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Report Name: Food Processing Ingredients

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Report Category: Food Processing Ingredients

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Report Highlights:

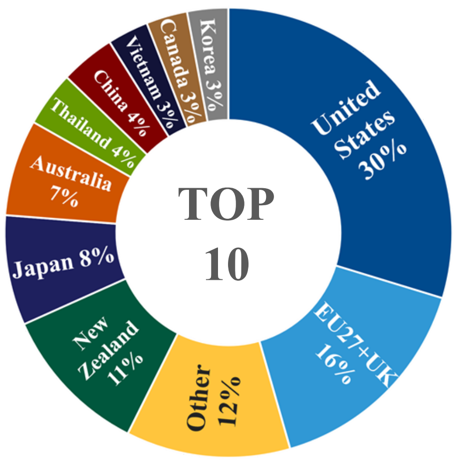
Taiwan's food processing industry produced an estimated $17.42 billion of processed food and beverages in 2019. COVID—19 may dampen overall agricultural imports in 2020 but Taiwan will remain one of the most reliable export destinations for U.S. food processing ingredients. Products with significant sales potential include cheese, tree nuts, dried and frozen fruit, and barley.

Executive Summary

Though it only has a population of 23.6 million, Taiwan is the United States' seventh largest trading partner in agricultural goods and tenth largest overall U.S. trading partner. In 2019, U.S. exported $3.65 billion in agricultural and related products, which accounts for 25% of the import market share, making the United States the leading foreign supplier.

Imports of Consumer-Oriented Products

In 2019, Taiwan imported consumer-oriented agricultural products worth nearly $5.8 billion. The United States leads with 30 percent of the market share.



Food Processing Industry

The food processing industry is composed of more than 6,000 manufacturers that produced $19.89 billion of processed food and beverages in 2019. This production accounts for approximately 4. 17 percent of the gross domestic product (GDP). Consumers' preference for convenience and a growing interest in food safety have influenced the industry to develop easy-to-prepare meals, healthier options, clean labels and other initiatives.

Food Retail Industry

Taiwan's food and beverage sales topped US$38.8 billion in 2019, an increase of 1.78% as compared with 2018. The upward sales trend is attributable to the rapid expansion of retail outlets, dominated by 7-11, Family Mart, Costco, Wellcome and Carrefour. The density of Taiwan's more than 10,000 convenience stores is the second highest in the world with one store for every 2,300 people.

Food Service Industry

The economic output of Taiwan's foodservice sector (excluding institutional food service) was estimated at $26.2 billion in 2019, a 4.39 percent increase from 2018. The foodservice sector has enjoyed stable growth over the past decade with tourism development cited as a primary driver.

Quick Facts

2019 Imports of Consumer-Oriented Products (USD)

$5.8 billion

Products with Potential Growth in Host Market

Beef	Poultry
Milk & Cheese	Fresh Fruit
Tree Nuts	Fresh Vegetables
Lobsters	Pet Food
Potatoes, Prepared French Fries)	Coffee, Roasted

2019 Food Industry by Channel (USD billion)

Food and Agricultural Imports	$15.1
Food and Agricultural Exports	$5.8
Food Industry Output	$19.9
Retail	$38.8
Food Service	$26.2

Population (millions): 23.6

GDP (Billions USD): 611.3

GDP Per Capita (USD): 25,909

2020 Economic Growth Rate (Forecast): 2.37%

Average 5-year Economic Growth Rate: 2.5%

Exchange rate: 1 USD = 30.93

Source: Department of Statistics, Taiwan Ministry of Economic Affairs

SWOT

Strength	*Weakness*
America is the market leader in consumer-oriented products, which continue to show robust growth.	Many U.S. companies are unwilling to provide low volume, consolidated shipments of high-value products.
Opportunity	***Threat***
There is increasing growth of fast food chains and casual dining restaurants, boosting consumption of food ingredients.	The low-tariff advantage from those competitors signing potential FTAs with Taiwan could dampen importers' interest in purchasing U.S. products in the future.

Section I—Market Summary

The onset of COVID-19 disrupted trade and travel throughout East Asia, but Taiwan authorities responded quickly and marshalled a robust response, including economic stimulus measures. However, logistical issues and depressed consumption experienced during the first quarter of 2020 may linger and negatively impact U.S. agricultural exports to Taiwan the remainder of the year. (See COVID-19 related GAIN Reports: TW-2020-0023 and TW-2020-0008).

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Consumers' preference for convenience and a growing interest in food safety have influenced the industry to develop easy-to-prepare meals, healthier options, clean labels and other initiatives. While domestic demand absorbs most local food production, exports will grow in importance as population growth stagnates. In response, many Taiwan food companies are focused on opportunities in the growing economies of Southeast Asia, such as Indonesia and Thailand.

Across 21 sub-sectors of the food processing industry, the top five largest sub-sectors by value are: animal feed, non-alcohol beverages, edible fat & oil, chill/frozen/processed meat, and dairy, representing 14.13 percent, 9 percent, 8.1 percent, 8 percent, and 6.6 percent of food processing industry's total production value, respectively.

