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Report Name: Food Service - Hotel Restaurant Institutional

Country: Taiwan

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Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

COVID-19 hit the food service sector hard as the pandemic kept people in their homes, and restrictions on international travel negatively impacted hotel restaurant revenue. Nevertheless, Taiwan has a very dynamic food service industry with affordable restaurants and plenty of menu options. Going forward, this inexpensive dining out culture will underpin the growth of the food service market. Delivery services have a profound impact on the food service industry by increasing overall revenue but not necessarily benefiting net profits.

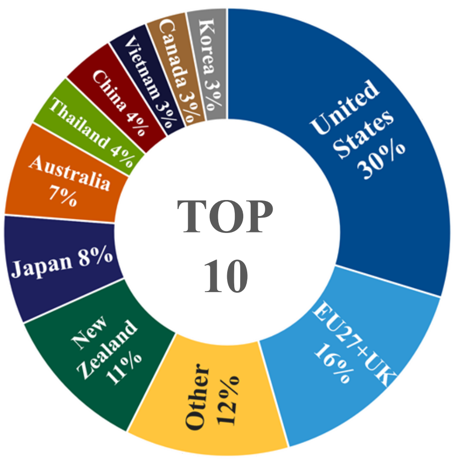
Market Fact Sheet: Taiwan

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 has a leading 30 percent market share in this category.



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 accounted 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 percent as compared with 2018. The upward sales trend is attributable to the rapid expansion of retail outlets, dominated by 7-11, Family Mart, Costco, PX Mart and Carrefour. The density of Taiwan's more than 10,000 convenience stores is the second highest in the world.

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.

Quick Facts

2019 Imports of Consumer-Oriented Products

$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

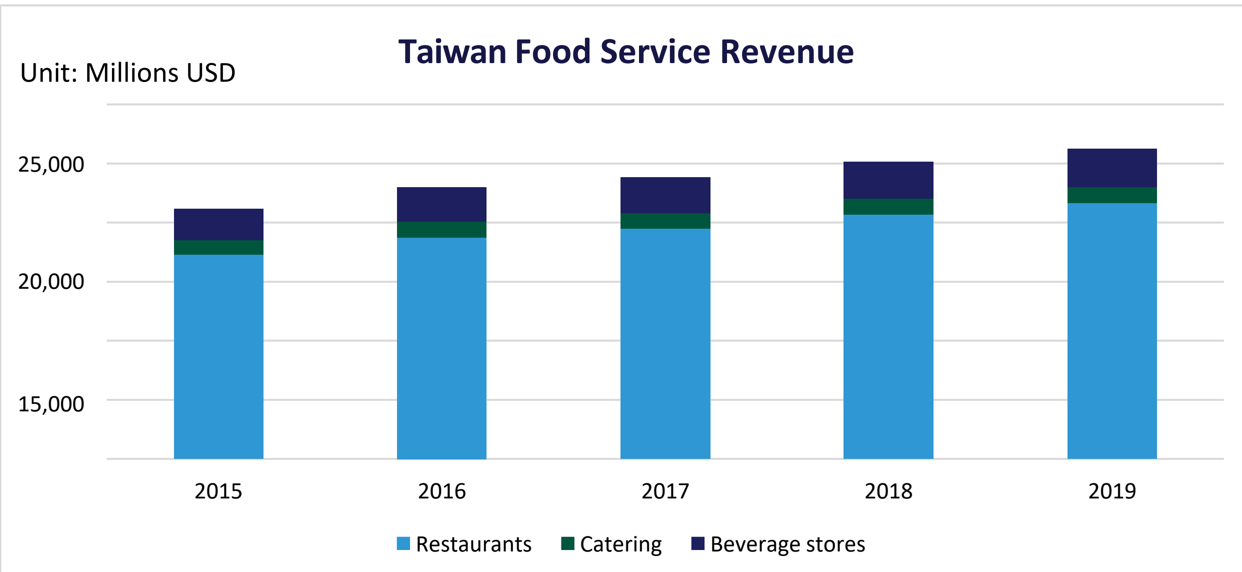
Source: Department of Statistics, MOEA

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.

SECTION I. MARKET SUMMARY

According to the Ministry of Economic Affairs (MOEA), the economic estimated output of Taiwan's food service sector at $26.2 billion in 2019, a 4.39 percent increase from 2018. The food service sector has enjoyed stable growth over the past decade with tourism development cited as a primary driver. Other factors such as the rise of consumer income, smaller family sizes, a growing number of working women, and the growth of e-commerce have helped the food service sector grow.



