



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.07

Voluntary Report - public distribution

Date: 2004/01/07

GAIN Report Number: TW4003

## Taiwan

### Market Development Report

### Taiwan to Pay More Attention to Promoting Agricultural Products Overseas

### 2004

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**Report Highlights:**

Acting both on domestic political concerns and a long-standing desire to create economic growth in sectors beyond those related to high technology, Taiwan has announced intentions to help the agricultural sector to promote and sell products to overseas markets. The range of products to be promoted is expected to focus on those that Taiwan has a perceived competitive advantage, including fruits, vegetables, and certain processed foods. Markets actively targeted are to include East Asian and North American markets. Initial sales promotions will target ethnic Chinese / East Asian populations. Plans are in their infancy, with few program details yet confirmed. Chances of long-run success of such programs will rely on Taiwan's ability to make tough policy decisions and successfully prepare "best prospect" segments (such as fruit) to take advantage of export opportunities. The volume available for export will also need to take into account capacity limitations, as farmland available for increased production is limited.

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

## The Facts

Taiwan's entry into the World Trade Organization (WTO) was won over the concerns of various special interest groups, of which those of farmers and farmers' unions were frequently among the most visible. Recognizing the challenges the agricultural sector would face following the island's WTO entry, Taiwan authorities agreed early on to develop plans by which to promote Taiwanese agricultural product exports and help offset anticipated post-WTO increases in agricultural product imports. Such a program would be unprecedented for Taiwan, an island that (with several notable exceptions including seafood, pork, bananas, and certain canned vegetables) has historically harvested agricultural crops principally for domestic consumption.

The export promotion program currently under development is slated for funding under a special budget earmarked to, "increase promotion of domestic agricultural products in international markets" recently approved by the Taiwan Legislature. The approved budget of NT\$2,253 million (US\$66.3 million) is expected to be spent over a period of three years (2004 through 2006) and is intended to be leveraged to strengthen the general "export readiness" of Taiwan's farmers and agencies involved in certifying and promoting Taiwan agriculture. This will include the development and implementation of marketing plans, the strengthening of the domestic phytosanitary and sanitary inspection infrastructure, the collection and dissemination of market intelligence, and the counseling of farmers and local agricultural cooperatives to prepare and assist their export of products.

To provide a specific window to which agricultural product exporters and overseas importers may turn for information and assistance, Taiwan authorities last month (December) approved the formation of an agricultural products promotion office within Taiwan's principal trade promotion agency, the China External Trade Development Council (CETRA).<sup>1</sup> CETRA, which already maintains branch offices in most countries with which the island has important trade ties, has revealed plans to staff its offices in Tokyo, Osaka and Hong Kong with agricultural specialists starting in 2004. These agricultural specialists are expected to have responsibilities that cover market research, importer / exporter matchmaking, and promotion coordination.

In light of this new export promotion initiative, the Council of Agriculture announced its desire to see the value of Taiwan's annual agricultural exports double within four years, reaching approximately US\$5 billion by 2007. A review of Taiwan's current agricultural exports, with the heavy emphasis on the already well-developed fisheries industry, gives some indication as to the magnitude of the task ahead if such a goal is to be achieved.

## Taiwan's Current Agricultural Product Export Profile

Taiwan continues to maintain a broad based agricultural sector. Major products include fish and seafood, pork and poultry meat, tropical and temperate fruit, vegetables, ornamental plants and flowers, and rice. Customs records show that Taiwan exported a total of slightly over US\$2 billion in agricultural exports (HS Codes 01~24) in 2002.

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<sup>1</sup> Website: <http://agri.taiwantrade.com.tw/>

The following table notes the total value of Taiwan agricultural exports in the 24 principal agricultural product Harmonized System (HS) Code categories:

