cream. Approximately 8.0% by value of Taiwan’s “hard” ice cream was imported in 1998.
- C 1998 per capita consumption of ice cream and related products amounted to approximately 1.29 kilograms, or US\$2.25.

#### Types of Products

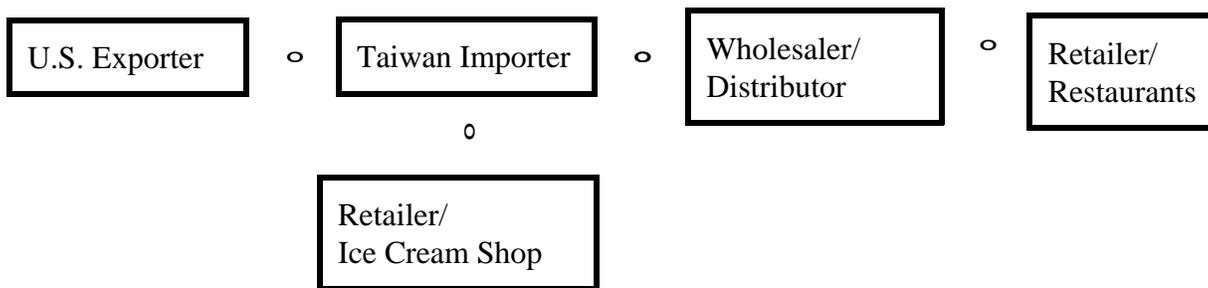


Source: FIRDI

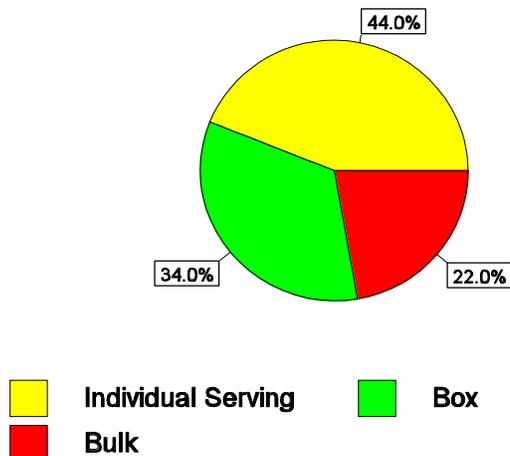
- C Imports of ice cream products grew dramatically from 1993 to 1996, but overall imports have shown a slight decline since then. This decline is probably due to the effect of adverse exchange rates and the Asian financial crisis as well as continuing high tariffs.
- C The U.S. remains the largest supplier of imported ice cream to Taiwan (57% of imports in 1998), but is facing stiff competition from Japan and Thailand in the area of non-ice cream frozen desserts (in recent years, U.S.-source imports ranged in the neighborhood of 1% to 3%).
- C Taiwan's domestic ice cream industry is well developed and very competitive. Although there are about 50 registered ice cream manufacturers on the island, eight manufacturers account for 80% of the market. Taiwan manufacturers recently have been aggressive in creating new premium and super-premium varieties, and in introducing flavors designed to appeal to Asian tastes, such as red bean ice bars, mango fruit bars, and taro ice cream bars.

## 5. Distribution Channels

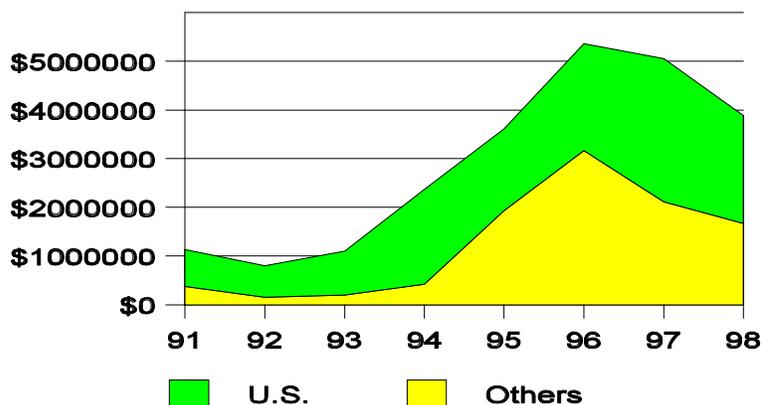
Taiwan ice cream importers employ two methods of distribution. The first is for the importer to sell directly to a retail outlet or ice cream shop under common ownership. The second is to sell to a wholesaler, who in turn distributes to supermarkets, hypermarkets, convenience stores, and restaurants.



