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Taiwan

Product Brief

Candy

2003

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Report Highlights:

- In 2002, total candy consumption in Taiwan was estimated at US\$222 million, of which 29% was imported.
- The market has become more mature and consumers are beginning to demand a wider variety of candies.
- Candies that provide a health benefit or that at least do not contribute to weight gain or cavities have good prospects in Taiwan.
- Retail industry sources indicate U.S. candy products are very competitive, both in terms of quality and cost.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei ATO [TW2]
[TW]

1. Market Overview

In 2002, total candy consumption in Taiwan was estimated at US\$222 million, of which 29% was imported. Taiwan imported nearly US\$64 million of chocolate and candy products in 2002, a 14 percent increase compared with the previous year. Chocolate candy products constituted slightly more than half (56%) of the candy import market. Part of the success of imported products is that they compare favorably to domestic products both in terms of price and quality. The entry of major European chocolate product manufacturers has shifted some market share away from U.S. suppliers. U.S. candy represented 13% of the total candy exports to Taiwan in 2002. Chocolate products were the principal U.S. export (81%) in this category.

Candy is sold mainly in convenience stores, supermarkets, hypermarkets, and grocery stores. Only a small portion is sold at department stores and through specialty retailers. Retail industry sources indicate U.S. candy products are very competitive, both in terms of quality and cost, but report the Japanese have more attractive packaging, both in terms of materials and design. Marketing efforts should focus on promoting candy gift packs during the peak candy season (November-February), which covers Christmas, Chinese Lunar New Year, and Valentine's Day. The revenues generated during this season account for over 40% of all candy sales.

Advantages	Challenges
Consumers consider U.S. products to be of good quality	U.S. products are generally priced above the prices of other major imports.
Fascination with American culture (music, movies) carries over to American candy products	Lack of knowledge of U.S. brands by importers and retailers.

II. Market Sector Opportunities and Threats

Retail outlets account for nearly 99% of all candy sales. According to Taiwan's Food Industry Research & Development Institute's (FIRDI) research, Taiwan consumers voted convenience stores as the venue where they buy candies the most frequently. It is followed by supermarkets, hypermarkets, grocery stores, commissary stores, institutional stores, and bakeries. The significant growth of café industry in recent years in Taiwan creates a niche market for especially imported candy and chocolate products. Many café stores, such as Starbucks (currently 130 outlets), Dante (100), and Is Coffee (90), not only sell coffee and light meals, but also sell candy/chocolate products with small and attractive packaging.

Entry Strategy

U.S. companies may wish to concentrate on establishing their business relationships with a reliable and efficient importer and distributor, who in turn will sell the imports to retail stores. The ATO Taipei maintains listings of potential candy importers for U.S. suppliers.

Food retailing in Taiwan is currently in the phase of strong competition, mergers, greater concentration, and globalization. In order to survive in this environment, the trend has been to increase the volume of direct imports, including candies, to avoid the higher cost of products purchased from importers and wholesalers. The best method to reach Taiwan's retail buyers is to initially contact them directly via e-mails or faxes. Product catalogues and

price lists are essential. Sample products are very helpful. U.S. suppliers can obtain a list of major Taiwan retail stores from the ATO Taipei.

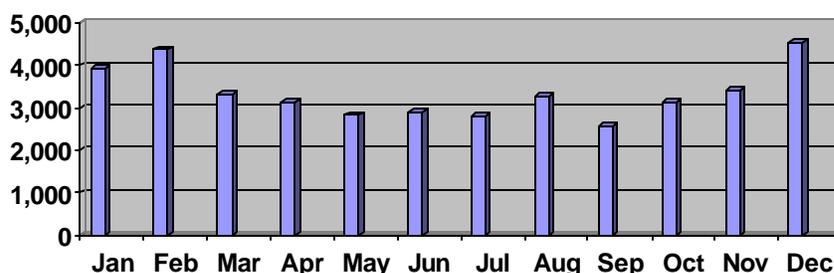
Market Size

- In Taiwan, the candy market is divided into three primary categories: chocolate, chewing gum, and candies (hard candy, soft candy, jelly, and others).

-- It is estimated that in 2002, total candy consumption in Taiwan was valued at US\$222 million, of which 29% was imported. Consumption of candy has been relatively stable over the past few years until 2000. In 2001, consumption dropped significantly due to the overall economic slowdown and higher value of the Taiwan dollar. Consumption rebounded with a 13% increase in 2002. The outbreak of Severe Acute Respiratory Syndrome (SARS) in March 2003 has hit Taiwan's economy seriously. Candy imports dropped 3% for January-July 2003. However, industry sources indicated that the economy has seen light at dawn during the 4th quarter of 2003, adding that there is room for growth in candy sales in Taiwan, as long as the industry provides consumers with unique products.

