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Report Name: Food Service - Hotel Restaurant Institutional

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Report Highlights:

As elsewhere, the Taiwan food service sector suffered a major setback with the COVID-19 pandemic. Despite recording no domestic cases until March 2021, Taiwan food sectors were impacted by a lack of tourists as strict border controls limited travel. Additionally, the weaker consumer sentiment toward dining out caused a 3.9 percent and 9.9 percent decline in Q1 and Q2 2020 respectively but rebounded later in the year. Overall transactions during year 2020 were -4.19 percent year-over-year, the first recession since 2003. Among all food service sectors, catering was among the industries that was hit the hardest. Nevertheless, Taiwan's food service operations were speedily restructured to where profound adjustments are leading to a success in delivering fresh and frozen ready meals.

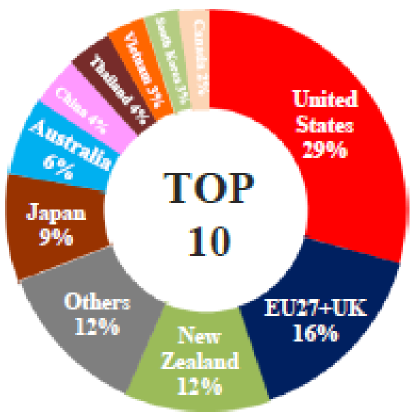
TAIWAN FACT SHEET

Executive Summary

Though it only has a population of 23.6 million, Taiwan is the United States' eighth largest trading partner in agricultural goods and ninth largest overall U.S. trading partner. In 2020, US exported US$3.32 billion in agricultural and related products to Taiwan, which accounted for 23% of the island's total import market, making the United States the leading foreign supplier.

Imports of Consumer-Oriented Products

In 2020, Taiwan imported consumer-oriented agricultural products worth nearly US$6.4 billion. The United States leads with 29 percent of the market share.



Food Processing Industry

The food processing industry is composed of more than 7,000 manufacturers that produced US$22.1 billion of processed food and beverages in 2020. This production accounts for approximately 4.77 percent of the gross domestic product (GDP). Consumers' preference for convenience and a growing interest in food health and 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$41.48 billion in 2020, a decline of 6.9 percent as compared with 2019, because of COVID 19 global pandemic. Based on the industry sentiment, food retail industry is likely to return to pre-pandemic levels. The anticipated growth is supported by continuous expansion 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 with one store for every 2,300 people.

Food Service Industry

The weaker consumer sentiment toward dining out due to the impact of COVID-19 caused a 4.2 percent decline in foodservice revenue. Restaurant transactions during year 2020 were down three percent, year-on-year while catering business was hit the hardest with a decrease of 30 percent.

Quick Facts

2020 Imports of Consumer-Oriented Products (USD)
$6.4 billion

Products with Potential Growth in Host Market

Beef	Poultry
Milk & Cheese	Fresh Fruit
Tree Nuts	Fresh Vegetables
Seafood	Pet Food
Plant Protein	Coffee, Roasted

2020 Food Industry by Channel (USD billion)

Food and Agricultural Imports	$15.3
Food and Agricultural Exports	$5.4
Food Industry Output	$22.1
Retail	$41.5
Food Service	$27.4

Population (millions): 23.6

GDP (Billions USD): 727.4

GDP Per Capita (USD): 30,981

2021 Economic Growth Rate (Forecast): 4.6%

Average 5-year Economic Growth Rate: 2.9%

Exchange rate: 1 USD = 28.42

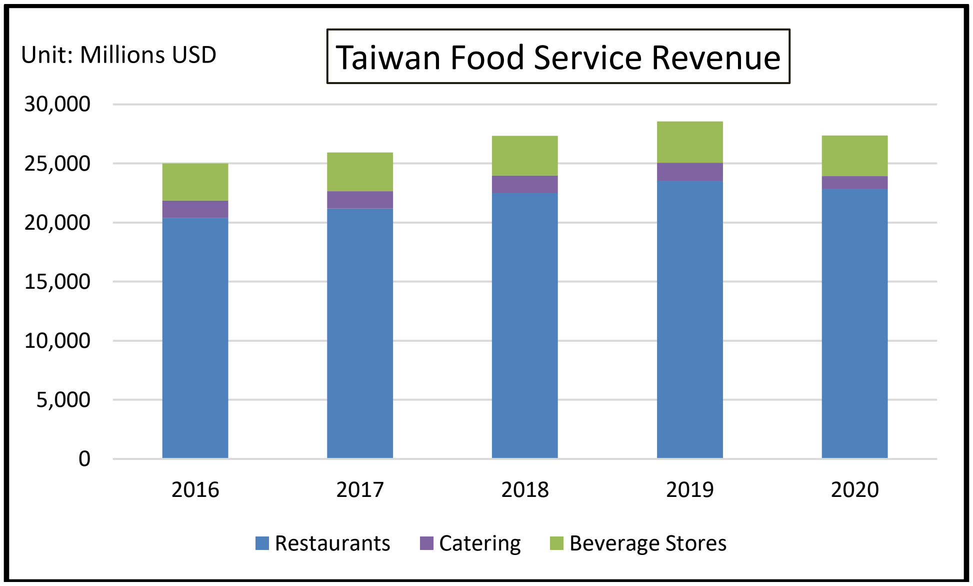
Source: Department of Statistics, Taiwan Ministry of Economic Affairs

