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Taiwan

Product Brief

Frozen and Fresh Potatoes

2001

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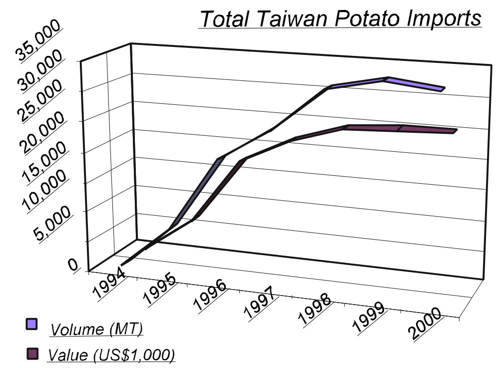
Report Highlights:
Taiwan imported a total of US$ 25 million of frozen and fresh potatoes in 2000. The United States had the largest market share (86 percent), followed by Canada (12 percent). Nearly all of the imported potatoes are frozen. The primary drivers of the frozen market have been sales of frozen fries to the quick service restaurants, food service companies selling prepared lunch and dinner boxes, and street vendors selling fries with fried chicken.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei ATO [TW2], TW

Executive Summary

Market Overview

Taiwan's total imports of fresh/chilled and frozen potatos in 2000 were valued at US$25 million, remaining flat since 1998. Domestic production of potatoes has declined from 52,000 metric tons in 1997 to 43,000 metric tons in 2000. Domestic potato production is concentrated in Taichung and Yunlin counties, which together account for approximately 85% of the total domestic production.



Advantages

- High consumer awareness of US potatoes.
- Importers and food service operators have an awareness and appreciation for the quality of US potatoes.
- US potato imports currently dominate the Taiwan market.

Challenges

- Limited penetration of potatoes for household use/Chinese cuisine.
- Upon Taiwan's accession of WTO, imports of fresh and chilled potatoes will be opened up to other countries (currently only the US is permitted).
- The largest users of U.S. potatoes, quick service restaurants (QSRs), are facing the challenge of declining sales.

Market Sector Opportunities And Threats

Trade and Competition

In 2000, Taiwan imported 33,355 metric tons (MT) of potatoes, worth US$25 million. In terms of value, the US had the largest market share (86%), followed by Canada (12%).

Taiwan Potato Imports in Volume (MT)

	1994	1995	1996	1997	1998	1999	2000
US	424	7,071	18,490	22,669	29,439	29,747	28,782
World	511	7,775	20,116	25,427	32,504	34,248	33,355
US Market Share	83%	91%	92%	89%	91%	87%	86%

Taiwan Potato Imports in Value (US $1,000)

	1994	1995	1996	1997	1998	1999	2000
US	554	5,990	16,230	19,555	22,001	21,715	21,710
World	665	6,567	17,625	21,854	24,417	25,000	25,119
US Market Share	83%	91%	92%	89%	90%	87%	86%

Data Source: Directorate General of Customs, Ministry of Finance, R.O.C

An overview of potato imports in 2000 from US versus main competitor by subcategory is as follows:

Potato Type	Total Imports (US$)	Imports from US	Main competitor	Competitor Sales (US$)	US Share Of Market	Competitor SOM
Potatoes, fresh or chilled	495,372	474,203	Australia	21,169	96%	4%
Potatoes, frozen	57,034	40,823	Canada	13,138	72%	23%
Potato sticks in package of 1.5 kg or more, frozen	21,555,709	18,603,768	Canada	2,559,186	86%	12%
Other potato chips & sticks, frozen	54,812	19,786	Canada	35,026	36%	64%
Other potatoes, frozen	2,955,798	2,571,120	Canada	360,398	87%	12%

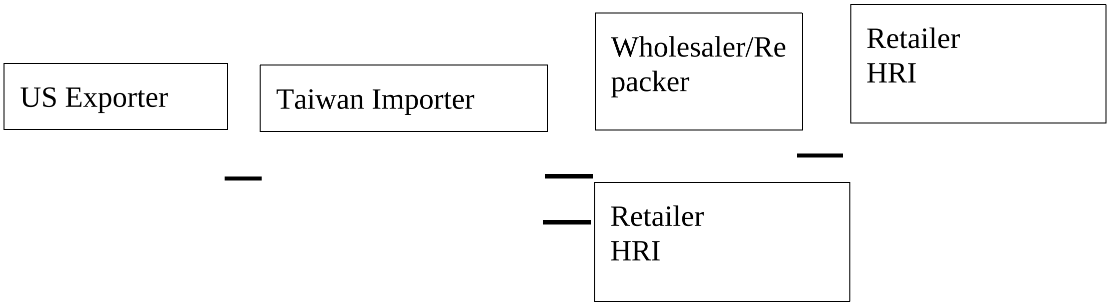
Data Source: Directorate General of Customs, Ministry of Finance, R.O.C

Product Usage and Distribution Channels

98% of the imported potatoes are frozen. Only 10-15% of the sales of imported frozen potatoes are sold in frozen retail packaging to consumers. Food service accounts for the remaining 85-90%. Hence the primary driver of the frozen potato market is the use of frozen fries in QSRs and the “traditional” market segment including food service operators selling lunch/dinner boxes and street vendors selling fried chicken. The fast food chain McDonald’s accounts for over 75% of the sales of frozen fries in QSRs.