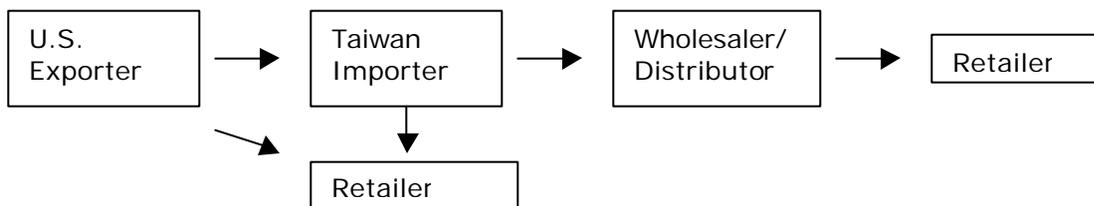
-- The peak candy season in Taiwan begins in November through Christmas, Chinese New Year, and Valentine's Day. Taiwan consumers favor imported candy products as gifts. High quality and attractive packaging is an important element of success in imported candy products in Taiwan. It is estimated that the revenues generated during this season account for over 40% of all candy sales.

Candy Consumption Trends (US\$/Store)



Distribution Channels

Currently, most importers maintain a team of in-house sales people who sell approximately 65% of their total imports directly to the retail chain stores and government stores. The remaining 35% is sold through regional wholesalers/distributors to retail stores. Domestic manufacturers either sell directly to retail stores or push their products through contracted wholesalers/distributors.



Trends in Consumption

-- Currently, consumer brand loyalty for candy is weak. Demand can be swayed by an effective ad campaign. Often times, the sales of a certain brand booms when there is a strong advertising campaign, but then declines again after the campaign.

-- According to a market research report prepared by FIRDI, 75% of Taiwan consumers hear about candies from TV commercials, 49% hear about them from in-store promotions and only 12% find out about candies from newspapers/periodicals. N.B. – Total does not equal 100%, because of multiple answers.

-- The most popular types/flavors for each type of candy products include: chewing gum (flavor: mint, sugar free); chocolate (flavor: plain, peanut); jelly (type: fruit, vitamin); soft candies (type: milk, chewing candies); hard candies (type: fruit, coffee); herbal candies (flavor: sugar free, mint)

-- To offer differentiation and to increase markups, many of Taiwan's retail chains, including 7-Eleven, Wellcome, Geant, Costco, and Tesco, are aggressively promoting private label products, including candies. U.S. suppliers should contact these retail stores directly.

-- The market has become mature and consumers are beginning to demand a wide variety of candies.

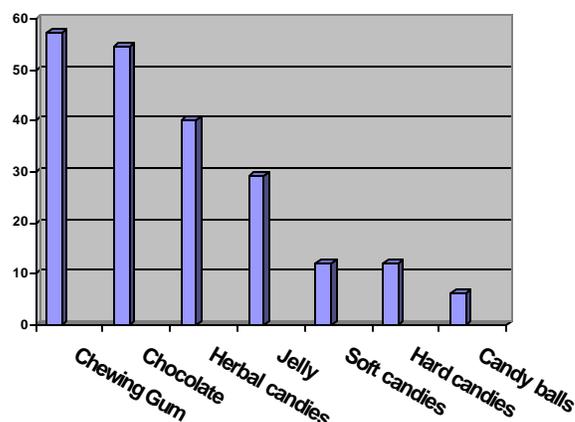
-- With the increase in the standard of living and the current focus on healthy eating, candies that provide a health benefit, or that at least do not contribute to weight gain or cavities, show the best prospects in Taiwan.

-- Natural food additives are increasingly replacing artificial additives in candy products.

-- Unique flavors and creative packaging are the key to success in the Taiwan candy market.

-- According to a recent FIRDI research on consumption of candy products, the main consumers of chewing gum was the group with the age range between 20-39 while the group with age between 15-29 preferred chocolate products.

Taiwan Consumers' Candy Preferences



Trade and Competition

In 2002, Taiwan imported US\$64 million (27,802 mt) of candy products. Imports increased 13% by value or 35% by volume, accounting for 29% of total candy consumption in Taiwan. Italy was the largest supplier (18% market share), followed by Japan (13%), the United States (13%), Australia (11%), the Netherlands (6%), and France (2%). Italy and the other EU countries mainly supplied chocolate products, while Japan mainly supplied hard and soft candies. The United States used to hold a slightly larger market share than its competitors. However, the entry of major European chocolate product manufacturers has shifted some market share away from U.S. suppliers in recent years.

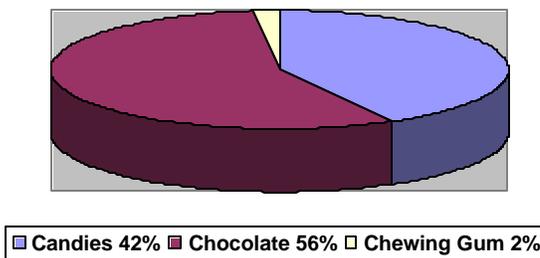
The United States has been maintaining an average import market share of 15% over the past six years. Industry sources indicate prospects are good for U.S. candy and chocolate products. They recommend marketing efforts focus on promoting candy gift packs during the peak sales season (November-February)

It is estimated that nearly 60% of chocolate products are imported. Imported chocolate candy products are perceived to be higher in quality and more pleasing to the taste than domestic products. Domestic manufacturers mainly produce compound chocolate products, so they will maintain their shapes and quality better in the tropical/subtropical climate of Taiwan.

