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Taiwan

Exporter Guide

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Report Highlights:

1) Taiwan is the United States's fifth largest export market in the world for food and agricultural products.

2) In terms of per capita food imports from the United States, it ranks number one in Asia.

3) Taiwan's robust economy, continued modernization, and increased adoption of American and western food tastes makes the country an extremely attractive market for U.S. exporters.

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Section I: Market Overview

Taiwan is the United States's fifth largest export market in the world for food and agricultural products. In terms of per capita food imports from the United States, it ranks number one in Asia. Because of Taiwan's relatively small agricultural sector, Taiwan's dependance on imports will continue to grow. Taiwan's robust economy, continued modernization, and increased adoption of American and western food tastes makes the country an extremely attractive market for U.S. exporters. Unlike its neighbors, Taiwan was relatively unscathed by the Asian economic crisis.

Taiwan's retail, food service, and food processing are consolidating and modernizing in response to fierce competition. Retail and food processing in particular are seeking to increase efficiency in sourcing and distribution of products. All three sectors are looking for new products--either to import or develop--in order to get a leg up on their competitors. Major export opportunities include: fresh fruit and vegetables, poultry, beef, wine, dairy products, snacks, fruit juices, organic products, food ingredients, seafood, frozen products, and a wide variety of specialty food products.

Taiwan is one of Asia's most dynamic economies. An overall economic growth rate of 4.8 per cent was achieved in 1998 which, while quite acceptable by international standards, was the lowest in several years. With the recovery of exports in the first half of 1999, GDP is once again expected to rise above 5 per cent in the current year.

The total production value of the domestic food & beverage industry in 1998 amounted to NTD467 billion (USD14.6 billion), ranking it the fourth largest among manufacturing industries island-wide. Projected annual growth for 1999 and beyond is around 5 percent. Oriented primarily towards domestic sales, the food industry consists of more than 5,000 manufacturing enterprises employing more than 120,000 persons.

Table: Output of Taiwan's Food & Agriculture Industry (NT$Billions)

Sector	1997	1998	Growth Rate 1997/98	Forecast Growth Rate 1998/99
Slaughtering	63.34	56.14	-11.37%	5.67
Dairy Products	19.19	22	14.64%	3.12
Canned Food	9.95	9.74	-2.11%	-7.51
Frozen Food	47.67	42.14	-11.60%	7.99
Dehydrated Foods	2.17	1.81	-16.59%	-18.64
Preserved Foods	2.23	2.75	23.32%	-8.43
Sugar Confectionery	6.91	8.04	16.35%	5.02
Bakery Products	14.88	14.72	-1.08%	9.42
Edible Oils & Fats	18.23	22.13	21.39%	-2.01

Table: Output of Taiwan's Food & Agriculture Industry (NT$Billions)				
Sector	**1997**	**1998**	**Growth Rate 1997/98**	**Forecast Growth Rate 1998/99**
Grain Milling	29.15	27.23	-6.59%	2.94
Rice Husking	41.03	39.59	-3.51%	-0.12
Sugar production	8.39	7.97	-5.01%	-0.93
MSG Production	5.36	4.9	-8.58%	4.50
Other Flavoring Extracts	6.78	7.1	4.72%	3.41
Wine & Liquor	24.96	24.74	-0.88%	7.14
Malt Liquor and Malt	20.49	22.4	9.32%	3.41
Soft Drinks & Carbonated Waters	39.57	42.59	7.63%	7.73
Noodle Production	12.66	12.37	-2.29%	4.35
Animal Feed	53.77	48.12	-10.51%	4.75
Tea Production	2.53	2.44	-3.56%	12.39
Miscellaneous Food	37.69	36.34	-3.58%	14.30
Tobacco	31.36	30.59	-2.46%	1.01
TOTAL	498.31	485.85	-2.50%	4.71
Source: Chunghwa Institute of Economic Research				

Taiwan's consumers are becoming more sophisticated. Two income families as well as single unit households are replacing the traditional extended family. For the food industry this is creating a demand for more "western" style food items, as well as an emphasis on pre-cooked and convenience foods and snacks. With a greater awareness of the value of health and nutrition, there is a growing demand for low salt and low sugar products as well as pre-packaged convenience foods to suit the demands of more westernized lifestyles of the younger generation.

Taiwan's standard of living has increased over the past few years. Consequently people are more affluent and more demanding in terms of seeking convenience. Home appliances are commonplace and with the growing number of women pursuing careers in the workforce, demand for frozen and microwaveable foods has risen. Local consumers are traveling overseas with greater frequency and, among the younger generation especially, are adopting lifestyles that are more western oriented. This includes demanding higher quality and more nutritious food items and a diet that increasingly mixes western food with more traditional Chinese meals.