Source: MOEA

Food is one of Taiwan's top strengths as a tourist destination, whether the tourists opt for night market snacks or fine dining. Night markets with hundreds of food options are common islandwide and remain favorite destinations for foreign tourists. However, Michelin also published the first-ever guide to fine-dining in Taipei in 2018, a testimony of the island's soft power development.

Michelin published the first Red Guide for Taiwan in March 2018, handing out stars to 20 mid- to high-end restaurants in Taipei. The publication of the Michelin Guide will not only trigger even more fierce competition among fine-dining establishments but also encourage Michelin star restaurants from other markets to open their businesses in Taiwan.

The 2020 edition of the Michelin Guide will include Taichung, a city known for its diverse culinary culture.

Advantages and Challenges for U.S. Exporters

Advantages	Challenges
U.S. food products enjoy an excellent reputation among consumers.	U.S. food products enjoy an excellent reputation among consumers.
USDA Cooperators organize promotional programs in restaurants and hotels regularly to increase consumer awareness.	Taiwan is the United States' 8th largest market for agricultural exports but often overlooked by U.S. suppliers eager to export directly to China.
The popularity of American holidays and culture/lifestyle lead to promotional events organized around these themes by restaurants and hotels throughout the year.	U.S. exporters are sometimes reluctant to change product specifications to comply with Taiwan requirements/consumer preferences.
Consumers are brand-conscious, and America is a leader in food brands that set trends.	Consumers maintain a preference for "fresh" food products over "frozen."
The increasing growth of fast food chains and casual dining restaurants provide more opportunities for western-style food.	Competitors have free trade agreements with Taiwan.