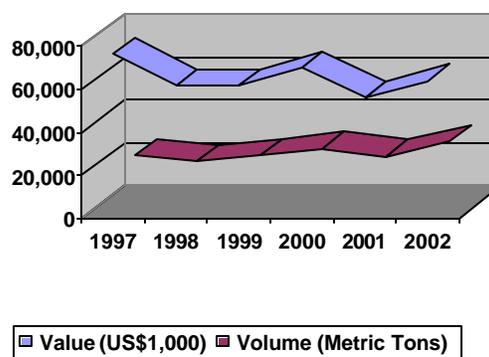
Taiwan's confectionery manufacturers face higher raw material costs than U.S. producers. Industry sources estimate a continued drop of local candy production in 2003, due to stronger competition from imported products as well as higher raw material costs.

Many multinational candy products have been present in Taiwan, either importing through local importers or directly importing by retailers. For example: Ferrero Rocher (Italy); Hershey's (U.S.); Toblerone (Switzerland); Scaccomatto (Italy); Prencicotti (Italy); Cmpino (Germany); M&M's (Australia); Skittles (Australia); Twix (Australia); Maltesers (Australia); Doive (Austria); Mozartkugeln (Austria); Droste (Holland); Ducd'O (Belgium), etc. * Countries inside the parentheses represent countries of manufacturing.

Breakdown of Candy Import



Total Candy Imports Into Taiwan



Section III. Costs and Prices

Tariffs and Taxes

There are no quotas in effect for candy imports. However, the following table lists the current and future tariffs levied on each type of candy. After Taiwan's accession into the World Trade Organization (WTO) in 2002, tariffs for chocolate, chewing gum, and other candies will be lowered to 10%, 20%, and 27.5% respectively by 2007.

	Current	2004	2005	2006	2007
Chocolate	12.5%	-	11.8%	10.9%	10%
Chewing Gum	22%	-	-	-	20%
Other Candies	27.5%	-	-	-	27.5%

In addition to the above tariffs, there are several miscellaneous fees as listed below:

Business Tax	5% of CIF value
Trade Promotion Fee	0.0415 of CIF value
Inspection Fee	Basic fee—NT\$2,000/item; for additional items – NT\$800/item
Harbor Construction Fee (sea shipments only)	NT\$684/20' container; NT\$1,368/40' container; NT\$19/CBM (consolidated shipments)
Customs brokers' fee, including all other miscellaneous fees	NT\$4,000 for air shipments NT\$3,500 for sea shipments

Current exchange rate: US\$1=NT\$34.50

The above cost information is for reference only. For detailed information on exact fees, charges, and other costs relating to the customs clearance process, we suggest that you work with your importer(s) or your freight forwarders in the United States.

Section IV. Market Access

All processed food products, including candy, 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 processed 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 on the DOH's homepage (<http://www.doh.gov.tw>).

Labeling Requirements

Since the recent revisions to Taiwan's "Law Governing Food Sanitation" went into effect on March 7, 1995, Taiwan authorities have strictly enforced the food and beverage labeling requirements. Improper or altered labels risk rejection by local inspectors at the port of entry. The "Law Governing Food Sanitation" was amended and implemented on January 30, 2002. The enforcement rules were amended and came into force starting on June 12, 2002. All processed food products imported into Taiwan for retail sales must indicate the following information in Chinese on the label (Note: Taiwan uses traditional Chinese characters, not the simplified characters used in Mainland China):

- Product name
- Name, weight, volume or quantity of the contents (if a mixture of two or more components, they must be listed separately)
- Name of food additives
- Name, telephone number, and detailed address of manufacturer
- Name, telephone number, and detailed address of importer, for imported foods
- Expiration date (year, month, date) must be printed in that order.
To distinguish the month from the date, the Chinese characters for "month" and "date" may be included on the label. If the normal shelf life exceeds three months, the expiration date may be indicated by year and month only. Date of manufacture, shelf life, and conditions of storage may also be used, if required by the health authorities.
- Coded formats are not allowed.

The following types of businesses may apply for an exemption from the Chinese labeling requirements:

- A. Food processing plants which import food for processing.
- B. Restaurants, fast food stores, and bakeries, which import food for their own kitchens.
- C. Importers who import food for processing, for repack or change-pack, i.e. products not for direct sale to consumers.

SECTION V. Key Contacts and Further Information

Lists of Taiwan candy importers as well as major Taiwan retail stores are available from the ATO Taipei, upon request. For further information or assistance on the Taiwan candy market, please contact:

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American Institute in Taiwan
Room 704, 136 Renai Road, Section 3
Taipei, Taiwan
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