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Taiwan Health Foods

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Report Highlights:

The relatively small level of per capita of consumption indicates significant room of Taiwan's upward growth on health food products. It is estimated that the total value of food supplements consumption nationwide will reach NT\$20 billion (US\$0.6 billion) in Taiwan.

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Summary

The increasingly cosmopolitan Taiwan consumers in 2004 saw a per capita GNP of US\$13,995 present a strong buying power on consumer goods and services unimaginable a decade ago. Taiwan is also a high consumption economy as the average household spends 70 percent of its disposable income and saves the other 30 percent.

A sluggish global economy, rising currency value, and a slow local stock market have generally suppressed consumer willingness to spend money. However, in these difficult times, the nutraceutical industry has experienced rapid growth for the past five years. Nutraceutical Industry products defined in this report are functional foods, nutritional supplements, herbal compounds, and vitamins.

Abstract of National Income

Year	GNP			National Income			
	Amount (Billion NT\$)	Annual Rate of Change %	Per Capita (US\$)	Economic Growth Rate %	Amount (Billion NT\$)	Annual Rate of Change %	Per Capita (US\$)
1993	6,032	10.48	10964	7.01	5,508	10.51	10,011
1994	6,571	8.93	11,806	7.11	6,020	9.30	10,816
1995	7,129	8.49	12,686	6.42	6,536	8.57	11,630
1996	7,788	9.24	13,260	6.10	7,142	9.28	12,161
1997	8,395	7.80	13,556	6.37	7,695	7.74	12,426
1998	8,968	6.83	12,307	4.33	8,208	6.67	11,264
1999	9,335	4.09	13,117	5.32	8,511	3.69	12,015
2000	9,752	4.47	14,114	5.78	8,831	3.76	12,781
2001	9,640	-1.15	12,798	-2.22	8,627	-2.31	11,454
2002	9,978	3.51	12,884	3.94	8,919	3.39	11,517
2003	10,173	1.96	13,139	3.33	9,066	1.65	11,710
2004	10,586	4.06	13,995	5.93	9,358	3.22	12,372

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan

Foods which the Taiwan consumer considers healthful include chicken essence, ginseng drinks and ginseng-based products, lingchi tablets, calcium tablets, strips and essence, and honey products such as royal jelly. The target age for these products is 50 and above, which on Taiwan is a significant number of consumers. According to criteria set by the World Health Organization (WHO), Taiwan qualifies as a “senior society” since 1993, 7.09 percent of its people were over 65.

Taiwan’s society is increasingly elderly, while couples are choosing to have fewer children, people are realizing that they have to pay more attention to their health and take care of themselves in their retirement. They also recognize that exercise, a proper

diet, and the intake of supplements are the best way to keep a healthy living. Dietary supplements are the perfect products to fill the need of consumers looking for a healthy life. We have seen a proliferation of food supplements to assist with weight loss, cardiovascular health, cognitive health, eye health, menopause, joint health, healthy blood sugar levels, cleansing, sleeping, fuelling, beautifying and much more.

According to a survey conducted by the Food Industry Research & Development Institute (FIRDI), 77 percent of Taiwan consumers have purchased health food products. The Bureau of Health (BOH) of the Taipei City Government released a statistics report in August 2004 indicating that over 30 percent of Taipei citizens regularly purchase dietary supplements and spend a total of NT\$2,4 billion (US\$ 800 million) on such purchases yearly. In light of these figures, it is estimated that the total value of food supplements consumption nationwide will reach NT\$20 billion (US\$0.6 billion) a year.

Supplements are most popular amongst people who are older, female, highly educated and have a “normal bodyweight”. Certain groups of Taiwanese with medical conditions use more supplements than others. They may use supplements to self-treat their health condition, and the supplements they choose are in line with recommendations published in the mainstream or medical press.

A study found that women use more supplements overall. Men with medical conditions such as depression and coronary disease use more supplements than women do. It means women tend to use supplements more broadly and for disease prevention, while men tend to choose to use supplements mainly after finding out they have some health problem.

Popular Dietary Supplements in Taiwan

The major food supplements in this market include medical nutritional products, vitamins and minerals, supplements and beverage with health benefits, and diet aid products.

1. Medical Nutritional Supplements:

Most patients have poor diets and maintaining their weight is an issue crucial to lifting their quality of life and enhancing their likelihood of receiving effective medical treatment. In addition, as the aging population grows in Taiwan, more and more people with chronic diseases require special nutritional products.

2. Vitamins and Minerals:

Our lifestyle often pushes us to eat meals that are quick and unbalanced, exceedingly rich in fats and refined sugars but poor in vitamins and with mineral contents very much different from those needed for proper human health. For instance they often contain excess sodium and very little or no magnesium or oligo-elements such as zinc, copper, selenium. Consumers believe that taking multivitamins and mineral supplements provide real health benefits for people in fighting free radicals, and most of the people do so a daily basis – despite the lack of well-followed research to assure us it is actually doing

some good. Among vitamins and minerals categories, single supplements with most popular here in Taiwan are vitamins E , B, and C, and calcium.

