Required Report: Required - Public Distribution **Date:** September 21, 2022

Report Number: TW2022-0044

Report Name: Food Service - Hotel Restaurant Institutional

Country: Taiwan

Post: Taipei ATO

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

Taiwan's food service sector suffered a second year of decline due to the pandemic's negative effects as well as food ingredient and logistic cost inflations. Nevertheless, the US continue to be the leading supplier of various ingredients used in the market, such as beef, poultry, and cheese. The market has a westernized palate with a per capita GDP of US $32,917 in 2021 that grew 6.2 percent from the previous year. The sector is projected to rebound once the pandemic subsides and consumers start impulse shop to make up for lost time, which will provide great opportunities for U.S. businesses.

TAWAN FACT SHEET

Executive Summary

With a population of 23.6 million, Taiwan is the United States' sixth largest trading partner in agricultural goods and fifth largest overall U.S. trading partner. In 2021, the United States exported $3.93 billion in agricultural and related products to Taiwan, which accounted for 21.8 percent of the island's total import market, making the United States the leading foreign supplier.

Imports of Consumer-Oriented Products

In 2021, Taiwan imported nearly $1.9 billion worth of consumer-oriented agricultural products from the United States. The United States has a leading 23 percent market share in this category.

Top 10 Import Origin	
USA	23.04%
New Zealand	9.84%
Japan	8.50%
UK	6.55%
Australia	5.19%
France	5.18%
Thailand	4.62%
China	4.19%
The Netherlands	3.78%
South Korea	3.55%

Food Processing Industry

The food processing industry is composed of 7,369 manufacturers that produced almost $23 billion of processed food and beverages in 2021. This production accounts for approximately 3.4 percent of 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 retail sales reached $10.2 billion in 2021, which grew 1.8 percent from the previous year. Taiwan has the world's second highest density of convenience stores with over 10,000 stores island-wide.

E-retail is also booming with supermarkets collaborating with food delivery services such as UberEats to deliver fresh food and agricultural products.

Food Service Industry

2021 food service revenue in Taiwan dropped by 6.4 percent due to the temporary dine-in ban caused by the COVID pandemic. Sales spiked in December by 7.1 percent and are expected to continue to rise in 2022.

QUICK FACTS

2021 Consumer-Oriented Products Imported from U.S.

$1.9 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

2021 Food Industry by Channel (Billions USD)

Food and Agricultural Imports	$18.0
Food and Agricultural Exports	$5.9
Food Industry Output	$22.9
Retail	$10.2
Food Service	$26.0

Population (millions): 23.6

GDP (Billions USD): 753.7

GDP Per Capita (USD): 32,917

2021 Economic Growth Rate: 6.45%

Average 5-year Economic Growth Rate: 3.8%

Exchange rate: 1 USD = 28.02 NTD

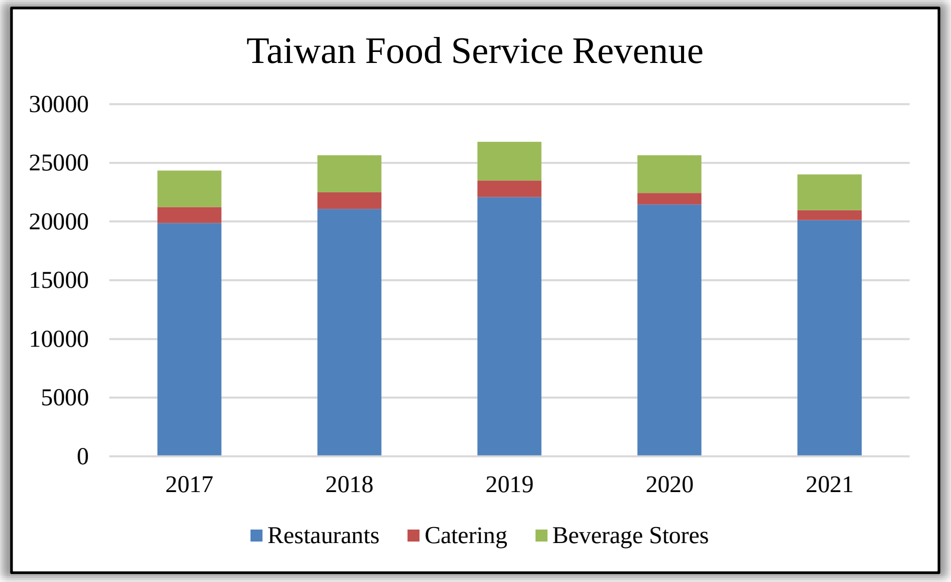
Source: Department of Statistics, Taiwan Ministry of Economic Affairs

SWOT

Strength	***Weakness***
United States 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.

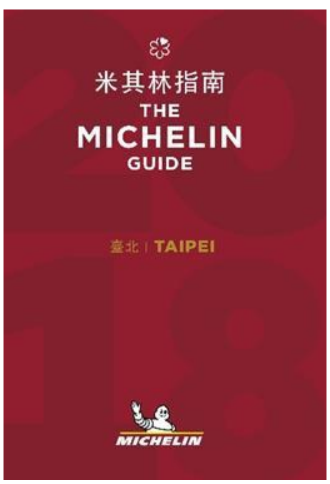
SECTION I. MARKET SUMMARY

According to the Ministry of Economic Affairs (MOEA), the estimated economic output of Taiwan's food service sector in 2021 was $24 billion, which decreased 6.37 percent from 2020 due to Covid-19 related lockdowns, in-door dining bans, food ingredient cost increases, and global logistical delays. Prior to the pandemic, the food service sector 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 and take-out delivery services have helped the food service sector grow.



