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Taiwan

HRI Food Service Sector

Stronger Economic Performance

2006

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Report Highlights:
The stronger economic performance and a rebound in domestic consumption in Taiwan since the last quarter of 2003 has driven the HRI food service sector to be more lively in the prior two years, and is expected to continue to grow over the next few years. This can also be attributed to several factors, including rise in incomes, smaller family size, and increasing working women.

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

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SECTION I. MARKET SUMMARY

1. Taiwan in Profile

Geography

Taiwan is located off the southeast coast of the Asian continent, between Japan to the north and the Philippines to the south, with a current population of nearly 23 million people. The total area is about 14,000 square miles. About two-thirds of the island is covered with lushly forested mountains. Taipei and Kaohsiung on the west coast are the two major metropolises of Taiwan with population of 6.3 million and 2.8 million respectively. Currently, the urban population accounts for 68% of the total population. The elderly (age 65 and above) make up 9.2 percent of the island's population, and is increasing rapidly.

Economic Situation

Taiwan has a dynamic, capitalist economy that continues to expand annually. Taiwan's foreign exchange reserves are the world's second largest, exceeded only by the PRC. In 2004, Taiwan's economy, freeing from the hit by the outbreak of SARS in 2003, rebounded significantly with an annual GDP growth rate of 6.07%. Despite the global economic slowdown in 2005, Taiwan's economy has strongly rebounded in the second half of the year. The preliminary real GDP growth rate in the fourth quarter was 6.40%. For 2005 as a whole, real GDP grew 4.09%. Taiwan's trade sector is expected to stay in a fairly upward trend. The GDP is projected to increase by 4.25% in 2006.

Trading Partners

The United States and Japan have long been the two major suppliers of Taiwan's imports. Prior to 1995, these two countries consistently provided more than half of Taiwan's total imports. However, the ASEAN and the PRC have shifted some import share away from the US and Japan. In 2005, the United States and Japan altogether accounted for 37% of Taiwan's imports.

Agricultural Trade

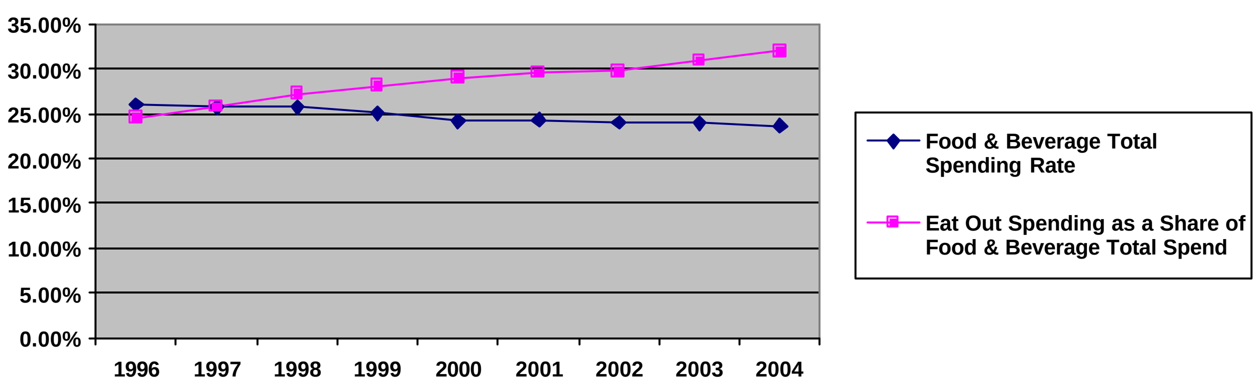
According to the Council of Agriculture (COA), Taiwan imported a nearly US$9.4 billion of Agri-food products in 2005, a 5.6% increase compared with the previous year. Taiwan is the sixth largest market for U.S. food and agricultural product exports. In 2005, the United States, exported US $2.8 billion of agricultural products to Taiwan, a 6.5 percent increase from 2004, capturing 30 percent of total Taiwan's agricultural imports. The United States (30%), Australia (8%) and Japan (7%) were top three largest suppliers of Taiwan's agricultural imports.