Advantages and Challenges for U.S. Food Ingredients

Advantages	Constraints
A perception that U.S. grading systems are transparent and consistent.	The negative perception of GMOs by some consumers may cause some to shy away from products that use U.S. ingredients.
U.S suppliers have better technical support and offer more diversified ingredient specifications than other suppliers.	Some pesticides allowed for use in the United States have lower MRL levels or are not approved for use in Taiwan. Differences in these MRL levels and in registration timelines can hinder U.S. exports.
Taiwan food processors already have long-standing relationships with U.S. ingredient suppliers.	Shelf life after import matters; retailers often request that at least 50 percent of the shelf life remains by the time of stocking. Food processors, therefore, would require specific expiration dates of ingredients that could pose a challenge to U.S. suppliers.

Section II—Road Map for Market Entry

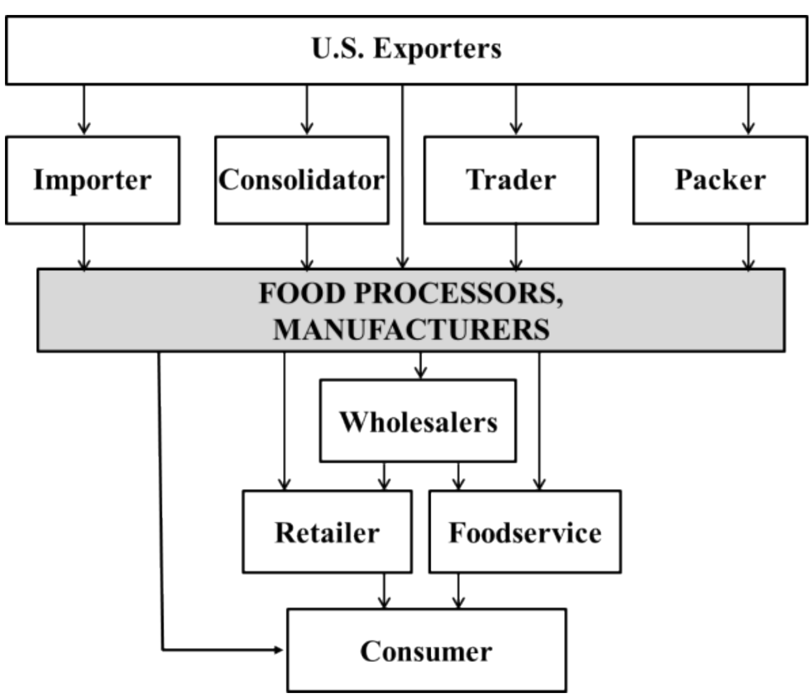
Entry Strategy

U.S. suppliers are advised to evaluate the market and product potential through studying the applicable tariffs, market access restrictions, and regulatory requirements pertinent to the products. Below is the list of useful websites for suppliers to start with

- Taiwan's Tariff Rate Quota (TRQ) Implementation
- Taiwan Customs On-line Tariff Database
- USDA Food and Agricultural Import Regulations and Standards (FAIRS) Report
- Taiwan's Bureau of Trade - Statistics
- The U.S. State Regional Trade Groups (SRTG) Support

While the Agricultural Trade Office (ATO) maintains a list of potential importers, it is highly recommended to visit the market and meet in-person with potential buyers. The USA Pavilion at the Taipei International Food Show every June serves as a platform to promote the overall USA's image for quality food products and is an efficient way to connect exhibitors to local buyers. (Note: The 2020 Taipei International Food Show has been delayed until December 2020.)

Distribution Channel Flow Diagram



Company Profiles

Although there are approximately 6,200 registered food-processing plants, approximately 22 listed companies dominate production with annual sales amounting to US$14.38 billion. Below is a list of a select group of firms that are publicly listed and have a diversified product portfolio.

Company	Annual Revenues (US$)	Official Website/Profile
Uni-President	$1.4 billion	http://www.uni-president.com https://www.reuters.com/finance/stocks/companyProfile/1216.TW
Standard Foods	$911 million	http://www.sfc.sfworldwide.com/en/ https://www.reuters.com/finance/stocks/company-profile/1227.TW
Namchow Group	$609 million	http://www.namchow.com.tw/ https://www.reuters.com/finance/stocks/companyProfile/1702.TW
HeySong Corp.	$302 million	http://www.heysong.com.tw/en-US/Index https://www.reuters.com/finance/stocks/overview/1234.TW
Lian Hwa Foods	$270 million	http://www.lianhwa.com.tw/ https://www.reuters.com/finance/stocks/companyProfile/1231ta.TW

Sector Trends

Sourcing Shifts to Direct Importation

An increasing number of food manufacturers now display QR codes on product packaging for consumers to track ingredient sources and product distribution. The manufacturers are inclined to import ingredients on their own, as opposed to sourcing from an importer, to secure product traceability and regulatory compliance.

Product Development Aims for Clean Labels

In response to consumer desire for less artificial additives in food products, the industry offers foods with more straightforward ingredients and promotes this "authenticity." A certifier, Tze Yue, launched a clean label certification service in 2017. Currently, 66 food processors have received certification.