Taiwanese eat outside the home with much greater frequency than most westerners. It has been estimated that up to 25 per cent of all meals are taken outside of the home. In 1998, total sales turnover of the food service industry amounted to more than NTD180 billion (US$5.7 billion). Annual growth rates in recent years have surpassed 10 per cent.

Taiwan's population is aging. Taiwan has a population growth rate of less than 1 per cent annually and life expectancies are now 72 years for males and 78 years for females. At the same time, the extended family is becoming less common and there is a growing demand for prepared foods suitable for the elderly.

The western corridor of the island is the most heavily populated with the three major population centers being: Taipei (north), Taichung (center) and Kaohsiung (south). People living within the western island corridor of Taiwan spend more on food than people living on the east coast. Taipei and Kaohsiung are the two cities showing the highest expenditure on food.

Generally fashion trends and new products are launched in Taipei (Northern Taiwan), are then picked up in Kaohsiung (Southern Taiwan), and then move to Taichung (Central Taiwan). The distribution of food outlets nationwide is presented in the table below.

Outlets	North	Central	South	East	Total
Department Stores	67	32	33	4	136
Supermarkets	252	144	93	25	514
Convenience Stores	2,214	1,041	1,486	3	4,744
Hypermarkets	35	12	23	0	70

Advantages and Challenges Faced by US Exporters

Advantages	**Challenges**
U.S. food products enjoy a good reputation.	Competition from Australia, New Zealand, Japan, China, Korea, and the European Union.
Taiwanese consumers are increasingly affluent and open to Western food products.	Tariffs still high on certain meat products, grapes, apples, and pears.
Taiwanese frequently travel to the United States and are influenced by American tastes.	In July 2000, Taiwan will implement new pesticide residue regulations which may increase the costs and risks of importing fresh U.S. fruit and vegetables into Taiwan.
Proliferation of U.S. restaurant chains in Taiwan encourages U.S. imports.	Upon accession to the World Trade Organization, the U.S. down payment meat quotas will become tariff rate quotas open to all foreign suppliers.

Recent "down payment quotas" granted by Taiwan exclusively to the United States for imports of broilers, pork/beef variety meats, and pork bellies.	

Section II: Exporter Business Tips

Local Business Customs

Distribution and retailing costs in Taiwan are relatively high. Often, more than 40 per cent of a product's retail price goes towards a "shelf fee" imposed by the supermarket or hypermarket. In the case of convenience stores, the shelf fee can be as high as NT$30,000 (US$900) per product. There are also additional charges associated with in-store promotional activities as well as new store openings, anniversaries etc.

For this reason, many local food-processing companies have set up their own retail chains and distribution systems. They not only import food ingredients for local processing, but also import finished products to sell in their retail chains.

Payment to the wholesaler is often by 120 day post-dated check. Selling on consignment is another means by which importers and their distributors can expand the number of retail outlets featuring their product, particularly for new or less well-known products.

Marketing Techniques

For food items the most common form of marketing is through in-store promotion with samples for tasting being provided at the point of sale. Associated packaging is also common in Taiwan whereby a product is sold in association with a second product as a variation of the "two for the price of one" strategy. Fresh meat is often sold with an accompanying sauce (usually a pepper sauce) and sometimes with a recipe card attached.

In Taiwan as in any foreign market, certain ground rules apply of which the most basic is the need to do the necessary "homework" before entering the market.

Some Basic Rules for Selling to Taiwan:

1. Research the market; know the potential of the market for your product.
2. Understand how current market needs are being met. Is the item in question produced locally? If so, what are the local "preferences" with regard to taste, packaging and presentation?
3. To what extent is the market reliant on imported product. What advantages can your product claim?
4. Who is the ultimate purchaser of the product? What are the factors influencing purchasing decisions? To what extent is price and seasonality determining factors for your product?
5. Are you selling direct to distributors or through an exclusive local agent? If the end-user is not an established importer then most probably you will need to appoint an importer to handle customs clearance and other

formalities.

6. Obtain informed views of your own product. Be ready to "sell" its advantages with specification sheets and other relevant data presented in Chinese.
7. Use existing networks to build your contacts. There is a U.S. Agricultural Trade Office in Taipei that assists U.S. companies to identify suitable companies in Taiwan who can assist your market entry. Foreign banks as well as chambers of commerce are another valuable source of local knowledge.
8. Do not expect one visit to change established buying patterns. Most probably it will take several visits and time to establish personal relationships of trust worthy of substantial and repeat orders.
9. Above all else, give the market the attention it deserves and ensure that your own management is working at optimum efficiency. Commit the necessary resources (time, people, money) to ensure success.