**Value in US\$millions of Taiwan Agricultural Exports (2002)**

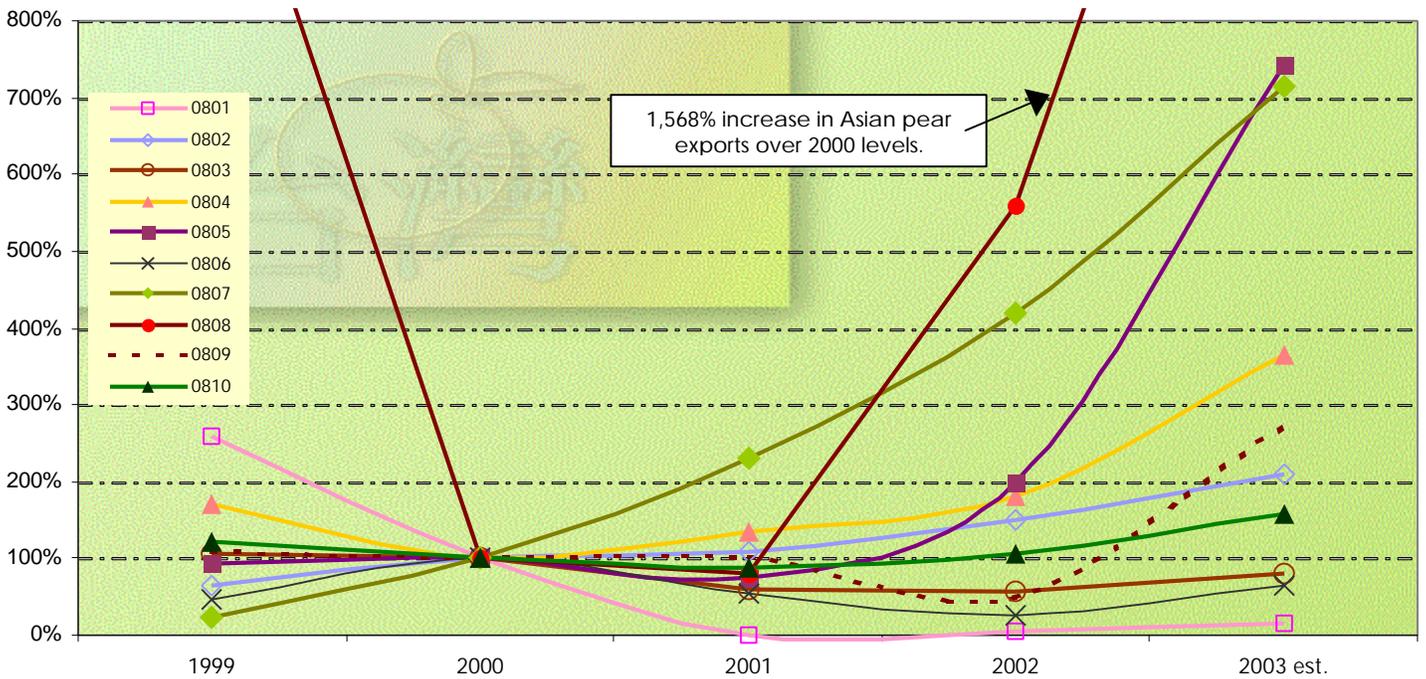
HS Code	Description	Export Value (in US\$ millions)
01	Live Animals	3.0
02	Meat and Edible Meat Offal	18.0
03	Seafood	1,133.0
04	Dairy Produce, Eggs, Honey, etc.	6.0
05	Other Animal Products, n.e.s.	122.0
06	Live Trees, Plants, Bulbs; Cut Flowers / Foliage	61.0
07	Edible Vegetables, Roots, and Tubers	70.0
08	Edible Fruit and Nuts; Edible Peels, etc.	29.0
09	Coffee, Tea, Mate, and Spices	28.0
10	Cereals	12.0
11	Milling Industry Products	12.0
12	Oil Seeds, etc.	33.0
13	Lacs, Gums, Resins, etc.	20.0
14	Vegetable Plaiting Materials	2.0
15	Animal and Vegetable Fats and Products	36.0
16	Meat and Fish Preparations	79.0
17	Sugars and Sugar Confections	20.0
18	Cocoa and Cocoa Preparations	0.5
19	Cereal, Flour, Starch, and Milk Preparations	70.0
20	Vegetable, Fruit, and Nut Preparations	60.0
21	Miscellaneous Preparations	116.0
22	Beverages, Spirits, and Vinegar	60.0
23	Residues and Wastes	58.0
24	Tobacco, Products, and Substitutes	6.0
	<b>TOTAL</b>	<b>2,054.5</b>

The chart on the following page shows that Taiwan has indeed been improving exports of specialty fruit products off recent lows. However, the relatively low starting volumes of these export-bound crops and limited potential for expanding production severely limit the potential contribution this sector can make to agricultural export growth.