Marketing Highlights Healthy, Functional Benefits

More and more food manufacturers are modifying traditional products by incorporating ingredients that promote health benefits. For example, Standard Foods's Quaker brand offers a "Chicken Essence Drink," which promotes energy the restoring effects of American ginseng. Namchow's microwavable rice product incorporates high-beta glucan U.S. barley, appealing to elderly consumers for lipid and blood sugar control.

Section III—Competition

Given Taiwan's relatively limited agricultural land (less than two million acres), Taiwan is highly dependent on imports of ingredients and feed. For bulk commodities, such as soybeans, corns, and wheat, Australia and Brazil are key competitors with a stable supply that provide trade promotional support. For dairy products, the United States faces significant price competition from New Zealand. New Zealand's price advantage results from a free-trade pact signed with Taiwan in 2013. The pact eliminates tariffs over a 12-year implementation period.

For more trade statistics information, please visit: https://cus93.trade.gov.tw/FSCE000F/FSCE000F

Section IV—Best Product Prospects Category A: Products Present in the Market That Have Good Sales Potential (Unit: US$ million)

Product Category (HS Code)	2019 Imports from the United States	2019 Total Imports	Key Constraints for Market Development	Market Attractiveness for U.S. Exporters
Cheese (0406)	$40	$143	Compliance with allowable levels of preservatives in processed cheese	Expanding consumption driven by ready-to-eat sector of convenience store chains
Tree Nuts (0802/0801.32)	$79	$111	Price competition from Australia and Iran	Versatile applications in either a snack, beverage, or baking industry
Coffee (roasted) (090111)	$33	$123	Price competition from Central and South America	Expanding consumption driven by coffee shop chains
Coffee Creamer (2106909110)	$1.2	$89	Price competition from Southeast Asia	Complementary product to rapidly growing coffee drinks
Non-GMO Soybeans (1201900092)	$16.2	$50	Price competition from Canada	Growing demand for plant- based protein (significant vegetarian market)
Dried Fruit (0813/0806.20)	$10	$30	Compliance with allowable uses/level of pesticides	Growing demand from the baking industry
Malt, roasted (110720)	$0.06	$24.2	Price competition and lack of awareness of U.S. sources	Local craft breweries and distilleries are growing more popular and gaining international recognition
Cereal Grains (1104)	$0.2	$16	Compliance with allowable MRLs	Price competition and lack of awareness of U.S. specialty grains and U.S. sources of these products

Category B. Products Not Present in Significant Quantities but Possess Good Sales Potential (Unit: US$ million)

Product Category (HS Code)	2019 Imports from the United States	2019 Total Imports	Key Constraints for Market Development	Market Attractiveness for U.S. Exporters
Frozen fruit (081190)	$1.8	$9.6	Lack of awareness of U.S. suppliers	Industry pursuing lower ingredient cost for pastry making
Whey Protein Concentrat	$4.1	$4.9	Lack of awareness about product specs and applications	Increasing nutritional needs of an aging population
Preparations of Soybeans Protein	$0.01	$1.5	Price competition from China and India	Growing demand for plant- based protein (significant vegetarian
Concentrated Fruit Juice (2106907000)	$0.2	$1.2	Compliance with Taiwan's Chinese National Standards (CNS)'s classification of base fruits for concentrate juice uses	Expanding applications for beverage manufacturers in making not just fruit juices, but flavored sprinkling water

Section V—American Institute in Taiwan Contact and Further Information

For Trade Policy/Market Access and General Agricultural Issues contact Agricultural Affairs Office at:

Office Hours: 8:00 AM – 5:00 PM
Telephone: (011-886-2)2162-2238
Fax: (011-886-2)2162-2316
Email-FAS: agtaipei@usda.gov

For Market Development Assistance contact the Agricultural Trade Office at:

Office Hours: 8:00 AM – 5:00 PM
Telephone: (011-886-2)2705-6536
Fax: (011-886-2)2754-4031
Email-FAS: atotaipei@usda.gov

Headquarters Contact Information:

Foreign Agricultural Service (FAS)
United States Department of Agriculture (USDA)
1400 Independence Avenue, SW Washington, D.C. 20250
E-mail: info@fas.usda.gov
Website: http://www.fas.usda.gov

Contact Information for Local Food-related Organizations & Media:

Name	Official Website
Taiwan Food Industry Development Association	http://www.tfida.org.tw/
Food Association of Taiwan	http://www.foodtw.org.tw/
Taiwan Quality Food Association	http://www.tqf.org.tw/tw/#1
Taiwan Beverages Industry Association	http://www.bia.org.tw/zh-tw/about-10647/English.html
Taiwan Vegetable Oil Manufacturers Association	http://www.tvoa.org.tw/index.php/en/
Taiwan Flour Mills Association	http://tfma.industry.org.tw/
Taiwan Feed Industry Association	http://www.taiwanfeed.org.tw/default/default.asp
Food Industry Research and Development Institute (FIRDI)	http://www.firdi.org.tw/En_Firdi_History.aspx
China Grain Products Research & Development Institute	http://www.cgprdi.org.tw/english/english.htm
Food Next Media	http://www.foodnext.net/