Whether buying or selling, keep a flexible attitude towards achieving your objective but always be ready to walk away from a bad deal. The Taiwanese are not as impatient as many foreign business people to close a deal and will take the time to probe the other's position. Do not fall into the trap of being pressured by time.

General Import & Inspection Procedures

Once the cargo has been released from the ship, the customs broker submits the proper documents and duties due for clearance to the customs office. It takes three to four days for inspectors to review the documentation and inspect the initial shipment. A visual inspection will be done on subsequent shipments if the product is identical in label, product name, alcohol degree (if applicable) to that of the first shipment. For subsequent shipments, the processing time is usually 1-3 days. If subsequent shipments are the same, it is important to organize with the local importer to prepare a letter stating that the shipment is the same as previous shipments.

A detailed inspection consists of a sampling of the product for a chemical analysis test. Products receive a detailed inspection on the first shipment and should not be subject to a detailed inspection on following shipments unless the product labeling changes. It may take 21 to 39 days to complete the detailed inspection, which includes the visual, and document inspection of the product, as well.

Because it typically takes 3 to 4 weeks for produce to arrive from the US by sea, the shelf life for fresh and chilled imported produce is limited. Relatively slow inspections (5 days) and fumigation for some produce exacerbate this problem. Highly perishable fruits and vegetables are usually sent by air which reduces the transport and clearance time to approx. 5 to 7 days. However this option is more expensive.

Chinese Labeling

Most importers are hesitant (because of the high risk factor) to import large quantities in any one shipment. As such, in order to keep costs down they prefer to attach Chinese labels to the product rather than completely re-package in the Chinese language. Once the product has been tried and proven in the market, then discussions regarding complete Chinese packaging should be discussed.

Food & Agricultural Imports Regulations and Standards

For further information please refer to the FAIRS Report (TW8043) at the Foreign Agricultural service homepage at http://www.fas.usda.gov.

Section III: Market Sector Structure and Trends

Food Processing

In 1998, the value of Taiwan's food and beverage production was US$14.6 billion. Production has declined over the last two years due to the outbreak of foot and mouth disease in March 1997 which decimated the local hog population and had a ripple effect throughout the food and agricultural sector. The second factor was the impact of the Asian financial crisis which hit Taiwan in late 1997.

Taiwan's food processing sector is estimated to use annually about US$1.2 billion in food ingredients. Imports estimated at US$920 million account for the majority of the market. Major ingredient categories that offer opportunities for U.S. exporters include: snack food and bakery ingredients; gluten, starch, and dextrins; ingredients for high fiber food and low calorie food; soy products; and flavorings.

Food Retailing Sector

In 1998, the total market value of Taiwan's food retail sector was approximately US27 billion, a slight decline on 1997 levels brought about by the impact of the Asian financial crisis on consumer spending. Hypermarkets (one-stop shopping) and convenience stores (immediate and impulse purchasing) are increasing their market share of total sales at the expense of the supermarkets. It is expected that in coming years the trend towards integrated shopping complexes and hypermarkets will accelerate.

There are currently approximately 500 supermarkets in Taiwan. "Wellcome" is the largest retail supermarket chain and claims around 3 per cent of total food sales island-wide. Store expansion has been slow in recent years relative to other retail formats. This is primarily due to the difficulty of the chains in finding suitable locations and the stringent competition on either side from the hypermarkets and convenience stores.

The traditional "mom & pop" stores that long dominated Taiwan's retail industry (the equivalent of the local "grocery" in the U.S.) are fast losing their market share to the large retail chains such as "7-Eleven" and "Family Mart". An increase in the number of outlets has led to growth in total annual sales of this sector, but the performance of individual stores has declined due to the fierce competition. Nevertheless some 500 new stores are being opened each year. "7-Eleven" recently announced the opening of its 2000th store.

Food Service Sector

Total sales for the food service sector is estimated at US 5.7 billion. Annual growth over the last ten years has been a stunning 10 percent. Taiwan has a well-established entertainment culture that includes restaurants, Japanese-style clubs, pubs and discotheques. Entertaining in the up-market clubs and restaurants can be lavish and are important end-users of high grade imported food items, such as seafood, wine, and beef. The pub and disco scene is favored by Taiwan's affluent young consumers who have a high propensity to spend. In this segment of the market, fashion is extremely important and considerable effort is directed at brand promotion and recognition. Major export opportunities include meat products, seafood and wine for upscale dining venues.