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

According to the Ministry of Economic Affairs (MOEA), the economic estimated output of Taiwan's food service sector at $27.4 billion in 2020, a 4.19 percent decrease from 2019 due to *due to Covid*-19 related lockdowns and subsequent demand destruction. Prior to the pandemic, 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: Ministry of Economic Affairs

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 island wide and remain favorite destinations for foreign tourists. However, Michelin also published the first-ever guide to fine-dining in Taipei in 2018, and as of 2020 including Taichung, a testimony of the island's soft power development and culinary maturity.

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 began to 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.	Numerous food regulations and standards are not in line with U.S. or international standards.
20+ active USDA cooperators organize promotional programs in restaurants and hotels regularly to increase consumer	U.S. exporters are sometimes reluctant to change product specifications to comply with Taiwan requirements/consumer preferences.
The popularity of American holidays and culture/lifestyle leads to promotional events organized around these themes by restaurants and hotels throughout the year.	Taiwan is the United States' 8th largest market for agricultural exports but often overlooked by U.S. suppliers eager to export directly to China.
Consumers are brand-conscious, and America is a leader in food brands that set trends.	Competitors have free trade agreements with Taiwan.
The increasing growth of fast-food chains and casual dining restaurants provide more opportunities for western-style food.	A low birth rate and a rapidly aging population have become potential challenges for Taiwan.