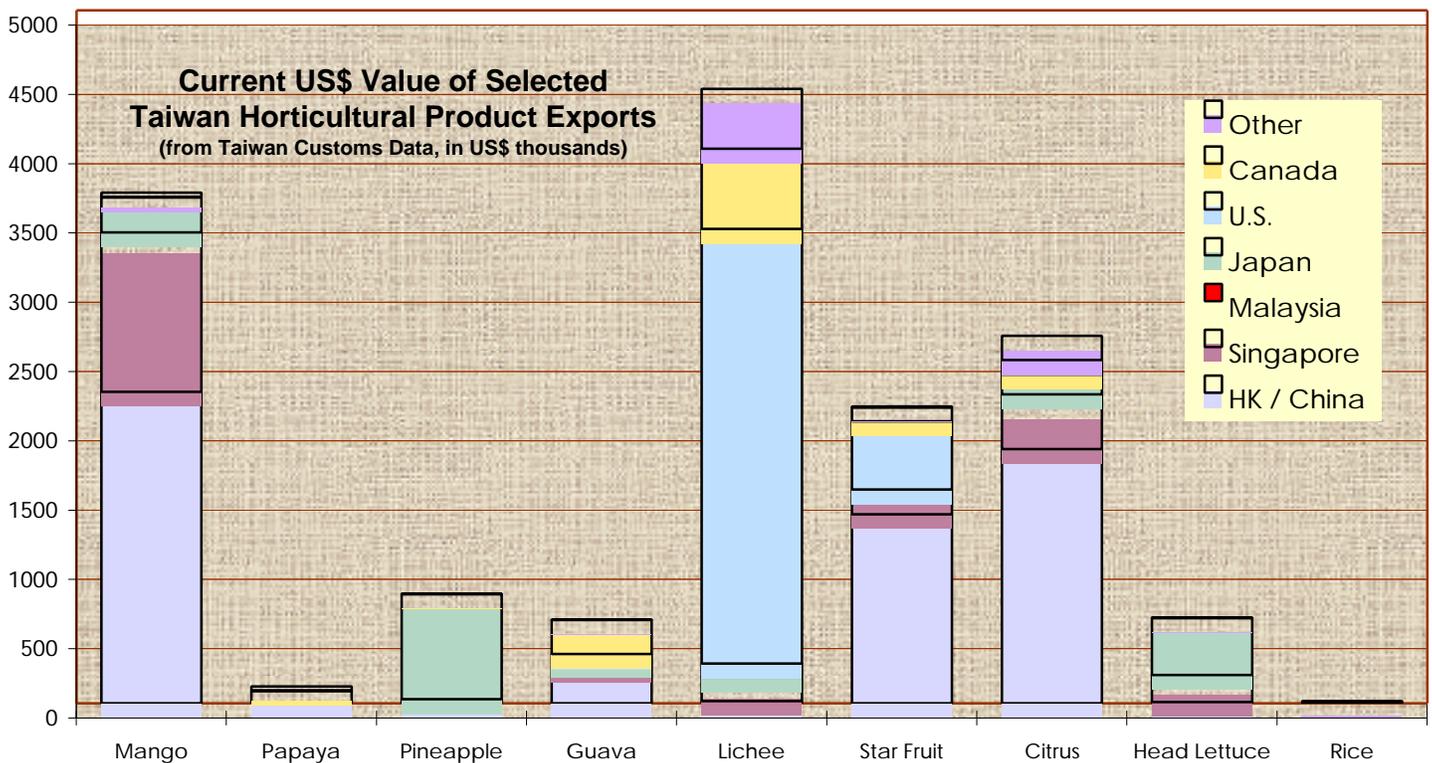
### Recent Growth Trends for Taiwan Fruit Exports (by volume)

Note that product categories designated in the chart below follow HS Code classifications

Taiwan Exports of Fruit, by HS Category (base year = 2000)



Current Value of Major Overseas Markets for Selected Taiwan Crops



## The Prospects for Taiwan Agricultural Exports

Challenges to getting Taiwan agriculture products successfully into overseas markets will include 1) the relatively short list of agricultural products for which Taiwan has a distinct competitive advantage and 2) the fragmented and local nature of Taiwan's current agricultural trade. Long-run success for any Taiwan export program can be achieved only by overcoming these fundamental problems.