3. Functional Supplements:

Products with health functions have grown to hold positions of great importance as aids for managing stress, increasing athletic sport performance, improving study ability, as well as helping with the management of specific body functions. Functional supplements containing the correct mixtures of ingredients are needed by many individuals who choose to use them instead of drugs or pharmaceuticals as a remedy for health problems.

Some herbs are found to carry active compounds allegedly helpful in curing health problems. Herbal medicines are booming in the global market. Their production value worldwide is expected to hit US\$26.7 billion by 2005 from a 2002 level of US\$23.3 billion; the U.S. and Europe continue to be the two largest markets (data provided by the Taiwan's Industrial Technology Intelligence Services).

Ginseng is one of the most precious herbs in Chinese medicine history, used for functions such as boosting energy. However, a new technology to produce a handful of extracted ginseng saponin compounds makes ginseng very special in Chinese medicine. It has been proven to help battle cancer. Several Asian countries are aggressively developing anti-cancer ginseng saponin medicines.

Fish oil contains omega-3 fatty acids that may lower the risk of heart disease in older adults. There have been a number of clinical trials assessing the benefits of fish oils. Fish oil in chronic inflammatory diseases reveals significant benefit, including decreased disease activity and a lowered need to use anti-inflammatory drugs.

Chondroitin and Glucosamine are very popular among older people, helping to lubricate, cushion and support joints, and helping to maintain the structural integrity of joints and connective tissues. This type of product is currently dominated by domestic production, as the domestic products are very expensive, consumers are turned to source imported products. Canadian and U.S. brands are most common in this market.

The Brazil mushroom has recently become an increasingly popular health food. It is rich in polysaccharides, which can enhance the immune system and can also be used in the production of cancer-fighting drugs. In the past, only imported dried Brazil mushrooms or liquid extracts were available in Taiwan, since 2003 the local farmers have successfully grown the Brazil mushroom in Taiwan, with technical assistance from an university research team.

4. Functional Beverages:

Health-oriented drinks are based on carriers that have an intrinsically healthy image with consumers. What's more they offer convenience. The successful brands are usually also ultra-convenient, single-serve, on-the-go products, which you can grab for a morning or afternoon snack and which don't require consumers to alter eating habits.

5. Diet Aids:

In Taiwan, the prevalence of obesity is a developing public health problem. Instead of taking doctor's advice on taking weight control pills, most people prefer self-treatment to lose weight before seeking out a doctor. Women who are weight-conscious, or slightly overweight in particular like to take diet aid products such as digestive formula and fiber supplements.

The Taiwan consumer enjoy the wide variety and benefits of health food offers and rising incomes make health food more affordable. There are three main directions in which this market is growing:

1. Liquid breakfasts: Breakfast is already established in many countries as the one meal occasion of the day when most consumers will make at least a gesture in the direction of eating healthily. A "healthy start to the day" has become a common marketing message for nutritional products.
2. Enhanced water: The bottled water market is expanding across the world, driven by the universally-recognized message of the importance of drinking 8 glasses of water a day, coupled with convenience, portability and an image of healthy. But if you don't already own a well-known brand, it's hard to make headway in a market that is increasingly consolidated into the hands of a few major players. But the makers of enhanced waters have proved that they know how to ride the water trend. Enhanced waters are a logical progression from flavored waters, achieving brand differentiation by delivering healthy ingredients and zero-calories.
3. Liquid dietary supplements: An increasing number of ingredients which have been previously found only in the dietary supplement aisle are beginning to find their way into beverages. Consumers look for the better-tasting, more fun and more convenient (as compared to pills/capsules) delivery systems for health-enhanced nutrients.

Local Production

Increasing consumer awareness of the role of healthier living provides opportunities for innovative manufactures and the profit levels for health food producers have outperformed the general food product industry. Several Taiwan food giants have moved into the health food sector as well as into food biotechnology, by establishing biotechnology research centers to research and develop health foods with major functions including strengthened immunity, lower blood lipids, and improved gastrointestinal functions.

The Wei Chuan Food Corporation, a food manufacturer with 47 years of experience in Taiwan established a biotechnology research center in 2004 including a well-equipped facility, which is partly supported by Esukimo in Japan. The center manufactures a wide variety of health food based on functional fermented products, natural vegetable materials, and advanced bacteria cultivation. One example of an especially successful

product is the immunity booster produced from a special breed of mushroom: agaricus blazei murill. Wei Chuan anticipates its biotech center to earn a profit of NT\$200 million (US\$6.6 million) in three years.