## Container Size



## Ice Cream Imports (US\$)



## 6. Retail Sales

- C Sales at convenience stores and supermarkets dominate the retail market. Such sales, which are classified as “take out” or “take home” sales, make up 72% of sales. Food service sales accounted for the remaining 28%.
- C The retail market is segmented by container size. Cup/individual containers are the most popular, accounting for 44% of the market, followed by box size (34%) and bulk size (22%). (Source: FIRDI)
- C Because of the impulse nature of the purchase, and the tendency for ice cream buyers to be young, convenience stores account for a large volume of retail sales. Traditional convenience stores position a freezer stocked with ice cream bars, fruit bars, and ice cream cones and cups near or at the entrance to the store to attract the attention of passers-by. This technique was especially effective in the days before widespread air conditioning, when there was no glass barrier between the street and the inside of

the store. Typically, these types of stores carry few or no imported brands (except perhaps Japanese and Thai imported ice bars).

- C The scene is considerably different in the new generation of convenience stores. These stores are clean, bright, modern, and often well-positioned along busy streets and intersections. Almost without exception, such stores include a freezer (often a vertical freezer with a glass door, bearing a brand name of an imported ice cream) dedicated exclusively to “super-premium” brands. In addition, and depending on size of the store, there is usually a second freezer oriented more towards children which is filled with more inexpensive locally produced ice cream snacks and novelties. These stores are frequented by a young, relatively affluent customer base, with an appreciation of western conveniences and tastes.
- C The retail market for imported ice cream is largely limited to “super-premium” brands. The retail price in Taiwan supermarkets and convenience stores for a pint container of a U.S. “super-premium” brand is about US\$6.70. An equivalent container of locally manufactured ice cream may sell for as little as US\$1.00. However, local manufacturers have begun marketing their own brands of “super-premium” ice cream in the neighborhood of US\$6.00 per pint.
- C An individually packaged imported “super-premium” ice cream bar typically sells for about US\$2.70 each. A locally produced ice cream bar sells for about US\$0.50 to US\$0.65 each.
- C Local supermarkets, hypermarkets, and convenience stores typically require ice cream distributors to pay for freezer space in their stores. According to local industry sources, the amount and structure of this fee varies from chain to chain, and varies according to the popularity of the product. Some chains also ask for warehouse fees, promotion fees, etc. More information on this subject can be found in the Market Brief titled “Shelving Fees”, available at the following web site:  
<http://ait.org.tw/ait/AGRI/ato.htm>.

## 7. Tips for Exporters

Based on conversations with industry sources, and on our study of the retail market from a “street level” perspective, we feel that there are significant opportunities for exporters of high-quality ice cream products to further expand Taiwan’s tastes for these products. The fact that adults were identified as an untapped market with sophisticated tastes means that a creative marketing plan emphasizing brand names could well result in a significant expansion of this lucrative market.

Industry sources indicate that the extra price of imported ice cream is not a significant deterrent to purchasers, as long as the quality is high, and the brand name is recognizable as a luxury item. Therefore, a new brand’s selling price can be quite high, but the introduction of a new brand will need to be backed by a well-thought-out marketing plan, targeting young adults with high discretionary incomes and with tastes for western foods. The plan should focus on retail outlets frequented by this age group, and where management is willing to support and promote the product and to provide high quality and accurate feedback concerning customer response. Given that local and other Asian importers have already been quite successful in marketing exotic and Asian-oriented flavors, U.S. exporters would be best advised to stick to widely recognized flavors until their brands are well established here.

Taiwan's consumers are known for their interest in new products. Companies who can identify or create a "fad" can reap huge profits. Properly positioned "super-premium" low fat ice creams and frozen yogurts may hold special possibilities. Such an effort would target young adults with high discretionary incomes, who are concerned about fitness and health. With the right product and marketing strategy, this could be a large and profitable market.

## **8. Taiwan Importers**

There are six registered importers of ice cream into Taiwan. For a current list of names, addresses, and contact numbers, please contact the Agricultural Trade Office of the American Institute in Taiwan.

End of Report

Market Briefs are researched and produced by the Agricultural Trade Office of the American Institute in Taiwan. Market Briefs are meant to provide exporters with key information on products the ATO has identified as having excellent potential in the Taiwan market.

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For Further Information Contact:

The Agricultural Trade Office  
The American Institute in Taiwan  
AIT-Taipei, DOS  
Washington, DC 20521-4170

Tel. No.: 011-886-2-2337-6525

Fax No.: 011-886-2-2305-7073

Email: [ato@mail.ait.org.tw](mailto:ato@mail.ait.org.tw)

Internet: <http://ait.org.tw/ait/AGRI/ato.htm>

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