For the retail market, frozen potato products are repackaged by importers or wholesalers, typically into 1 kg bags, and sold in grocery stores/hypermarkets to consumers. Reportedly, retailers sell lower quality frozen potatoes for fries to consumers than those that are used by QSR’s in their fry offerings. This is because of the hard price bargaining done by super and hypermarkets and the low level of consumer knowledge concerning quality differences in retail frozen potato products.

A small volume of imported fresh potatoes are processed locally to make potato chips, but imported fresh potatoes are primarily consumed in the food service industry by western style hotel restaurants, airline catering companies that provide western style meals, and venues offering baked potatoes. 90-100 count is the most popular potato size. Only a few retail venues carry U.S. potatoes, because Taiwan housewives like a clean skin without marks and thus prefer domestic versus imported potatoes.



Industry Preferences and Trends
Since 1999, the largest users of US potatoes, QSRs, generally have faced the challenge of flat or declining sales in Taiwan. QSR decisions regarding suppliers for frozen fries has been affected by a strong US dollar, with less expensive suppliers eroding U.S. market share. Some channel members have recently switched to Canadian suppliers in order to lower costs.

In contrast to the QSR sector, the "traditional" market segment has grown rapidly. It was reported by some in the industry that they believe the frozen potato category is mature. This means that future growth will need to continue to come from the "traditional" market segment as well as sub-segments of new products such as specialty cuts, or category expansion through new uses or occasions of use, use in local recipes, or new taste flavors.

Industry sources indicate that with accession to the WTO and the removal of the US-only quota for fresh potatoes, Taiwan will begin to source fresh potatoes from Australia because of lower pricing.

Consumer Preferences and Trends

Taiwanese have no tradition of using potatoes either deep-fried, mashed, or as a side for a meal. Ovens are not a common household appliance in Taiwan. It would thus require a major adjustment to prepare potatoes according to western recipes. Domestic fresh potatoes, a variety with higher water content than Russet Burbank, are normally used to make stews. Other than stews, the in-home usage for regular frozen fries or fresh potatoes by consumers is limited. However, frozen potatoes cut in special shapes such as crinkle, smiley faces, and pompons introduced last year to consumers through retail stores have gained some consumer awareness and preference. Consumer demonstrations of how to prepare potatoes need to be done on a regular basis in order to develop demand. The western expatriate community is not large enough to sustain a viable mass market.

Costs And Prices

Currently an annual quota of 5,000 metric tons of US fresh/chilled potatoes is permitted for import. Local importers are limited to U.S. product, and the quota is valid for product shipped from the US between April 1 and November 30 of each year. Upon Taiwan's accession to the WTO, the quota will cease to apply. The following is a list of harmonized system codes and the respective import tariffs for imported potatoes. The import tariff is levied on a CIF basis, ad valorem, unless otherwise indicated. Imports are subject to random inspection upon entry by Taiwan authorities.

Tariff Item #	Description of Products	Rate of Duty (for US)		
		Current	WTO	WTO

			Accession	Final
07019000003	Potatoes, fresh or chilled	25%	22.5%	20%
07101000009	Frozen potatoes	28%	28%	15%
20041090001	Potatoes prepared or preserved (excl. vinegar), frozen	25%	20%	20%
20041011007	Potato sticks (1.5kg pack or more), frozen	17%	15%	12.5%
20041019009	Other potato chips and sticks, frozen	20%	20%	20%

In addition to duties, several miscellaneous fees apply to imported potatoes and potato products:

Harbor construction fee:	0.3% of CIF value (sea shipment only)
Trade promotion fee:	0.0425% of CIF value
Customs clearance fee per shipment:	NT $3,500 (Approximately US$103)

Market Access

Labeling Requirements

According to Taiwan's Law Governing Food Sanitation, promulgated in 1975 and amended in 1998, pre-packed foods or food additives shall conspicuously indicate in Chinese and common symbols the following material facts on the container or packaging:

- Product name
- Name, weight, volume or quantity of the content or, in the case of a mixture of two or more ingredients, each of the ingredients
- Name of food additive
- Name, telephone number, and address of the manufacturer and importer
- Expiry date; the date of manufacture, shelf life or storage instructions may also be indicated
- For those products destined for repackaging / reprocessing in Taiwan, Chinese labeling need be affixed prior to retail sale only.

Note that Taiwan's Chinese-language labeling requirements apply only to items intended for retail sale. An importer may be exempted from the labeling requirement items in bulk packaging intended for sale to food processors, HRI customers, etc. by applying for a waiver.

Inspection And Quarantine

The Bureau of Commodity Inspection & Quarantine (BSMI), under the Ministry of Economic Affairs, inspects imported foods at the port of entry. The food safety inspection focuses on proper labeling, food hygiene, and food additives.

Key Contacts: Taiwan Importers of Potatoes

To obtain a list of Taiwan importers, please contact:

Agricultural Trade Office

AIT Taipei
54 Nanhai Road
Taipei, Taiwan
Tel: (886-2) 2305-4883 ext. 248
Fax: (886-2) 2305-7073
Email: ato@mail.ait.org.tw