Taiwan At a Glance			
	2003	2004	2005
GNP: US$ billion	309.3	333.4	354.7
GNP: US$ per person	13,752	14,770	15,659
Average Disposable Income US$ per Household	25,947	26,638	*26,904
Food & Beverage Total Spend	24.0%	23.7%	*23.4%
Average Annual Exchange Rate NT$ to 1.00 US$	34.42	33.42	32.17
Consumer Price Index	-0.28	1.60	2.30
Unemployment Rate	4.99	4.44	4.13
Economic Growth Rate	3.43%	6.07%	4.09%
Total Agri-Food Imports US$ billion	7.8	8.9	9.4
Total Agri-Food Exports US$ billion	3.2	3.6	3.6
Agri-Food Imports as a Share of Total Imports	6%	5%	5%

Source: Taiwan Director-General of Budget, Accounting, and Statistics (DGBAS)
* ATO Taipei forecast

2. Taiwan Food Service Sector in Overview

Household Spending Increasing On Eating Out



Source: Food Industry Research & Development Institute (FIRDI); DGBAS

According to Taiwan's Director-General of Budget, Accounting, and Statistics (DGBAS), total sales for the food service sector, excluding the institutional food service, are estimated at US $9.1 billion in 2005, a seven percent increase from the previous year. The stronger economic performance and a rebound in domestic consumption in Taiwan since the last quarter of 2003 has driven the HRI food service sector to be more lively in the prior two years and is expected to continue to grow over the next few years. This can also be attributed to several factors, including rise in incomes, smaller family size, and increasing working women. It is anticipated that strategic alliances between the HRI food service sector and food processing sector will continue to grow. Trends in Taiwan's food service sector are also related to globalization, personalized style management, and chain management of the industry.

Market Size - Taiwan's Food Service Sector (US$ million)				
	2002	**2003**	**2004**	**2005 (Estimated)**
Restaurants	6,544	6,764	7,169	8,060
Coffee/Tea Shops	834	754	783	794
Other Eating & Drinking Places	237	219	248	260
Total	7,615	7,737	8,200	9,114

Source: Taiwan Ministry of Economic Affairs (MOEA); ATO Taipei estimate

* There is no specific data available regarding the food and beverage revenue from the institutional segment, which includes schools, factories/companies, hospitals, the army, as well as similar venues.

# of Food Service Venue in Taiwan				
	2002	**2003**	**2004**	**2005 (Estimated)**
Restaurants	44,677	54,710	55,627	61,368
Coffee/Tea Shops	9,278	11,741	10,994	11,928
Other Eating & Drinking Places	8,749	10,925	12,037	13,715
Total	62,704	77,376	78,658	87,011

Source: Taiwan Ministry of Finance; ATO Taipei estimate

3. Advantages and Challenges for U.S. Exporters

Advantages	**Challenges**
Importers and wholesalers have an awareness and appreciation for the quality of U.S. products	Facing low price competitors in areas such as beef, juice, and vegetables
More Westernized diet increases consumers demand for quality U.S. products	High fragmentation makes it hard for US exporters to achieve scale and scope advantages in terms of volume

Admiration of U.S. lifestyle in food service	
Strong attraction to novelty and fashion in food product and service	

Section II. Road Map for Market Entry

1. Entry Strategy

The majority of Taiwan's HRI businesses do not import directly. They prefer to place small, but frequent orders with local suppliers who are able to meet such needs. Therefore, U.S. companies should concentrate on establishing their business relationships with a reliable and efficient importer and distributor, who in turn, will sell the imports to HRI end users. The ATO Taipei maintains listings of potential importers for U.S. suppliers.

Also, U.S. suppliers are encouraged to take part in various menu promotions that are sponsored by well-known hotels in Taiwan. Competition among the various hotel restaurants in Taiwan has become intense. Innovative promotions such as country theme promotions, holiday/festival promotions, and seasonal promotions are popular year-round. These promotions offer market opportunities for U.S. foods such as high quality meats, fruit, vegetables, nuts, seafood, beverages, wines, and juice concentrates. U.S. companies interested in in-house restaurant menu promotions to promote their products in Taiwan are welcome to contact the ATO Taipei for information on upcoming events or hotels interested in hosting such activities.