The total number of Chinese restaurants at the end of 1997 totaled 2,079 outlets, or slightly more than half the number of totaled registered restaurants in Taiwan. Western style restaurants were second in terms of popularity, accounting for 15 percent of the market. Major chains include McDonalds, Pizza Hut, Domino’s and KFC. These chains have contributed to demand for western style foods, in particular for U.S. frozen potatoes for fries.

For the international tourist hotels, income from food and beverage sales accounts for almost 50 per cent of total operating income. In terms of income generated by hotel restaurants, the "Grand Formosa Regent" in Taipei, tops the list with US$12 million in sales followed by the "Howard Plaza" Hotel (US$11.6 million) and the "Lai Lai Sheraton" Hotel (US$11.2 million). International tourist hotels only consist of four and five star establishments.

Trends Toward Industry Concentration

As retailing becomes increasingly competitive, local manufacturers are increasingly establishing vertically integrated supply and distribution operations. This is most noticeable in the convenience store segment of the retail market.

Although the major supermarket and hypermarket chains have all established centralized warehousing operations, this does not apply to fresh produce. Suppliers are required to make deliveries to each individual store. Many importers have no choice in such circumstances but to play the role of importer, distributor, and wholesaler.

In May 1999, the first large integrated shopping mall opened in Taoyuan County south of Taipei. This was the first of a number of such integrated shopping complexes currently under development and which are set to introduce a further shift in retailing patterns. Taiwan Sugar Corporation, which owns large tracts of land in southern Taiwan is also entering the retail mall industry as a way of ensuring profitability prior to its scheduled privatization from a state owned corporation.

It remains to be seen whether consumers readily adapt to the larger complexes in the numbers expected. While the malls themselves are air-conditioned and have vast under-cover parking available for mall patrons, Taiwan's road system remains overcrowded. Much of the convenience of mall shopping may well be lost in the traffic delays of getting to and from the complex. The only certainty is that because retail space in the major urban centers is extremely expensive, increasingly shopping complexes will continue to move to less costly suburban areas.

Trends in Consumption and Promotion/Marketing Strategies

In Taiwan's fiercely competitive retail sector, brand promotion is often "point of sale" oriented. Products branded as "U.S. Origin" are well regarded and the quality of these products is generally well received by consumers. However constant promotional efforts are needed in order to maintain market share.

Consumers in Taiwan are becoming increasingly health and diet conscious. Low-fat and health foods are surging in popularity. Functional and organic foods are also becoming popular. Local food processors are increasingly looking to promote the nutritional and healthy nature of their products and are seeking out natural food additives and food ingredients with scientifically proven health benefits for local processing.

Taiwan has a strong tradition of gift-giving and food and beverage items are often the gift of choice. The three major Chinese festivals: Lunar New Year (usually in February), Dragon Boat Festival (mid-June) and Mid Autumn Festival (September) are the major gift giving seasons. However, gift packs are also routinely given for birthdays and special occasions, when visiting friends or relatives or invalids.

At the major festivals, more expensive items are usually provided as gifts. This often includes wines or spirits or expensive food items such as abalone. At other times of the year, fresh fruit or biscuits and cakes are often used as gift items. Properly promoted and packaged, the gift market can commonly represent 10 per cent of all sales of a particular item.

Internet shopping has not yet taken off in Taiwan, although a number of companies are seeking to promote the sale of goods over the Internet. In this area Taiwan is expected to follow trends set elsewhere in the world, particularly in the United States and Japan. However, there is not expected to be any strong demand for the sale of food or beverage items over the Internet, since so far not even catalog shopping for food has developed here yet.

Section IV: Best High Value Product Prospects

Fresh Fruit

Fresh Vegetables

Processed Fruit and Vegetables

Snacks

Beef
Poultry
Pork Variety Meats
Fish and Seafood
Frozen Products
Wine
Fruit Juices
Dairy Products
Organic products
Food ingredients

Section V. Key Contacts & Further Information

American Institute in Taiwan

Organization Name	Agricultural Trade Office
Address	2F, 54 Nan Hai Rd., Taipei, Taiwan
Telephone	02-2337-6525, Fax 02-2305-7073
Email	ato@mail.ait.org.tw

Taiwan Central Authority Agencies

Organization Name	BSMI (Bureau of Standards Metrology & Inspection)
Section/Department	2nd Department
Address	No. 4, Chinan Rd., Section 1, Taipei
Telephone	02-23431763, Fax 02-23932324
Contact Person	Mr. Chaur-An Lin, Director

Organization Name	BAPHIQ (Bureau of Animal & Plant Health)
Section/Department	Plant Quarantine Department
Address	9Fl., 51, Chungking South Rd., Sec. 1,Taipei
Telephone	02-23431441,Fax 02-23431410
Contact Person	Tyng-Guang Chou, Director