Although discussions are ongoing regarding how to make Taiwan's agricultural sector more "export ready," no formal program has been announced. Authorities have, however, already begun sponsoring in-store promotions and leading delegations to overseas food exhibitions in markets deemed best prospects for export growth.

In 2003, Taiwan sponsored several in-store promotions for its products, mostly fresh fruits and vegetables, during the summer in China (Shanghai) and Japan and during the winter in Malaysia, Hong Kong, San Francisco, Los Angeles, and Vancouver (Canada). While events garnered some press recognition in Taiwan, a scan of media in the cities where promotions took place indicated that the events might not have received much publicity or coverage locally.

The 2003 in-store promotions focused mostly on promoting the Taiwan-origin image of fruits already consumed in target markets, including Asian pears, citrus, papayas, pineapples, and star fruit, among others. Apart from targeting the general consumer markets in selected East Asian metropolises, Taiwan is targeting ethnic Asian consumers living in several U.S. and Canadian west coast cities.

### Best Prospects

Taiwan authorities have indicated that the general thrust of Taiwan's agricultural export promotion efforts will remain on fresh fruits and vegetables, rice, and a relatively limited universe of semi-processed and processed foods (preserved fruits are most frequently mentioned). Concerns regarding Taiwan's relatively high processing costs compared to competitors and a desire to be seen as helping "farmers" seem to be discouraging Taiwan planners from examining seriously the potential for growth of export sales in the processed foods sector.

Domestic producers of seafood, which today account for upwards of 55 percent of total Taiwan agricultural exports, have long had a strong export presence and (with the possible exception of specialty products such as processed roe and eel meat) will not likely benefit significantly from promotion efforts.

While not currently in the spotlight, live plants and cut flowers / foliage do appear to represent one area where Taiwan has specific advantages including a well-developed domestic industry, a steady export history, and the potential for growth into new markets given resolution of logistical and regulatory hurdles.

Taiwan is likely to continue to limit active promotions programs to neighboring markets that already purchase fresh produce from the island due to geographic proximity

(China, Hong Kong, Singapore, Japan, etc.) or to the presence of significant ethnic Chinese populations (the western U.S. and Canada).

## Key Challenges

In-store promotions, advertising, and trade show pavilions, while providing highly visible examples to domestic Taiwan constituencies of efforts to drum up overseas sales, are unlikely on their own to create the conditions for sustained agricultural export growth.

The vast majority of Taiwan's agriculture sector (again, with a few notable exceptions such as seafood) is highly fragmented and geared toward servicing domestic demand. Farms tend to be small, distributors and wholesalers have little international experience, and produce is raised to meet the expectations of Taiwan consumers and regulatory authorities.

The high ratio of domestic consumption of local produce and limited land available for agricultural expansion must also put a natural limit on the volume of produce Taiwan can make available at competitive prices for overseas buyers.

A sustainable, but technically difficult, strategy for Taiwan may be to focus resources on building up the domestic infrastructure essential to make exporting a viable option for agricultural cooperatives and distributors. This should include initiatives such as producer / distributor education on foreign market requirements, maximum residue levels for produce, logistics, packaging, etc; implementation of a viable export certification regime for domestic produce; incentives for private companies to invest in foreign market sales and in the processes necessary to service international customer demand; and so on.

## Conclusions

During the next several years, markets in the region could be seeing more promotions of Taiwan origin fresh produce and processed food products. The categories in which Taiwan agriculture will be likely promoted, including tropical fruit, decorative plants, and preserved fruits, are geared toward ethnic Asian consumers and are not expected to compete directly with major agricultural products exported by the United States.

The effectiveness / success of export initiatives Taiwan eventually implements will largely rely upon the importance that such programs place on preparing Taiwan farmers, agricultural product distributors, and domestic certification and inspection agencies to produce and handle export-ready products. The effective result of successful export initiatives (in terms of actual volume increases) will be further constrained by the limited resources available in Taiwan for agricultural expansion.