SECTION II. ROAD MAP FOR MARKET ENTRY

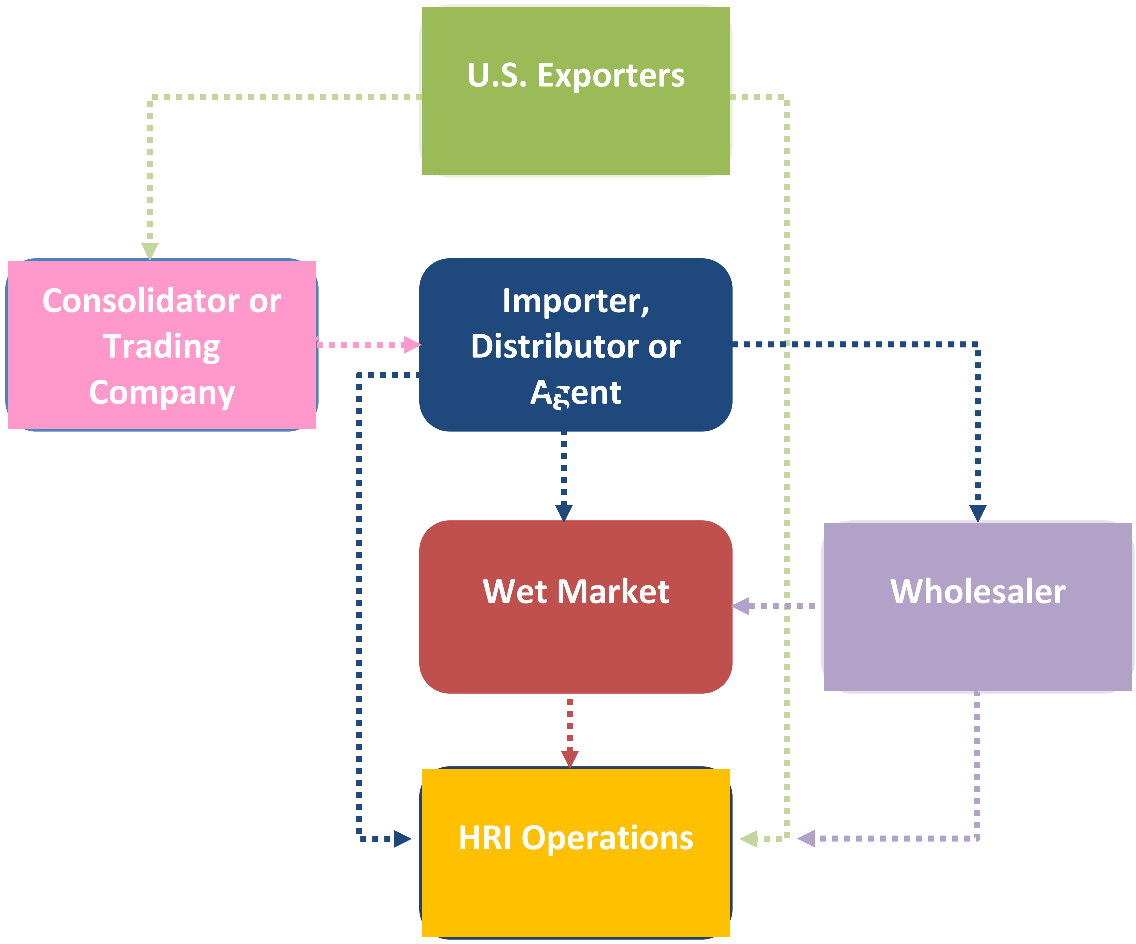
A. Entry Strategy

Food and beverage (F&B) managers and executive chefs working in major international hotels are the key individuals who make purchasing decisions. Purchasing departments procure various food ingredients-based input from the F&B managers and/or chef. 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. 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, 2020

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 408 family-style restaurants (as of September 2021) under 21 brands in Taiwan and 13 brands in Mainland China.	Taiwan, Mainland China
TTFB Company Limited	A local restaurant chain operates family-style Thai and Chinese food restaurants under eight brands.	Island wide
McDonald's, Taiwan	397 stores (as of July 2021) and is the largest western fast-food chain.	Island wide
Gourmet Master Co., Ltd.	85°C Bakery Café: a local food service engaged in the operation of coffee and bakery chain stores under the brand 85 degrees C. with more than one thousand stores worldwide (452 in Taiwan, as of July 2021).	Worldwide
Starbucks Coffee, Taiwan	505 stores as of July 2021.	Island wide
Louisa Coffee	The largest coffee chain with 508 stores as of July 2021.	Island wide

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, while import meat and poultry directly.

Airline catering is among one of the food industries that is hit the hardest during COVID pandemic. Some companies made quick changes to create their own ready-to-eat and frozen food brands to gain a competitive advantage.

Company Name
Evergreen Sky Catering Corporation
China Pacific Catering Services
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, seafood, 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 EU countries.

Taiwan Agricultural Products Import Statistics

Product Category	Major Supply Sources and Market Share	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beef and beef offal $1,088.2	**1. USA - 52.54%** 2. Australia – 17.4% 3. N. Zealand – 11.32% 4. Paraguay – 10.92	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. Paraguay is an emerging competitor as the country enjoys preferential access under FTA.	Taiwan's beef production only accounts for approximately 5% of the total beef consumed on the island.
Poultry $236.9	**1. USA – 91.71%** 2. Canada – 7.52%	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.
Cheese and Curd $158.0	**1. USA – 28.02**% 2. N. Zealand – 23.32%	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 $181.2	**1. USA – 31.81%** 2. Vietnam – 11.98% 3. Japan – 8.7%	The United States continues to be the leading supplier of cauliflower, broccoli, onions, lettuce, and potatoes.	Local products dominate the market.
Wines $235.2	1. France – 52.67% **2. USA – 9.76%** 3. Italy – 9.14% 4. Japan – 6.49% 5. Australia – 5.45%	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 $205.2	1. Netherlands – 40.31% 2. China – 30.03% 3. Japan – 8.6% 4. Singapore – 4.67% 5. United Kingdom – 3.98% **6. USA** – 3.4%	American craft beer has strong acceptance in the high-end beer market. Younger generations enjoy craft products.	Local beer brands are most popular and at much lower price point.
Live Lobsters $18.9	**1. USA – 53.16%** 2. Canada – 46.08%	The United States and Canada are the major suppliers of live, fresh, and chilled cold-water lobsters.	Lobsters are rare along Taiwan's coastlines.

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	$571.7	52.54%	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	$217.3	91.71%	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. Poultry is the number one protein consumed per capita.
Fresh Vegetables	$57.7	31.81%	Local production meets most of the vegetable demand.	The United States continues to be the leading supplier of broccoli, onions, lettuce, and potatoes.
Cheese	$44.3	28.02%	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	$67.3	39.11%	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.
Lobster	$10.0	53.16%	Cold-water lobsters are considered high-end food ingredients by Taiwan consumers.	Cold-water lobsters are common on the menus of many high-end restaurants.

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	$6.4	41.23%	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