2. Market Structure

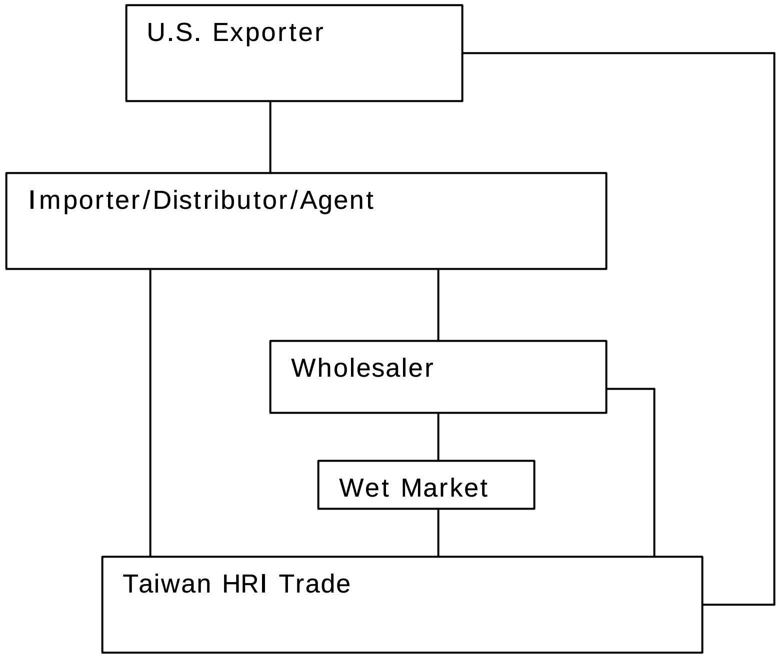
All HRI sub-sectors purchase most of their foods from importers, distributors, wholesalers, regional wholesale markets, wet markets, and supermarkets/hypermarkets, depending on the food items. Imported fresh items such as fresh produce, fish/seafood, and beef, are usually purchased and delivered directly from importers or through distributors or wholesalers. Institutional markets buy more products from local distributors or import directly. A recent trend is that retail outlets such as Costco, are frequented by many small food service/HRI operators to buy items at the lowest possible cost in quantity, thereby avoiding the hassle of trying to get a small volume of items via traditional import channels.

Food and beverage managers and executive chefs at international hotels are the key persons who decide which items are purchased. The purchasing department procures various food ingredients based on the list that F&B section provides. This sector, especially those who employ foreign chefs or offer authentic foreign cuisines, and other high-end family style restaurants, use more imported items, either delivered from importers or wholesalers/distributors on a regular and frequent basis.

Western and local fast food restaurant chains usually have their own distribution centers or, they connect to an independent distribution center to purchase, partly process, and deliver the daily needs to each outlet island-wide. Other fast food chains such as Pizza Hut, which offer not only take-out pizzas but also sit-down buffet meals, usually maintain their own R&D team. They work closely with one or more contracted regional catering service(s) to develop and frequently renew menus to meet consumers' demand. These contracts deliver all buffet items to all outlets of the chain on a daily basis.

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

Other drinking and eating places purchase majority of their daily needs from regional wholesale markets or wet markets.



3. Sub-Sector Profiles

(A) Hotels and Resorts

Socializing in hotel restaurants has been a popular practice in Taiwan. As a result, restaurants in hotels have become an important dollar earning business for Taiwan's international hotels, accounting for almost 45 percent of total operating income. In 2005, in terms of income generated by hotel restaurants, the "Grand Hyatt Hotel" in Taipei topped the list with US $34.7 million in sales, closely followed by the "Grand Formosa Regent Hotel Taipei" (US$34.5million), the "Far East Plaza Hotel" (US$25 million), "Sheraton Taipei Hotel" (US$23.2 million), and the "Howard Plaza Hotel Taipei" (US$22.5 million). **International tourist hotels only consist of four and five star establishments.

Taiwanese people often entertain their business counterparts, friends and relatives in restaurants especially on special occasions such as weddings/engagements, birthdays, Mother's Days, "Honorary Banquets in Praise of Teachers," and Lunar year-end parties hosted by management. Food served at these occasions tends to be either Western-style buffets or Chinese-style food banquets. Taiwan's hotel restaurants use any of these occasions to aggressively promote set menus, which are excellent opportunities to promote American foods and beverages. U.S. companies with products used principally for the HRI sector should consider how to take advantage of these promotional opportunities by developing recipes, special menus or merchandise to help draw in the different group.