Taiwan Sugar Corporation (TSC) is a state-owned company under the supervision of the Ministry of Economic Affairs. Between 1952 and 1964, long before Taiwan became a manufacturing workshop for the world market, TSC had the distinction of being Taiwan's number-one foreign exchange generator. Sugar was then Taiwan's leading export commodity, at one point accounting for as much as 74% of total foreign-exchange earnings. Despite its past glory, TSC went into serious decline in the 1980s. The economy's swift transition to concentration on higher-valued manufactured goods, coupled with a sharp drop in international sugar prices, delivered a double blow to the once flourishing corporation. Since then, TSC sought to improve its fortunes by diversifying into several new areas of business.

Food supplement products developed with nanotechnology have generated NT\$200 million (US\$6.6 million) in one year in Taiwan. Cordyceps, also known as winter worm summer grass has long been treasured as a powerful medicine to regain strength, resist asthma, and prevent heart diseases. Ganoderma, or "*linchi*" in Chinese, is another rare plant widely believed to have many medical properties for strengthening the immune system. Both have been certified by the FDA. According to TSC, the healing part of these two herbs lay in their mycelia. The biotech center of the company therefore focused on the incubation of cordyceps and ganoderma mycelia, effectively reducing the cost but still retaining the essence of the plant.

Health Food Labeling

According to Taiwan Health Food Control Act, local or foreign food manufacturers can apply for permission to make health food claims based on the functionality of their product ingredients by submitting relevant reports that describe and demonstrate how a specific ingredient (or ingredients) works to achieve a specific effect. This limited list of specific effects include: moderating lipid level, moderating stomach and intestinal functions, improving of osteoporosis, benefit to dental health, moderating of the immune system, moderates blood sugar level, protect the liver, anti-fating, anti-ageing, and helps promote weight loose. Food products containing ingredients with Department of Health (DOH) recognized health benefits may submit an application. It is a mandatory requirement that any nutritional claims carry nutritional labeling and comply with the restrictions prescribed by the Department of Health (DOH) and the nutritional information is required to be listed on the packaging.

Taiwan does not apply specific requirements for food products imported as dietary supplements unless the imported products want to apply for local health food claims. All imported supplements must follow the inspection and quarantine rules that apply to their regular food peers.

Sales Channels for Nutritional Supplement Products

Direct Sell:

80 percent of dietary supplements are sold through the direct sell channels. Direct sales marketing offers the most vigorous growth with a target audience between the age of 20 and 40. According to the statistics of the Taiwan Direct Selling Association, a trade group that represents 264 companies, the 2003 sales of nutritional food/supplements account for NT\$20.4 million (US\$6.4 million – up from NT\$16.5 million (US\$5.5 million) in 2002 and NT\$13.3 million (US\$4.4 million) in 2001. The nutritional supplement products sales average about 35 percent to 40 percent of member companies' total sales revenues.

It's all about the relationship. People want to buy from people they like and know. The sales consultants, mostly women motivated by sales incentives and flexible work schedules, have been turning social gatherings into big business. Despite the convenience of Internet retailing, most Taiwan customers do not feel comfortable shopping and releasing their credit information over the Internet. However, multilevel merchandisers fulfill the need of shoppers who want see and taste the products before purchasing.

Pharmacies:

Health and beauty are the strongest areas in terms of sales in this kind of store. In addition to products, consultancy services are also important elements for consumers who shop at pharmacies, as people are more conscious about health and beauty issues and this is a place for people to look for advice in the early stages of an illness, rather than to go to the doctor for help. This type of pharmacy has a positive role to play in Taiwan. The most prevalent pharmacies on the island are Watsons, Cosmed and branded druggist chain stores.

TV Shopping Channels

Currently, the lucrative TV shopping market is led by the Eastern Home Shopping Network, which runs five shopping channels established in 1999. Fubon Financial Holding Company also launched a TV shopping channel at the end of 2004. Both Easter and Fubon are very optimistic about the TV shopping services. Another interested party is Uni-President Corp., Taiwan's largest food maker and the dominant player in the retail sector. Uni-President announced plans to tap into the TV shopping market last summer, although it has since decided to put this project on hold. The TV shopping market has become widely accepted as a way to purchase products, with women age between 25 and 50 constituting the main customer base.

Opportunities

Health food products are dominated by domestic production. The local products tend to be expensive. The majority contain Chinese medicine ingredients. Affluent Taiwan consumers are becoming increasingly cosmopolitan in their life styles as evidenced by the recent surge in health foods and supplements taking. As a result, quality U.S. products are readily accepted here and are becoming a growing part of the Taiwan

supplements market. Whether they are vitamins, fish oil, lecithin, joint strengthener or dietary control pills, Taiwan consumers are looking for variety and appreciation of quality.

Packaged supplements may help to promote U.S. brands and product innovations to Taiwan market. There is a way which can help U.S. manufacturers increase exports and save package cost for Taiwan importers and distributors. Depending on the needs/desires of Taiwan importers, U.S. manufacturers should export capsules and tablets in bulk as some local health food companies want to sell their products with their private labels.