Organization Name BAPHIQ (Bureau of Animal & Plant Health)
Section/Department Animal Quarantine Department
Address 9Fl., No. 51, Chinan Rd., Section 2, Taipei
Telephone 02-23431435, Fax 02-23431410
Contact Person Bin-Jen Liu, Deputy Director

Organization Name Board of Foreign Trade (BOFT)
Section/Department 1st Department
Address No. 1, Huko St., Taipei
Telephone 02-23212655, Fax 02-23970522
Contact Person Shing-Huey Fan, Director

Organization Name Department of Health (DOH)
Section/Department Bureau of Food Sanitation
Address 12Fl., No. 102, Ai Kuo East Rd., Taipei
Telephone 02-23962668, Fax 02-23929723
Contact Person Shu-Kong Chen, Director General

Major Taiwan Trade Associations

Organization Name Taiwan Importers & Exporters Chamber of
Address 14Fl., No. 2, Fuhsing North Rd., Taipei
Telephone 02-27731155, Fax 02-27731159
Contact Person Ching-Fong Chang, Chairman

Organization Name Taiwan Meat Development Association
Address 4Fl., No. 14, Wen Chuo St., Taipei
Telephone 02-23638724, Fax 02-23620577
Contact Person Ming-Cheng Chuang

Organization Name Taiwan Poultry Processing Association
Address 9Fl-A, No. 177, Ho Ping East Rd., Section 1, Taipei
Telephone 02-23915790, Fax 02-23214781
Contact Person James Chuo, Secretary General

Organization Name Taiwan Chain Store Association
Address 18Fl., No. 145, Chien Kuo North Rd., Section 2, Taipei
Telephone 02-27121250, Fax 02-27177997
Contact Person A-Min Yuan, Director

Organization Name Taiwan Frozen Seafood Association
Address 11Fl-6, No. 103, Chung Cheng 4th Rd., Kaohsiung
Telephone 07-2411894, Fax 07-2519603
Contact Person Juh-Ing Hsu, Secretary General

Organization Name Taiwan Import Food Association
Address No. 46, Wucuan Rd., Wuku, Taipei Hsien, Taiwan
Telephone 02-22993850, Fax 02-22993873
Contact Person Mitchell Huang, Chairman

Organization Name Import Export Association (IEA) - Kaohsiung
Address 4Fl., No. 472, Chungshan 2 Rd., Kaohsiung
Telephone 07-2411191, Fax 07-2016193
Contact Person Rong-Song Lin, Secretary General

Organization Name Import Export Association (IEA) - Taichung
Address 7Fl., No.2-3, Wu Chuan Rd., Taichung
Telephone 04-2232327, Fax 04-2232360
Contact Person Sheng-Chang Chi, Secretary General

Organization Name Import Export Association (IEAT) - Taipei
Address No. 350, Sungchiang Rd., Taipei
Telephone 02-25813521, Fax 02-25423704
Contact Person Jack Huang, Deputy Secretary General

Organization Name Supermarket Association of Taiwan
Address 2Fl., No. 233, Hsinhai Rd., Section 3, Taipei
Telephone 02-27393339, Fax 02-23778760
Contact Person Wen-Bin Yang, Chairman

Organization Name	Taiwan Vegetable Oil Manufacturers Association
Address	6Fl., No. 27, Changan East Rd., Section 1, Taipei
Telephone	02-25616351, Fax 02-25612745
Contact Person	Daniel Yang, Secretary General

Organization Name	The Frozen Food Processors Association of Taiwan
Address	Rm. 2, 11Fl., No. 103, Chung Cheng 4th Rd., Kaohsiung
Telephone	07-2412053 Fax 07-2412055
Contact Person	Dallas D. Shen, Coordinator

Organization Name:	Taiwan Confectionery, Biscuit & Floury Food Association
Street Address:	9F-1, 390 Fu Hsing South Road, Section 1, Taipei
Telephone:	(02) 2704 1662, Fax (02) 2708 4429
Contact Person:	Chang Tien, Chairman

Organization Name:	Taiwan Importers & Exporters Association
Street Address:	14F, 2 Fu Hsing North Road, Taipei
Telephone:	(02) 2773 1155, Fax (02) 2773 1159
Contact Person:	CHANG Ching-feng, Chairman

Organization Name:	China External Trade Association (CETRA) - Taipei
Address	4-7Fl., No. 333, Keelung Rd., Section 1, Taipei
Telephone	02-27255200, Fax 02-27576653
Contact Person	Ricky Y.S Kao, Secretary General