The catering services of Taiwan's international hotels have been growing significantly in the past few years. In addition to catering for banquets/receptions outside the hotels, they have focused in recent years on specific food packages for various festivals, such as moon cake packs for Moon Festival, chocolate packs for Valentines' Day, and turkey packs for Thanksgiving. It is anticipated that hotel catering market will continue to grow.

Resorts in Taiwan, classified by areas of focus, fall primarily into the classifications of amusements parks, cultural/education sites and scenic areas. Over one-third of resorts are located in Northern Taiwan, less than one third is distributed equally in Central and Southern Taiwan, and the remaining 10 percent are in Eastern Taiwan. It is estimated that almost 17% of resort revenues can be attributed to food sales. Food venues are weighted towards cafeteria and served-style Chinese/Taiwanese food, followed by fast food and Western-style restaurants, and snack/beverage vending kiosks. Over two-thirds of the resorts manage the food venues themselves. They purchase primarily through importers and wholesalers.

Company Profile – Hotels			
	2005 Food Revenue (US$ million)	**No. of Outlets**	**Location**
Grand Hyatt Taipei	34.7	1	Taipei
Grand Formosa Regent Taipei	34.5	1	Taipei
Far Eastern Plaza Hotel	25.0	1	Taipei
Sheraton Taipei Hotel	23.2	1	Taipei
Howard Plaza Hotel Taipei	22.5	5	Taipei, Kaohsiung, Kenting, Hsinchu, Taichung
Grand Hi-Lai Hotel Kaohsiung	20.5	1	Kaohsiung
Ambassador Hotel Taipei	19.7	3	Taipei, Kaohsiung, Hsinchu
Grand Hotel Taipei	18.3	2	Taipei, Kaohsiung
The Westin Taipei	17.6	1	Taipei
The Splendors Hotel Kaohsiung	15.4	1	Kaohsiung
Sherwood Hotel Taipei	9.6	1	Taipei

Source: Taiwan Tourism Bureau, Ministry of Transportation & Communication

(B) Restaurants

The restaurant sector dominates the local food service market in Taiwan with the largest share (88%) of the market. Based on Taiwan Ministry of Economic Affairs' data, this sector was estimated to be worth over US $8 billion in 2005. The restaurant sector is made up of:

Family Style Restaurants
Family style restaurants, except some high-end steak houses, mostly buy materials from local importers or wholesalers. U.S. beef is widely used in most of the high-end steak houses such as Ruth Chris and Wang Steak, and even for some expensive menu items in the low-end steak houses such as Noble Family and My Home Steakhouse.

Company Profile – Family Style Restaurants				
Company Name	**Business Type**	**Year Founded**	**2005 # of Stores**	**Location**
Noble Family Steak House	Steakhouse	1995	180(180)	Nationwide
Bullfighter	Steakhouse	1983	43 (44)	Nationwide
Wang Steak House	Steak house	1993	12 (12)	Nationwide
Skylark	American style	1982	18 (19)	North/Central Taiwan
Hsin Yeh	Taiwanese style	1977	14 (14)	Northern Taiwan
TGIFriday	American style	1991	13 (13)	Nationwide
Swensen's	Steakhouse	1987	5 (5)	Nationwide
Sizzler	American style	1990	2 (2)	Taipei
Ponderosa	Western buffet	1985	7 (7)	North/Central Taiwan
Royal Host	Family	1991	7 (7)	Taipei
Hai-Pa-Wang Seafood	Taiwanese seafood	1983	7 (7)	Northern Taiwan
Chilis Steak House	Steak house	2001	3 (3)	Taipei, Taichung
Tasty Steak House	Steak house	2001	13 (13)	Nationwide
Ruth Chris	Steak house		3 (3)	Taipei, Taichung, Kaohsiung

Source: ATO Taipei survey; Taiwan Chain Stores & Franchise Association
* Figures inside the parentheses represent # of stores as of February 2006

Western-style Fast Food
Taiwan's first Western fast-food restaurant, McDonald's, opened in 1984. In 2004, there were around 1,880 Western-style fast food restaurant outlets, including pizza houses, in Taiwan**.** The previous rapid growth of the industry has slowed down in recent years. The major players have either slowed down opening new stores or exited from the market. Strong competition mainly comes from the rise of coffee shops, exotic restaurants, domestic restaurant chains, and convenience stores currently spreading all over the island. Currently, McDonald's still predominates, with 346 stores on the island. Many new products such as Italian coffee, bagels, spaghetti, pita pockets, and rice burgers were introduced in the market and have led to diversity in consumer choice and expectations. Chicken is still the primary

focus of consumer demand. Promotions offered by fast food establishments including price-off, giveaways, and volume discounts were employed everywhere.