Source: Ministry of Economic Affairs // Unit: US $ million

Taiwan, the land of boba tea and pineapple cake, is a popular tourist destination for its food culture. Visitors can spend a night in night markets all over the island, where countless sweet and savory street snacks beckon passersby, or they can take a look at the latest Michelin Guide to choose a fine-dining establishment in Taipei, Taichung, Tainan, or Kaohsiung cities.



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

The 2022 edition of the Michelin Guide recommends 321 restaurants in Taiwan. The full list can be found here.

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 awareness.	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' 6th largest market for agricultural exports but is 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. Hotels, especially those that employ foreign chefs or offer authentic international cuisines typically use more items from importers than wholesalers or distributors.

Western and local fast food restaurant chains usually either have their own distribution channels or contract an independent distribution center to purchase, process, and deliver food ingredients. 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 and delivers the food items to all locations of the 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, seafood, and beef are usually purchased and delivered directly from importers or through distributors or wholesalers. 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. Costco's Taiwan operations continue to be some of the corporation's most globally profitable.

C. Sub-Sector Profiles:

1. Hotels

Hotel restaurants and buffets are popular dining choices for Taiwanese consumers, making food service a significant source of revenue for hotels. Peak business periods include major local and western holidays such as Valentine’s Day and Christmas. Drive-thru pickups and discounts are heavily promoted in the past two years under the pandemic’s influence, such as Thanksgiving turkey sets and Luner New Year meal sets. Promotions that correspond with international holidays, such as discounts on American cocktails during Independence Day and buy-one-get-one-free beer during Oktoberfest, are also widely observed in the market. In addition, hotels regularly develop gift boxes for gift-giving seasons, such as moon cakes for Mid-Autumn Festival and rice dumplings for Dragon Boat Festivals, in which high-end ingredients used are heavily advertised. These phenomena present great business opportunities and a clear timeline for U.S. exporters.

Top 5-star Hotels by Food Service Revenue		
Hotel	**Location**	**2021 Revenue (US $ million)**
The Regent Taipei	Taipei	36.1
Sheraton Grand Taipei	Taipei	29.1
Grand Hyatt	Taipei	23.5
Ambassador	Taipei	19.6
Grand Hi-Lai	Kaohsiung	19.2

Source: 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 290 family-style restaurants in Taiwan and 110 restaurants in Mainland China (as of September 2022) under 36 brands.	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	398 stores (as of June 2022) 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, including in the US and Australia (431 in Taiwan, as of September 2022).	Worldwide
Starbucks Coffee, Taiwan	464 stores as of June 2022.	Island wide
Louisa Coffee	A local coffeehouse chain with the most stores island wide. Has 524 stores in Taiwan, 4 stores in Thailand as of October 2021, and is planning to open stores in India, Malaysia, Japan and the US.	Taiwan, Thailand

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 importing 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 a leading supplier of agricultural products and exports many high-valued consumer-oriented products, including beef, poultry, fresh fruit and vegetables, dairy, tree nuts, 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 $1,171.6	**1. USA – 53.34%** 2. Australia – 15.43% 3. Paraguay – 14.02% 4. N. Zealand – 9.39%	The United States is traditionally the largest chilled and high-end beef product 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 $173.4	**1. USA – 89.75%** 2. Canada – 10.25%	Consumers' preference for dark meat provides opportunities for U.S. exporters.	Local chicken dominates the market. U.S. broiler leg, leg quarter, and drumsticks are popular.
Cheese and Curd $181.5	**1. USA – 26.05**% 2. N. Zealand – 25.74%	The United States maintained its first place as Taiwan's largest cheese supplier, despite New Zealand traders enjoy preferential access under FTA.	Local production is limited.
Fresh Vegetables $327.8	**1. USA – 17.82%** 2. Vietnam – 15.85% 3. China – 15.63%	The United States continues to be the leading supplier of cauliflower, broccoli, onions, lettuce, and potatoes.	Local products dominate the market.
Wines $263.1	1. France – 53.95% **2. USA** – 10.37**%** 3. Italy – 10.09% 4. Australia – 9.32% 5. Chile – 4.62%	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. Still, import tariffs remain.
Beer $225.5	1. Netherlands – 37.67% 2. China – 34.31% 3. Japan – 10.48% 4. Singapore – 4.30% 5. United Kingdom – 2.69% **6. USA** – 1.44**%**	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.

Source: ATO Survey; Ministry of Finance // Unit: US $ million

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market that Have Good Sales Potential

Product Category	Imports from the United States In 2021	The U.S. Market Share (% of total import market)	Key Constraints over Market Development	Market Attractiveness for U.S. Exporters
Beef	$624.9	53.34%	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.
Poultry	$155.6	89.75%	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	$58.4	17.82%	Local production meets most of the vegetable demand.	The United States continues to be the leading supplier of broccoli, onions, lettuce, and potatoes.
Cheese	$47.3	26.05%	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	$75.0	63.60%	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 United States tree nuts' quality.

Source: ATO Survey; Ministry of Finance // Unit: US $ million

SECTION V. POST CONTACT AND FURTHER INFORMATION

Please contact FAS offices for questions and assistance.

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

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Attachments:

No Attachments