SECTION II. ROAD MAP FOR MARKET ENTRY

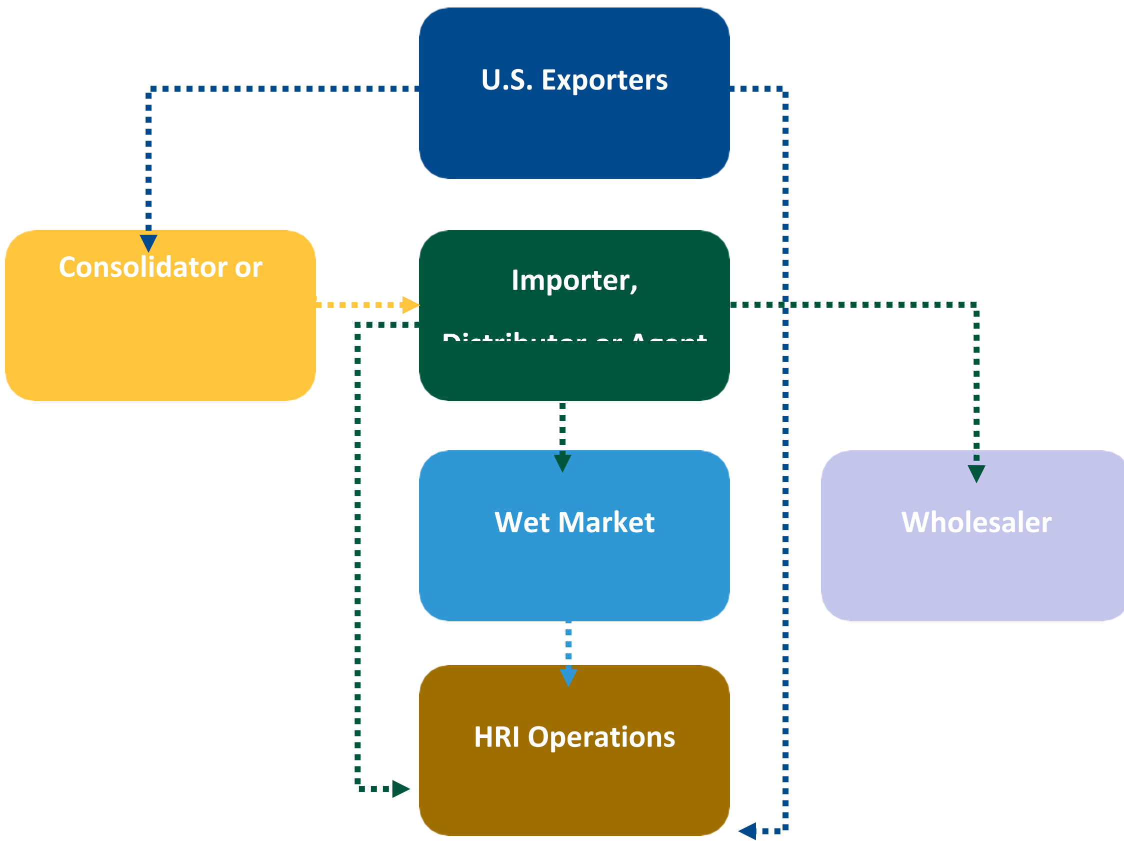
A. Entry Strategy

Food and beverage (F&B) managers and executive chefs working in major international hotels are the key persons who make purchasing decisions. Purchasing departments procure various food ingredients based on the list that the F&B section provides. Hotels, especially those that employ foreign chefs or offer authentic international cuisines, and other high-end family-style restaurants typically use more items from importers or wholesalers/distributors.

Western and local fast food restaurant chains usually either have their own distribution channels, or they contract with an independent distribution center to purchase, process, and deliver the daily needs to each outlet islandwide. Fast food chains also maintain their own research and development teams or work in close collaboration with one or more contracted catering service(s) to develop and frequently renew menus to meet consumers' demand.

Medium-level family-style chain restaurants maintain a centralized purchasing department and a centralized kitchen as well. The centralized kitchen prepares meals, including bakery products, and delivers the foods to all outlets of the restaurant chain.

HRI Distribution Channel Flow Diagram



B. Market Structure

The majority of HRI companies purchase most of their food products from importers, distributors, wholesalers, regional wholesale markets, wet markets, and hypermarkets. Imported fresh items, such as produce, fish/seafood, and beef, are usually purchased and delivered directly from importers or through distributors or wholesalers. Institutional users buy most products from local distributors or import directly. Consequently, U.S. companies should concentrate their efforts on establishing business relationships with reliable and efficient importers and distributors, who, in turn, sell to HRI end users.

A recent trend is that retail outlets such as Costco are frequented by many small food service/HRI operators who buy items in bulk at the lowest possible cost, thereby avoiding the need to source from multiple importers.

C. Sub-Sector Profiles:

1. Hotels

Socializing in hotel restaurants is common in Taiwan. As a result, hotel restaurants have become a significant source of revenue. Food served on these occasions tends to be either Western-style buffets or Chinese-style food banquets. Also, holiday celebrations are becoming commercialized, especially Western holidays such as Christmas, Thanksgiving, Independence Day (American Week Food Promotions), Halloween, Oktoberfest, and Valentine's Day. Taiwan's hotel restaurants use these occasions to promote set menus, offering excellent opportunities for U.S. foods and beverages. In addition to the general food service business, hotels have also focused in recent years on specific gift food packages for various festivals, such as moon cake gift packs for the Moon Festival, chocolate gift packs for Valentines' Day, and turkey hampers for Thanksgiving and Christmas.

Top 5-star Hotels by Food Service Revenue

Hotel Name	Location
The Regent Taipei	Taipei
Sheraton Grand Taipei Hotel	Taipei
Grand Hyatt Taipei	Taipei
The Ambassador Hotel	Taipei
Grand Hi-Lai Hotel	Kaohsiung

Source: ATO Survey; Ministry of Transportation and Communications

2. Restaurants

Most restaurants in Taiwan are casual dining places. As most of the restaurants in this category are small businesses, they purchase materials mainly from wholesalers and wet markets. Only larger chains/franchises tend to buy products from importers or import directly.

Company Name	Outlet Name, Type, Number of Outlets	Location
WowPrime Corp.	A local food service company operates 420 family-style restaurants (as of July 2020) under 23 brands in Taiwan and Mainland China.	Taiwan, Mainland China
TTFB Company Limited	A local restaurant chain operates family-style Thai and Chinese food restaurants under eight brands.	Islandwide
McDonald's, Taiwan	Over 400 stores and is the largest western fast-food chain.	Islandwide
Gourmet Master Co., Ltd.	85°C Bakery Café: a local food service with more than 1,049 stores worldwide (447 in Taiwan, as of December 2019).	Worldwide
Starbucks Coffee, Taiwan	480 stores as of March 20.	Islandwide
Louisa Coffee	The largest coffee chain with 489 stores as of Dec. 2019.	Islandwide

Source: ATO Survey

3. Institutional

Airline Catering

Evergreen Sky Catering Corporation, China Pacific Catering Service, TransAsia Catering Services, Ltd., and the Kaohsiung Airport Catering Services dominate the local air catering market. Because of the intense competition between them, the companies are aggressively expanding their catering business to include local convenience stores, restaurants, coffee shops, schools, and hospitals. The companies mostly purchase ingredients from local importers, manufacturers, and wholesalers. However, they will import meat and poultry directly.