Company Profile – Western-Style Fast Food				
	Company Name	**Year Founded**	**2005 No. of Stores**	**Location**
Pizza	Domino's Pizza	1991	109 (109)	Nationwide
	Pizza Hut	1986	122 (123)	Nationwide
	Napoli Pizza	1997	80 (85)	Nationwide
Fast Food	McDonald's	1984	346 (347)	Nationwide
	Kentucky Fried Chicken	1985	125 (130)	Nationwide
	Mos Burger	1990	103 (104)	Nationwide
	Burger King	1989	20 (24)	Nationwide
	Ding-Gua-Gua	1974	65 (70)	Nationwide

Source: ATO Taipei Survey; Taiwan Chain Stores & Franchise Association
* Figures inside the parentheses represent # of stores as of February 2006

Chinese-style Fast Food
The entry barrier for Chinese-style fast food outlets is low for individually owned/operated stores. Greater competition amongst service outlets, combined with increasing convenience store expansion into prepared meal service (i.e. the ready-to-eat food segment) and coffee shops, have led to increased pressure on margins for this segment. High labor and land costs, and the fact that not many chains have the ability to provide standardized products, have made the chain scale of outlet numbers relatively small compared to Western fast food restaurants.

Company Profile – Chinese-Style Fast Food			
Company Name	**Year Founded**	**2005 No. of Stores**	**Location**
Mercury Noodle	1983	180 (180)	Nationwide
Taiwan Yoshinoya	1987	41 (40)	Nationwide

Source: ATO Taipei Survey; Taiwan Chain Stores & Franchise Association
* Figures inside the parentheses represent # of stores as of February 2006

Department Store Food Courts & Restaurants
Total revenue in 2005 for Taiwan's department stores was estimated at US $6 billion, a nearly 3 percent increase from the previous year. Each major department store has 2-9 sit-down restaurants and a floor, or part of a floor, devoted to a food court. Revenues from restaurants and food courts represent 3-4% of the total department store revenue. Currently, Taiwan/Japan joint venture chains dominate the market. They are: Shin Kong Mitsukoshi, Sogo, Dayeh Takashimaya, and Hanshin. Far Eastern Department Store Chain is the only local player.

Coffee Shop Chains

Coffee consumption in Taiwan has seen rapid growth in recent years. The market size is currently estimated at over US$1 billion. According to Taiwan Chain Stores and Franchise Association's (TCSFA) research, current per capita coffee consumption in Taiwan is 80 cups, compared with 400 cups in Japan. TCSFA anticipated that opportunities still exist for coffee business in Taiwan. ATO Taipei also anticipates that strong competition, mergers, and greater concentration will take place in the near future. Currently, young people in Taiwan are more westernized. Drinking coffee in coffee shop chains symbolizes fashion and taste. High-end coffee shop franchises are of two principal types: Japanese and Taiwanese style (table service, more food items) and US-style (self service with coffee being the main item.) Most US-style high-end coffee shops only provide sandwiches, cakes, pastries, and salad prepared by air catering or other food processors, while domestic and Japanese style coffee shops offer freshly made sandwiches and hot meals, shipped frozen from their food processors for reheat in the outlets. These companies purchase materials from importers wholesalers, and distributors. The significant growth of café industry in recent yeas in Taiwan creates a niche market for especially imported candy/chocolate and cookie products. Many café stores, such as Starbucks, Dante, Kohikan, Is Coffee, and Barista, not only sell coffee and light meals, but also sell candy/chocolate/cookie products with small and attractive packaging. Currently, major players include:

Company Profile – Coffee Shop Chains			
Company Name	**Year Founded**	**2005 No. of Stores**	**Region**
Starbucks	1998	167 (167)	Nationwide
Dante	1993	112 (112)	North/South Taiwan
Manabe	1992	55 (55)	Nationwide
IS	1997	40 (40)	North/Central Taiwan
Kohikan	1992	70 (62)	Nationwide
Barista	1997	34 (34)	Nationwide
Ikari	1994	45 (45)	Northern Taiwan
Rose House	1990	40 (40)	Nationwide
DCS Doutor	1991	19 (19)	Taipei, Kaohsiung

Source: ATO Taipei Research Survey; Taiwan Chain Stores & Franchise Association
* Figures inside the parentheses represent # of stores as of February 2006

(C) Institutional

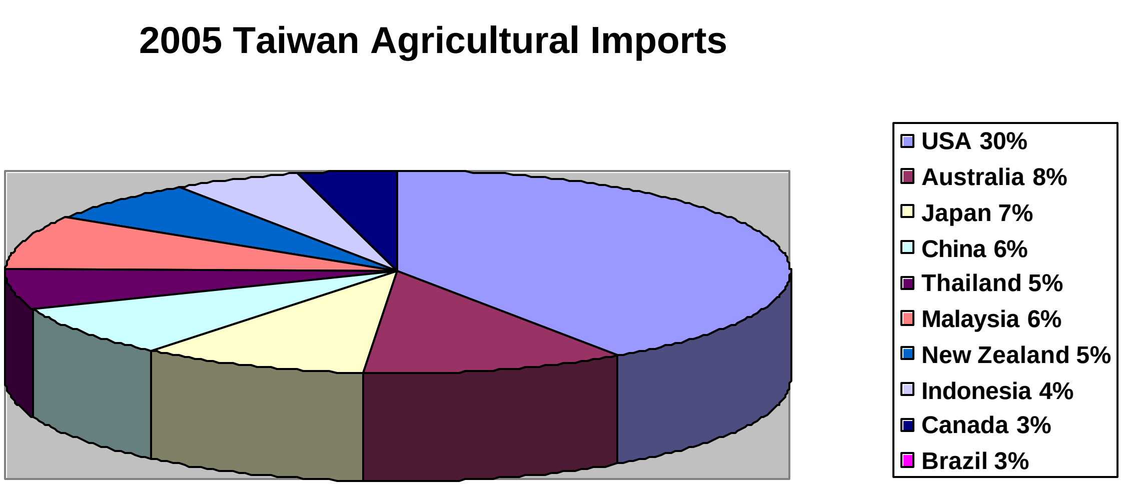
Air Catering

Currently, Evergreen Sky Catering, China Pacific Catering Service, and the TransAsia Airway Corporation dominate the local air catering market. In order to catch up to competition among themselves, they are aggressively expanding their catering business to also cater to local convenience stores, top restaurants, coffee shops, schools, and hospitals. According to industry sources, 35% of the food materials used for these flight kitchens are imported items. These airline flight kitchens purchase from local importers, manufacturers, and wholesalers, as well as import directly. The industry is widely expected to continue to grow over the next few years. Contact information of these air catering services are available upon request.

Schools
There are 2,646 elementary and 723 junior high schools in Taiwan. According to the data from the Ministry of Education, 87% of the elementary, and 60% of the junior high schools operated a lunch meal program in 2005, which means a total of 1.5 million students ate at school. The budget for a meal is about NT$50 (US$1=NT$32.17 in 2005) per child. Some schools outsource their lunches to food packagers, while others hire kitchen aids and nutritionists. School teachers are also involved in purchasing materials. In terms of materials, beef is not used as much as pork and chicken, especially for elementary children's meals. Leafy vegetables are preferred. Given the budget of school meals and small scale operations, U.S. products are rarely used. International schools such as Taipei American School have a cafeteria-type service, providing breakfast and lunch for 2,000 students. U.S. products are widely used at TAS. There are over 150 food processors supply lunch to schools, organization, and factories. Given the high labor cost and limited scale, these companies have increasing needs for consistent quality, pre-cut food giving attractive growth potential for appropriate U.S. products.