Company Name
Evergreen Sky Catering Corporation
China Pacific Catering Service
Kaohsiung Airport Catering Services
TransAsia Catering Services, Ltd.

SECTION III. COMPETITION

The United States is the leading supplier of agricultural products and exports many high-valued consumer-oriented products, including beef, poultry, fresh fruit and vegetables, dairy, tree nuts, and processed foods and beverages that are used by food service operations. Other major competitors in the market include New Zealand, Australia, Thailand, Japan, Canada, and E.U. countries.

Taiwan Agricultural Products Import Statistics

Product Category **Total Import Value 2019** **(U.S. $Mil)**	**Major Supply Sources and Market Share**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Beef and beef offal $1,040.8	**1. USA - 56.31%** 2. Australia – 19.07% 3. N. Zealand - 10.5%	The United States is traditionally the largest chilled and high-end beef products supplier, while Australia and New Zealand dominate the market for grass-fed and cheaper beef cuts.	Taiwan's beef production only accounts for approximately 5% of the total beef consumed on the island.
Poultry $205.8	**1. USA – 91.08%** 2. Canada – 7.71%	Consumers' preference for dark meat provides opportunities for western countries.	Local chicken dominates the market. U.S. broiler leg, leg quarter, and drumsticks are popular.
Live Lobsters $22.2	**1. USA – 67.79%** 2. Canada – 31.4%	The United States and Canada are the major suppliers of live, fresh, and chilled lobsters.	Lobsters are rare along Taiwan's coastlines.
Cheese and Curd $143.4	**1. USA – 27.95** 2. N. Zealand – 24.67%	The United States regained its first place as Taiwan's largest cheese supplier, despite New Zealand traders enjoy preferential access under FTA.	Local production is limited.
Fresh Vegetables $187.0	**1. USA – 30.42%** 2. South Korea – 14.52% 3. Vietnam – 11.43%	The United States continues to be the leading supplier of cauliflower broccoli, onions, lettuce, and potatoes.	Local products dominate the market.
Wines $209.7	1. France – 56.45% **2. USA – 9.66%** 3. Italy – 8.13% 4. Australia – 6.99% 5. Spain – 5.69%	France dominates the market, but new world countries are gaining traction due to competitive pricing.	Local companies are not yet able to produce quality wine.
Beer $197.4	1. Netherlands – 45.65% 2. China – 27.07% 3. Japan – 6.66% **4. USA – 5.93%**	American craft beer has high acceptance in the high-end beer market.	Local beer brands are most popular.

Source: ATO Survey; Ministry of Finance

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market that Have Good Sales Potential

Product Category	Imports from the United States In 2019 (US$ million)	The U.S. Market Share (% of the total import market)	Key Constraints over Market Development	Market Attractiveness for U.S. Exporters
Beef	$586.1	56.31%	The United States does not have full market access for its beef products to Taiwan due to lingering BSE and ractopamine concerns.	Taiwan consumers have high regards for the United States beef including the quality and the safety.
Chicken	$187.4	91.08%	Special safeguards (SSG) raise the tariff from 20 percent to about 26.6 percent.	The United States is one of a few countries certified to export poultry meat to Taiwan.
Fresh Vegetables	$57.0	30.42%	Local production meets most of the vegetable demand.	The United States continues to be the leading supplier of broccoli, onions, lettuce, and potatoes.
Cheese	$40.1	27.95%	New Zealand enjoys duty-free access as a result of a free trade agreement signed with Taiwan in 2013.	Consumption of cheese products continues to grow.
Tree Nuts	$99.3	53.38%	Tree nuts are popular snacks in Taiwan. Applications in the bakery sector also help the growth of the tree nut market.	Taiwan consumers and industry have high regard for the United States tree nuts regarding quality.

Source: ATO Survey; Ministry of Finance

Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	Imports from the United States In 2019 (US$ million)	The U.S. Market Share (% of the total import market)	Key Constraints over Market Development	Market Attractiveness for U.S. Exporters
Eggs and Products	$9.3	50.5%	Local industry is not familiar with the applications of dried and liquid egg products. Local fresh productions meet most demands.	Dried and liquid egg products are more stable in price and shelf life, and have gained acceptance in the baking and fast food sectors.

SECTION V. POST CONTACT AND FURTHER INFORMATION

Please contact FAS offices for questions and assistance.

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Attachments:

No Attachments