Hospitals
There were 590 hospitals in Taiwan by the end of 2004, among which, 4 offer 2,000 beds or more and 14 offer 1000-1999 beds. Major hospitals are located in big cities like Taipei, Kaohsiung, and Taichung. Most of the major hospitals have restaurants for visitors and internal restaurants for employees and patients. Restaurants for visitors are normally operated by outside contractors, while restaurants for employees and patients are normally managed by the hospital internally with nutritionists controlling the menus. Some small-scale hospitals outsource all their food service business to catering companies. Since most hospitals run on a tight budget for food, US-sourced food is rarely specified. However, some niche opportunities exist, with pureed foods for dietary needs of the elderly and frozen items like sheet cakes for labor saving dessert items.

Section III. Competition



In 2005, Taiwan imported nearly US $9.4 billion of food and agricultural products from many different sources, of which US $2.8 billion (30%) was imported from the United States. The United States was the number one agricultural supplier to Taiwan, followed by Australia (8%), and Japan (7%). Australia dominates the beef/mutton markets. Japan dominates the swine skin and biscuit markets and is very competitive in other consumer-ready food products. New Zealand ranks as the top supplier of dairy products.

While maintaining its position as a substantial supplier of bulk commodities such as soybeans (72%), corn (97%), and wheat (86%), the Untied States supplies 97% of turkey meat, 56% of fresh & frozen pork, 37% of vegetable & products, and 41% of fruit and products. The United States is the top supplier of most varieties of imported fresh fruits: apples (35% or US $35,678,000), table grapes (68% or US $25,557,000), oranges (68%, or US$5,698,000), cherries (73%, or US $36,874,000), peaches (77%, or 35,402,000), and plums (76%, or US$11,485,000).

Product Category	Total Import Value 2005 (US $1,000)	U.S Market Share	Major Supply Sources and Market Share
Total Food-Agr Imports	9,355,061	30%	Australia (8%), Japan (7%), China (6%), Malaysia (6%), Thailand (5%), New Zealand (5%), Indonesia (4%), Canada (3%), Brazil (3%)
Animal Products			
Beef, Fresh/Frozen	286,866	15%	Australia (42%), New Zealand (41%)
Processed Beef	357	0%	Australia (76%)
Pork, Fresh/Frozen	38,609	56%	Canada (37%)
Processed Pork	645	75%	Canada (15%)
Turkey Meat	17,363	97%	-
Fish & Seafood			
Salmon	39,532	2%	Norway (32%), Canada (31%), Chile (28%)
Lobster	42,582	32%	Australia (42%), Indonesia (6%), Vietnam (5%), Cuba (3%)
Fish Roe	433	10%	Japan (63%), Canada (11%)
Surimi	24,209	17%	India (33%), Thailand (32%), Indonesia (5%)
Dairy Products			
Cheese	52,620	10%	New Zealand (37%), Australia (31%)
Powder Milk	114,915	0.4%	New Zealand (55%), Australia (33%)
Fruits & Products	505,083	41%	Thailand (7%), China (8%), Chile (9%), Japan (6%), New Zealand (5%)
Apples, Fresh	101,938	35%	Japan (21%), Chile (24%), New Zealand (14%)
Table Grape, Fresh	37,584	68%	Chile (23%), South Africa (4%)

Cherries, Fresh	50,513	73%	Chili (11%), Canada (7%), New Zealand (6%)
Grapefruits, Fresh	3,993	16%	South Africa (82%)
Plum, Fresh	15,112	76%	Chile (17%), Australia (6%)
Peaches, Fresh	45,977	77%	Chile (11%), Australia (5%)
Oranges, Fresh	8,380	68%	South Africa (15%), Australia (12%)
Vegetable & Products	236,488	37%	China (13%), Thailand (11%), Vietnam (6%), Indonesia (5%), Canada (4%), Netherlands (4%)
Potatoes, fresh, frozen, processed	69,508	56%	Netherlands (12%), Canada (9%)
Celery, fresh	3,067	100%	-
Onions, fresh	8,370	76%	New Zealand (10%), Thailand (8%)
Broccoli, fresh	10,679	98%	-
Lettuce, fresh	5,043	92%	Thailand (8%)
Almond	21,359	94%	China (5%)
Beverage			
Wine	67,953	12%	France (53%), Australia (11%), Chile (6%), Italy (4%), Canada (2%), Japan (2%)
Apple Juice	2,752	9%	China (70%), South Africa (8%), Japan (4%)
Grapefruit Juice	1,610	7%	Israel (54%), Japan (36%)
Grape Juice	6,061	19%	Spain (31%), Italy (22%)
Processed Food			
Pre Mix & Dough	7,679	59%	Japan (245)
Soups & Broths Powder/Solid	3,494	21%	Japan (37), China (32%)
Cookies & Other Baked Products	69,930	6%	Japan (28%), Indonesia (21%), Malaysia (14%)
Canned Corn	24,817	64%	Thailand (19%), France (17%)
Soybean Oil	21,966	0.5%	Argentina (53%), Brazil (46%)
Sunflower Oil	18,568	3%	Argentina (82%), Singapore (4%), Germany (4%), China (4%)

Source: Council of Agriculture; Bureau of Foreign Trade

SECTION IV. BEST PRODUCT PROSPECTS

	2004 Imports (US$Mil)	2005 Imports (US$Mil)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Wine	$56	$68	35%	10% plus a NT$7 per one percent alcohol for grape wines.	French wine still dominates the red wine market. Knowledge about wines is generally low throughout wine distribution channels.	Currently, the United States is Taiwan's second largest wine supplier. Despite the front-runner position of French wines, US wines continue to gain consumer recognition and acceptance. The growth was fueled by the perception that wine is good for health
Cheese	$49	$53	23%	5%	Although the import volume is large, it is dominated by New Zealand (37%) and Australia (31%).	The US share is growing faster than the larger competitors, meaning that those US cheese currently coming into the market are finding faster acceptance than those of competitors
Whey	$11	$12	5%	5%	Intense competition from major exporting nations such as New Zealand and Australia.	The U.S. is the major supplier of whey due to competitive pricing and successful promotion efforts into hotel/restaurant/institutional and processed food channels by U.S. exporters and the U.S. Dairy Export Council.
Berries, Fresh	$1.8	$2.3	66%	Blueberries 7.5% Strawberries 20%	Consumer/trade lack of product knowledge. Educational programs by US exporters are necessary.	Consumers in Taiwan are becoming more health conscious. Berries continue to enjoy a steadily increasing share of both consumer/retail and food service channels. There are strong growth prospects for berry, strawberries and blueberries in particular, category.
Chicken Meat & Offal	$36	$71	87%	20%	The TRQ controls on chicken meat was eliminated in January 2005 and replaced by ordinary tariffs. However, an SSG assessment would	Imports are rising significantly in the wake of Taiwan's elimination of all tariff rate quota restrictions in January 2005. The United States is currently in a strong supply position, being

					add an estimated 633% to normal tariffs, resulting in an effective tariff of about 26.33% for chicken meat.	one of only six countries certified for poultry exports to Taiwan and the only one of these with sufficient volumes and competitive pricing points.
Tree Nuts	$39	$54	20%	Sweet almonds: in shell 5%; shelled 2.5% Bitter almonds: 10% Hazel nuts: shelled 7% In-shell 7.5% Walnuts 5% Pistachios 3% Pecan 7.5%	Currently, the US dominates the following nut market: almonds, and walnuts. Cashes from China and SE Asia has shifted some market share away from U.S. suppliers. The greatest competition to US pistachio exporters is from Middle East and Australia.	Nuts (mainly almonds, and walnuts) are very popular as ingredients used in baking. The US currently dominates these categories. Constant communication with the baking industry technical seminars and trade shows is essential to grow in this category.
Red Meat & Offal	$371	$429	18%	Beef-10% per kg Beef offal – 15% Pork-12.5% Variety meat-15%	Beef-The primary competitor is Australia, whose advantage is customer-perceived comparable/acceptable quality at a low price. Pork-is a market where the domestic producers have many competitive advantages.	U.S. beef is perceived to be high quality. There are growth opportunities for U.S. pork that meets local food processors' needs.
Seafood	$314	$345	3%	9%-38%	With a bias towards fresh fish and SE Asia-variety crustaceans, the seafood segment currently has development problems	The food service/HRI venues with a strong Western orientation and up-market positioning offer the current best opportunities for U.S. exporters

Source: Taiwan Bureau of Foreign Trade: Taiwan Council of Agriculture

Section V. Post Contact and Further Information

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